

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**CITY OF HENDERSON**  
**HENDERSON, NORTH CAROLINA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**CITY OF HENDERSON, NORTH CAROLINA**

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# **Introductory Section**



December 4, 2017

To the Honorable Eddie Ellington and Members of the City Council  
and Citizens of the City of Henderson

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Henderson, for the fiscal year ended June 30, 2017. 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, 2017, 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, 2017 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 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

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

### ***Summary Profile of the City of Henderson***

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

Henderson was founded in 1811 and incorporated in 1841, just celebrating 175 years. It became the Vance County seat of government when the county was formed in 1844. It has utilized the Council-Manager form of government since 1966. The Mayor and Councilmembers are elected for four-year staggered terms. The Mayor is elected at-large while four Councilmembers are elected by Ward vote only and the other four are elected at-large but Ward residency is required.

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

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 late January or 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

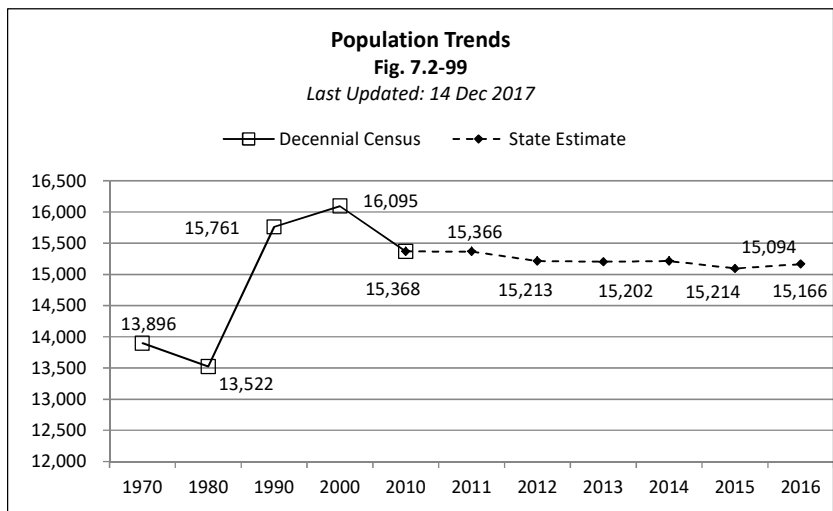


plans that identify its top priorities. City Administration develops the recommended budget with these key strategic objectives in mind.

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 30<sup>th</sup> 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 major corridors such as 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, but is becoming more diversified.

The city’s population and poverty rates continue to be areas in need of improvement, but there are signs of stabilization and recent recruitment of new businesses should help improve or stabilize these areas. The table to the right 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 development services which includes code compliance, 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 the managing partner for this 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. Major improvements and possible expansion are planned for the next several years.

## ***Economic Conditions and Outlook***

The City is home to nearly 1,000 businesses, including approximately 15 manufacturers, 240 retailers, 250 service businesses and 8 distribution facilities. There is a mixture of large and smaller banks and several credit unions located within the area. Major manufacturing products include home furnishings, glass, pet food, and wall coverings with several of those just completing renovations or expansions. Four major distribution facilities that exist in the area, along with several smaller ones provide an influx of business within the City and County. Henderson's location is in the geographic center of Vance County and, as mentioned earlier, bisected by I-85 and U.S. Hwy 1, making it an excellent location for manufacturing and distribution. The State is currently completing major reconstruction of I-85 which will improve and solidify these corridors for strategic growth of existing and new businesses looking to expand or grow in Henderson. A major medical laboratory creating 153 new jobs just announced locating within the City of Henderson.

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 as well as a new industrial site just off of US 1 Bypass. 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. Recent projects have been a collaborative effort with the City, County, and State Officials in bringing new jobs to Henderson.

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 showcase event held in October, and fishing tournaments at Kerr Lake. The car show alone brings over 30,000 people to the downtown area which helps to showcase our local businesses and other downtown shops.

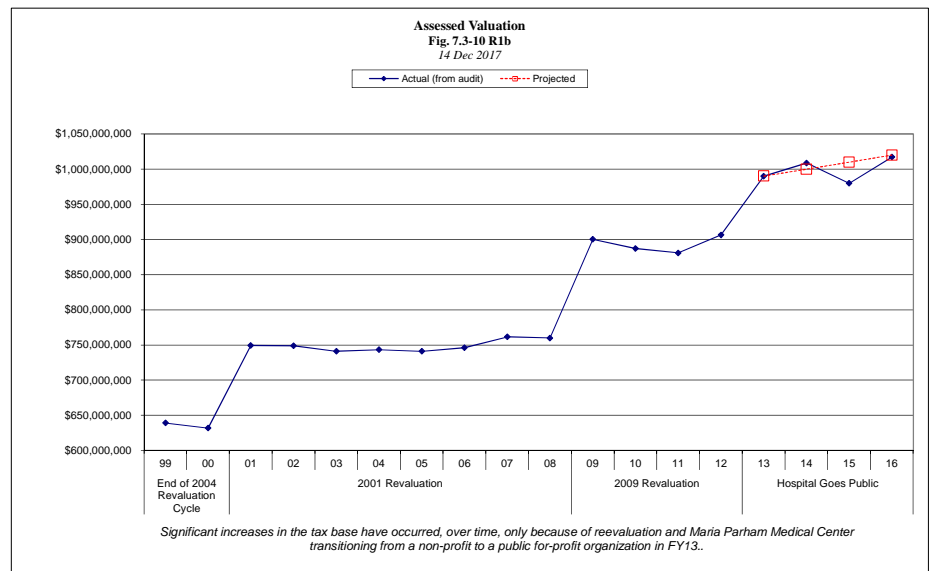
The City's per capita income continues to lag both the state and national averages, but there are signs of increased activity in job growth that may help with this. Efforts continue to be made to improve per capita income and overall economic well-being of the city by many organizations including City of Henderson, Henderson/Vance Economic Development Commission, Embassy Cultural Foundation, Henderson/Vance Downtown Development Commission, Redevelopment Commission, and Henderson/Vance Chamber of Commerce.

The City, through the Downtown Development Commission, has hired a new Downtown Development Director to continue efforts as set forth by the previous Director. As a result, new restaurants and other businesses that will complement the 1,000 seat performing arts center in the heart of downtown Henderson have recently opened. Major shows and events are being held in the venue with other major shows scheduled, one of the first sell out events was performed by Henderson's own Gerald Alston of the Manhattans. The McGregor Hall Performing Arts Center

is a major downtown anchor in helping to revitalize downtown Henderson and its recruitment efforts in promoting new businesses. In addition, planning and permitting is underway for a new outdoor amphitheater across the street from McGregor Hall. This is being done through private and public funding. Further, the City has been working to obtain its NC Mainstreet status again as Henderson was selected along with three other cities. We are now part of the Downtown Associate Community Program which will put us on track to Mainstreet status again.

The City continues to operate a new state of the art wastewater treatment facility. This was an \$18.5M project with the City experiencing cost reductions as a result of efficiency at the plant as well as other reduced operating costs. Other major projects have been completed such as the Elmwood sewer replacement along with new construction on a major outfall which will eliminate a pump station and will further reduce costs. Additionally, design is now underway to increase the size of the Kerr Lake Regional Water Treatment Facility beyond 10MGD. With permits in place such as the certification for the inter-basin transfer of water, design is underway for the expansion adjustments and phasing of the project which will be considered to insure that the best treatment technology is utilized and there is optimum efficiency at the plant at all times. This will assure adequate potable water for the future for business, industry, and residential uses.

The chart to the right shows a modest increase in assessed values. There has been some economic growth with the expansion of several industries which should help to increase the assessed values in the future.



**Long-Term Financial Planning**

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

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

The City Council has appropriated some undesignated fund balance for recurring expenses in this FY, but through sound budgeting and other controls, the funds have remained stable and are no longer at the minimum level. The unassigned fund balance remains above the 30% minimum

established by Council this past year with the year ending balance decreasing to \$6,722,312 or 50.3% of General Fund expenditures.

### ***Major Initiatives***

The City's fiscal year ending June 30, 2017 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.

- A stable position in the General Fund's unassigned fund balance of \$6,722,312.
- Contributions made to water and sanitary sewer rate stabilization funds.

### ***For the Future***

The FY17-18 Annual Operating and Capital Budget was approved by City Council on 12 June 2017. The FY18 Budget, inclusive of all funds, is \$38,663,304. There was no increase in the water, sewer, or regional water rate for FY 18. The FY 17-18 operating budget has seen some improvement in various revenue streams and tax values appear to be stabilizing as a result of economic development activity as well as the establishment of new businesses.

### ***Awards and Acknowledgements***

The City 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 received this award for its CAFR for FY16.

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 continuing to strengthen the financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

As noted earlier, there has been continued improvement in areas of revenue growth and new development; however, there are continued challenges. The City's Finance Director, along with a seasoned staff in this office, has become more familiar with the City's finances to insure best practices and other efficiencies are performed to maintain the City's finances in proper order.

Respectfully submitted,  
Frank Frazier  
City Manager

**FY 2016-2017 ORGANIZATION CHART**

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

**City Clerk**  
 Esther J. McCrackin

**City Manager**  
 Frank Frazier

**City Attorney**  
 D. Rix Edwards

**Executive Assistant**  
 Patricia Pearson

**Assistant to the City Manager**  
 Paylor Spruill

**Finance**  
 Joey Fuqua

Budget  
 Rev Collection  
 Customer Service  
 Cash Management  
 Payroll  
 Accounting

**Human Resources**  
 Cathy Brown

Recruitment  
 Orientation  
 Evaluation  
 Employee Relations  
 Benefits Adm.  
 Risk Management

**Recreation & Parks**  
 Kendrick Vann

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

**Police**  
 Marcus Barrow

Administration  
 Patrol  
 Drug Enforce.  
 Community Watch  
 Partnerships

**Fire**  
 Steve Cordell

Suppression  
 Rescue  
 Training  
 Fire Prevention  
 Inspection

**Development Services**  
 Corey Williams

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

**Water Reclamation**  
 Lamont Allen

Treatment  
 Testing  
 Monitoring  
 I&I

**Public Works**  
 Andy Perkinson

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

**Engineering**  
 Clark Thomas

Surveying  
 Mapping  
 Construction  
 Mgmt/Eng Services  
 Public Buildings

**Regional Water**  
 Christy Lipscomb

Treatment  
 Testing  
 Monitoring

## **Mayor and Members of City Council**

Eddie Ellington  
*Mayor*

### **Members of City Council**

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

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

### **City Administration**

Frank Frazier  
*City Manager*

D. Rix Edwards  
*City Attorney*

Joey Fuqua  
*Finance Director*

Esther J. McCrackin  
*City Clerk*

Paylor Spruill  
*Assistant to the City Manager*



Government Finance Officers Association

**Certificate of  
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**City of Henderson  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 64, the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 65, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on page 66, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Henderson's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017 on our consideration of the City of Henderson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Henderson's internal control over financial reporting and compliance.

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 4, 2017



## **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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

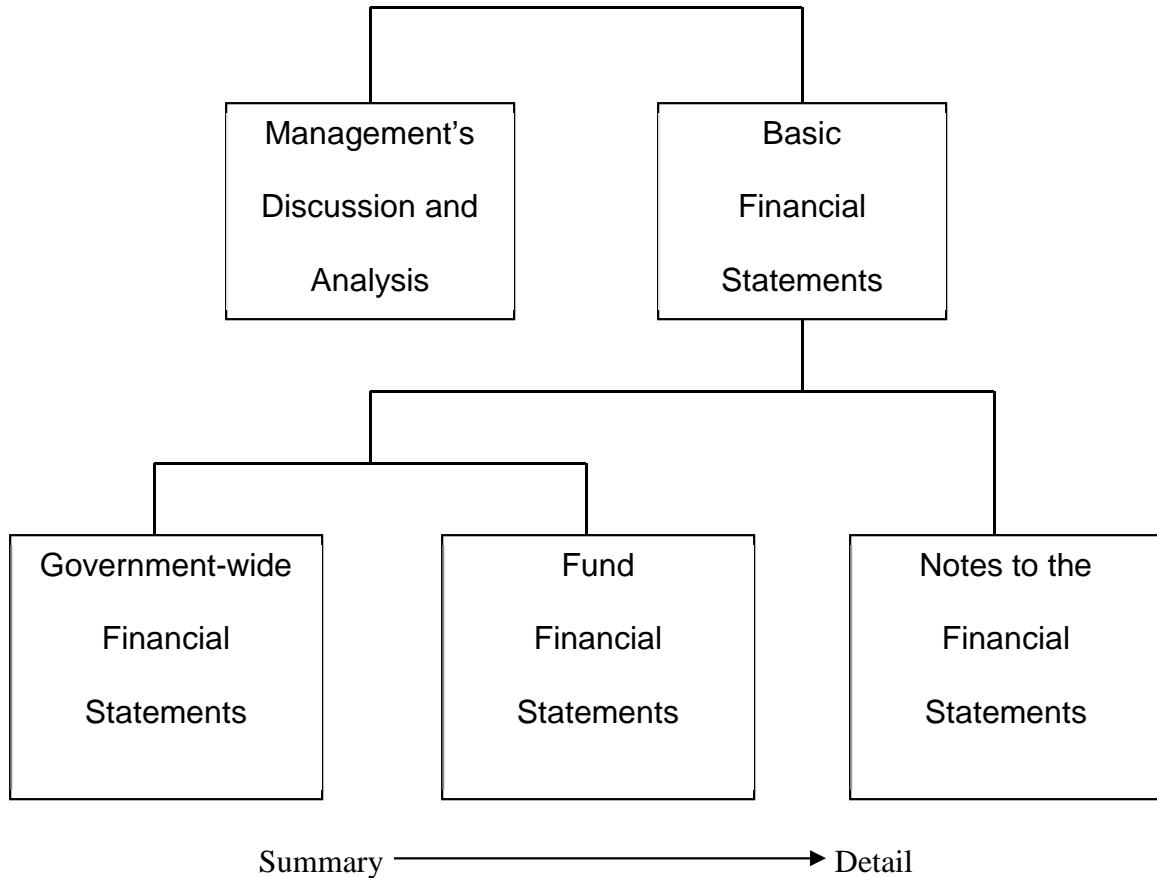
- The assets and deferred outflows of resources of the City of Henderson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$110,577,962 (*net position*).
- The government's total net position increased by \$5,776,933. Current year activities increased net position by \$6,682,103, while a restatement required by the implementation of new accounting standards pertaining to the Law Enforcement Officer's Special Separation Allowance decreased net position by \$905,170.
- As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$12,980,059 with a net change of \$1,254,564 in fund balance. Approximately 29 percent of this total amount, or \$3,452,122, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,775,871 or 50.3 percent of total general fund expenditures for the fiscal year.
- The City of Henderson's total recorded debt increased by \$1,418,258 (4.1%) as compared to the prior fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to City of Henderson's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Henderson.

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

The City of Henderson adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these

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

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

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Henderson’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 62 of this report.

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

**Government-Wide Financial Analysis**

**City of Henderson's Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 13,063,296	\$ 11,625,699	\$ 27,484,805	\$ 23,099,721	\$ 40,548,101	\$ 34,725,420
Capital assets	18,099,383	18,117,603	87,731,947	86,899,737	105,831,330	105,017,340
Total Assets	<u>31,162,679</u>	<u>29,743,302</u>	<u>115,216,752</u>	<u>109,999,458</u>	<u>146,379,431</u>	<u>139,742,760</u>
Deferred outflows of resources	1,760,306	360,828	581,376	136,661	2,341,682	497,489
Long-term liabilities outstanding	8,158,673	5,845,841	26,330,674	27,915,105	34,489,347	33,760,946
Other liabilities	798,254	593,844	2,569,661	623,407	3,367,915	1,217,251
Total Liabilities	<u>8,956,927</u>	<u>6,439,685</u>	<u>28,900,335</u>	<u>28,538,512</u>	<u>37,857,262</u>	<u>34,978,197</u>
Deferred inflows of resources	208,238	333,654	77,651	127,369	285,889	461,023
Net position:						
Net investment in capital assets	17,157,718	16,776,372	62,856,096	60,567,294	80,013,814	77,343,666
Restricted	3,452,122	2,842,835	-	28,258	3,452,122	2,871,093
Unrestricted	3,147,980	3,711,584	23,964,046	20,874,686	27,112,026	24,586,270
Total net position	<u>\$ 23,757,820</u>	<u>\$ 23,330,791</u>	<u>\$ 86,820,142</u>	<u>\$ 81,470,238</u>	<u>\$ 110,577,962</u>	<u>\$ 104,801,029</u>

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 \$110,577,962 as of June 30, 2017. The City's net position increased by \$6,682,103 for the fiscal year ended June 30, 2017. The largest portion (72%) 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, \$3,452,122, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$27,112,026 is unrestricted.

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

- Achieving a tax collection percentage of 96.38%, an increase from the prior year's percentage of 94.72%. The statewide average in fiscal year 2016 was 98.78%.
- A restatement required by the implementation of new accounting standards pertaining to the Law Enforcement Officer's Special Separation Allowance decreased net position by \$905,170.



**City of Henderson's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,922,803	\$ 2,949,033	\$ 16,346,070	\$ 16,186,908	\$ 19,268,873	\$ 19,135,941
Operating grants and contributions	488,096	504,211	-	-	488,096	504,211
Capital grants and contributions	92,140	50,794	414,593	867,743	506,733	918,537
General revenues:						
Property taxes	6,381,258	6,401,674	-	-	6,381,258	6,401,674
Other taxes	28,660	33,455	-	-	28,660	33,455
Grants and contributions not restricted to specific programs	4,172,297	4,082,808	-	-	4,172,297	4,082,808
Other	107,980	183,389	287,969	293,331	395,949	476,720
<b>Total revenues</b>	<b>14,193,234</b>	<b>14,205,364</b>	<b>17,048,632</b>	<b>17,347,982</b>	<b>31,241,866</b>	<b>31,553,346</b>
<b>Expenses:</b>						
General government	1,661,484	1,496,470	-	-	1,661,484	1,496,470
Public safety	6,623,560	6,014,327	-	-	6,623,560	6,014,327
Planning and community development	443,742	326,690	-	-	443,742	326,690
Transportation and other	1,624,605	1,510,645	-	-	1,624,605	1,510,645
Environmental protection	904,228	836,546	-	-	904,228	836,546
Recreation and parks	1,411,642	1,385,641	-	-	1,411,642	1,385,641
Local agencies and shared programs	1,026,258	975,631	-	-	1,026,258	975,631
Interest on long-term debt	61,263	81,593	-	-	61,263	81,593
Water	-	-	5,324,921	5,247,823	5,324,921	5,247,823
Sewer	-	-	3,109,842	2,999,106	3,109,842	2,999,106
Regional Water System	-	-	2,534,914	2,286,916	2,534,914	2,286,916
<b>Total expenses</b>	<b>13,756,782</b>	<b>12,627,543</b>	<b>10,969,677</b>	<b>10,533,845</b>	<b>24,726,459</b>	<b>23,161,388</b>
Increase (decrease) in net position before transfers and special item	436,452	1,577,821	6,078,955	6,814,137	6,515,407	8,391,958
Transfers	729,051	736,200	(729,051)	(736,200)	-	-
Special item - Reconveyance of land	166,696	-	-	-	166,696	-
<b>Increase (decrease) in net position</b>	<b>1,332,199</b>	<b>2,314,021</b>	<b>5,349,904</b>	<b>6,077,937</b>	<b>6,682,103</b>	<b>8,391,958</b>
Net position, July 1	23,330,791	20,901,660	81,470,238	75,392,301	104,801,029	96,293,961
Restatement	(905,170)	115,110	-	-	(905,170)	115,110
Net assets, July 1 (Restated)	22,425,621	21,016,770	81,470,238	75,392,301	103,895,859	96,409,071
<b>Net position, June 30</b>	<b>\$ 23,757,820</b>	<b>\$ 23,330,791</b>	<b>\$ 86,820,142</b>	<b>\$ 81,470,238</b>	<b>\$ 110,577,962</b>	<b>\$ 104,801,029</b>

**Governmental activities.** Governmental activities increased the City's net position by \$1,332,199. Key elements of this increase are as follows:

- Conservative spending on the part of City departments.
- Recognition of reconveyance of land in the amount of \$166,696 (See Note II.E)

**Business-type activities.** Business-type activities increased the City of Henderson's net position by \$5,349,904. Key elements of this increase are as follows:

- Increases in the Water rate charged by 3%.
- Conservative spending on the part of business-type fund departments.

### **Financial Analysis of the City's Funds**

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

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

The general fund is the chief operating fund of the City of Henderson. At the end of the current fiscal year, City of Henderson's fund balance available in the General Fund was \$9,036,014, while total fund balance reached \$10,848,026. 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, 2017, General Fund unassigned fund balance totaled \$6,775,871, or 50.3% of General fund expenditures for the year then ended. The fund balance policy established by the City Council in 2006 has a long-term action item to grow the unassigned fund balance to 30% of prior year expenditures. Per the calculation used by the LGC, the City's fund balance available as of June 30, 2017, is 67.1% of General Fund expenditures for the year then ended.

At June 30, 2017, the governmental funds of City of Henderson reported a combined fund balance of \$11,760,682 with a net increase in fund balance of \$1,254,564. The majority of that increase is in the General Fund.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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City of Henderson

Revenues came in over the budgeted amounts by \$691,146. This positive variance is primarily due to Ad Valorem tax collections and strong sales tax receipts. Expenditures were less than budget by \$1,117,716 due to conservative management efforts resulting in notable savings in Administration, Public Safety, Parks & Recreation, and Non-Departmental insurance lines.

**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 \$8,716,396 at the end of the fiscal year; the Sewer Fund amounted to \$4,688,958; and the Regional Water System Fund amounted to \$10,558,692. The total change in net position from current year activity was \$1,813,198 for the Water Fund, \$1,433,678 for the Sewer Fund, and \$2,093,028 for the Regional Water System Fund.

### **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, 2017, totals \$105,675,505 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- General Fund recognized reconveyance of land totaling \$166,696 (See Note II.E)
- Public Safety equipment purchases of \$226,495, including five police vehicles and one fire department vehicle.
- Capitalized curbing and sidewalk improvements of \$78,382.
- Regional Water System equipment purchases totaling \$123,577, including electrical equipment and a vehicle.
- Increases in CIP – General Fund construction in progress of \$106,729.
- Increases in Water Fund construction in progress of \$235,576.
- Increases in Sewer Fund construction in progress of \$2,123,989.
- Increases in Regional Water System Fund construction in progress of \$63,708.
- Close-out of two Water Fund distribution system construction projects, the \$1,865,525 2" Water Line Replacement project and the \$293,928 Radio Read Water Meter project.
- Close-out of two Regional Water System Fund distribution system construction projects: the \$1,028,571 KLRWP High Speed Eff. Pump project, and the \$99,714 Pipe Repair Project.
- Close-out of the \$899,606 KLRW Interbasin Transfer capital project, now recognized as an intangible asset within the Regional Water System Fund.

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

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,681,879	\$ 1,515,183	\$ 2,077,368	\$ 2,077,368	\$ 3,759,247	\$ 3,592,551
Buildings and system Improvements other than buildings	14,491,606	14,778,385	15,063,535	15,669,306	29,555,141	30,447,691
Distribution Systems	728,122	685,041	231,833	142,297	959,955	827,338
Equipment & Vehicles	-	-	44,798,640	42,704,869	44,798,640	42,704,869
Construction in progress	803,256	864,349	1,011,563	892,424	1,814,819	1,756,773
Intangible water rights	394,520	274,645	21,274,066	23,038,137	21,668,586	23,312,782
	-	-	3,274,942	2,375,336	3,274,942	2,375,336
<b>Total</b>	<b>\$ 18,099,383</b>	<b>\$ 18,117,603</b>	<b>\$ 87,731,947</b>	<b>\$ 86,899,737</b>	<b>\$ 105,831,330</b>	<b>\$ 105,017,340</b>

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, 2017, the City of Henderson had bonded debt outstanding of \$2,897,000, and \$22,804,445 of installment debt. The City's bonded debt is secured solely by specified revenue sources (e.g. revenue bonds). The installment debt consists of notes payable and revolving loans, and is backed by security interest in the property for which it was issued.

**Outstanding Liabilities**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment Loans	\$ 881,211	\$ 1,251,427	\$ 21,924,234	\$ 22,402,028	\$ 22,805,445	23,653,455
Capital Leases	60,454	89,804	54,618	108,415	115,072	198,219
Revenue bonds (private placement)	-	-	2,897,000	3,822,000	2,897,000	3,822,000
Compensated absences	389,146	388,136	111,603	119,816	500,749	507,952
OPEB	3,564,174	3,425,751	1,343,219	1,297,287	4,907,393	4,723,038
Pension Related Debt- LGERS	2,017,608	430,352	689,857	165,558	2,707,465	595,910
Pension Related Debt- LEOSSA	1,246,080	260,371	-	-	1,246,080	260,371
<b>Total</b>	<b>\$ 8,158,673</b>	<b>\$ 5,845,841</b>	<b>\$ 27,020,531</b>	<b>\$ 27,915,104</b>	<b>\$ 35,179,204</b>	<b>\$ 33,760,945</b>

### **City of Henderson's Outstanding Debt**

The City of Henderson's total recorded debt increased by \$1,428,259 (4.1%) as compared to the prior fiscal year. This change represents the net result of several significant factors:

- Debt related to the Law Enforcement Officers' Special Separation Allowance (LEOSSA) includes a restatement increase of \$1,006,656 as a result of the implementation of new accounting standards.
- Debt related to the Local Government Employees' Retirement System (LGERS) increased \$2,111,555.
- Other current year long-term debt activities had a net decrease of \$1,699,952.

The City has several capital projects underway in its enterprise funds which involve the issuance of new debt, in the form of revolving loan agreements, for which the draw-down phase has not yet been completed and repayment of the loans follows the amortization schedules. These loans encompass a variety of projects, the largest of which involves much needed improvements at the City's Water Reclamation Facility, which has a total project budget of \$18,218,360.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Henderson is \$70,462,611.

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

### **Economic Factors and Next Year's Budgets and Rates**

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

- The City's population declined in the 2010 Decennial Census and there is minimal growth expected in the utility customer base, however recent annexations of a new subdivision (now fully built) should help show some growth in the next fiscal year. This leaves few financial resources available for needed operations and capital support, thus the dependence on rate and fee increases.
- The City's unemployment rate is estimated at 5.7%, which represents an improvement from the prior year estimate of 7.5%.

### **Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities:** Property tax revenue is the single largest source of revenue for the General Fund. Minimal growth is expected in the tax base as there are signs of improvement in recent industry expansion as a result of incentives and other recruiting efforts. There was no tax increase approved in the upcoming fiscal year budget.

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

The third largest revenue producer for the City's General Fund is the sanitation fee. No increase was approved in the upcoming year's budget as the City has worked to increase revenue as well as control expenditures.

Budgeted expenditures in the General Fund are seeing signs of reduced strain as there has been ability to provide funding for capital outlay and equipment, adequate staffing levels, improved levels of pay with the City completing phase IV of a municipal pay study, and program expansion in a couple of areas. There is a major initiative in capital expenditures for the General Fund during fiscal year 2018 related to improvements of one of the fire stations.

**Business-type Activities:** Sewer rates and regional water system rates remained unchanged for fiscal year 2018.

#### **Requests for Information**

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 10,273,539	\$ 22,830,705	\$ 33,104,244
Property taxes receivable, net	428,006	-	428,006
Accrued interest receivable on taxes	83,237	-	83,237
Accounts receivable, net	157,185	1,221,916	1,379,101
Due from other governments	1,126,772	1,434,111	2,560,883
Inventories	-	64,575	64,575
Current portion of notes receivable	-	43,750	43,750
Restricted cash and cash equivalents	994,557	358,356	1,352,913
Total current assets	13,063,296	25,953,413	39,016,709
Non-current assets			
Security deposits	-	142	142
Capital assets:			
Land, non-depreciable improvements, and construction in progress	2,076,399	26,626,376	28,702,775
Other capital assets, net of depreciation	16,022,984	61,105,571	77,128,555
Total capital assets	18,099,383	87,731,947	105,831,330
Notes receivable:			
Due in more than one year	-	1,531,250	1,531,250
Total non-current assets	18,099,383	89,263,339	107,362,722
Total assets	31,162,679	115,216,752	146,379,431
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	1,760,306	581,376	2,341,682

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 780,578	\$ 1,491,127	\$ 2,271,705
Accrued interest payable	7,676	30,321	37,997
Current portion of long-term liabilities	583,541	2,338,117	2,921,658
Payable from restricted assets	10,000	358,356	368,356
Total current liabilities	1,381,795	4,217,921	5,599,716
Long-term liabilities			
Net pension liability – LGERS	2,017,608	689,857	2,707,465
Net pension liability – LEOSSA	1,246,080	-	1,246,080
Other liabilities due in more than one year	4,311,444	23,992,557	28,304,001
Total long-term liabilities	7,575,132	24,682,414	32,257,546
Total liabilities	8,956,927	28,900,335	37,857,262
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	793	-	793
Pension deferrals	207,445	77,651	285,096
Total deferred inflows of resources	208,238	77,651	285,889
<b>NET POSITION</b>			
Net investment in capital assets	17,157,718	62,856,096	80,013,814
Restricted			
Perpetual maintenance	433,706	-	433,706
Stabilization by State Statute	1,812,012	-	1,812,012
Public Safety	223,347	-	223,347
Streets - Powell Bill	896,300	-	896,300
Planning and Community Development	163	-	163
Recreation and parks	926	-	926
Capital Reserves	85,668	-	85,668
Unrestricted	3,147,980	23,964,046	27,112,026
Total net position	\$ 23,757,820	\$ 86,820,142	\$ 110,577,962

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, 2017**

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
<b>Primary Government:</b>							
Governmental Activities							
General government	\$ 1,661,484	\$ -	\$ -	\$ -	\$ (1,661,484)	\$ -	\$ (1,661,484)
Public safety	6,623,560	206,525	8,878	85,056	(6,323,101)	-	(6,323,101)
Planning and community development	443,742	32,776	-	-	(410,966)	-	(410,966)
Public services							
Transportation and other	1,624,605	9,000	454,248	-	(1,161,357)	-	(1,161,357)
Environmental protection	904,228	1,933,688	10,139	-	1,039,599	-	1,039,599
Recreation and parks	1,411,642	740,814	14,831	7,084	(648,913)	-	(648,913)
Local agencies and shared programs	1,026,258	-	-	-	(1,026,258)	-	(1,026,258)
Interest on long-term debt	61,263	-	-	-	(61,263)	-	(61,263)
Total governmental activities	13,756,782	2,922,803	488,096	92,140	(10,253,743)	-	(10,253,743)
Business-type Activities:							
Water	5,324,921	6,428,327	-	131,882	-	1,235,288	1,235,288
Sewer	3,109,842	5,022,310	-	282,711	-	2,195,179	2,195,179
Regional Water System	2,534,914	4,895,433	-	-	-	2,360,519	2,360,519
Total business-type activities	10,969,677	16,346,070	-	414,593	-	5,790,986	5,790,986
Total primary government	\$ 24,726,459	\$ 19,268,873	\$ 488,096	\$ 506,733	(10,253,743)	5,790,986	(4,462,757)
General Revenues							
Taxes:							
Property taxes, levied for general purposes					6,381,258	-	6,381,258
Other taxes					28,660	-	28,660
Grants and contributions not restricted to specific programs					4,172,297	-	4,172,297
Unrestricted investment earnings					40,237	60,352	100,589
Miscellaneous					67,743	227,617	295,360
Special item: Land reconveyance (Note ILE)					166,696	-	166,696
Total general revenues not including transfers					10,856,891	287,969	11,144,860
Transfers					729,051	(729,051)	-
Total general revenues and transfers					11,585,942	(441,082)	11,144,860
Change in net position					1,332,199	5,349,904	6,682,103
Net position, beginning, previously reported					23,330,791	81,470,238	104,801,029
Restatement (Note VIII)					(905,170)	-	(905,170)
Total net position, as restated					22,425,621	81,470,238	103,895,859
Net position, ending					\$ 23,757,820	\$ 86,820,142	\$ 110,577,962

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,448,272	\$ 825,267	\$ 10,273,539
Restricted cash and cash equivalents	906,300	88,257	994,557
Property tax receivable, net	428,006	-	428,006
Accounts receivable, net	157,185	-	157,185
Due from other governments	1,079,712	47,060	1,126,772
Due from other funds	33,765	(33,765)	-
	<u>12,053,240</u>	<u>926,819</u>	<u>12,980,059</u>
Total assets	<u>\$ 12,053,240</u>	<u>\$ 926,819</u>	<u>\$ 12,980,059</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 766,415	\$ 14,163	\$ 780,578
Assurance deposits	10,000	-	10,000
	<u>776,415</u>	<u>14,163</u>	<u>790,578</u>
Total liabilities	<u>776,415</u>	<u>14,163</u>	<u>790,578</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	428,006	-	428,006
Prepaid taxes	793	-	793
	<u>428,799</u>	<u>-</u>	<u>428,799</u>
Total deferred inflows of resources	<u>428,799</u>	<u>-</u>	<u>428,799</u>
<b>FUND BALANCES</b>			
Non Spendable			
Perpetual maintenance	-	433,706	433,706
Restricted			
Stabilization by State Statute	1,812,012	-	1,812,012
Streets - Powell Bill	896,300	-	896,300
Public Safety	221,847	1,500	223,347
Planning and Community Development	-	163	163
Recreation and Parks	-	926	926
Capital reserves	-	85,668	85,668
Committed			
Public Safety - LEO Pension Contributions	115,805	-	115,805
Assigned			
Public Safety	5,007	-	5,007
Recreation and parks	58,184	-	58,184
Capital project funds	460,000	390,693	850,693
Subsequent year's expenditures	503,000	-	503,000
Unassigned	<u>6,775,871</u>	<u>-</u>	<u>6,775,871</u>
Total fund balances	<u>10,848,026</u>	<u>912,656</u>	<u>11,760,682</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,053,240</u>	<u>\$ 926,819</u>	<u>\$ 12,980,059</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, 2017**

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

Total Fund Balance, Governmental Funds	\$	11,760,682
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	42,630,210
Accumulated depreciation		<u>(24,530,827)</u>
		18,099,383
Deferred outflows of resources related to pensions are not reported in the funds		1,760,306
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		83,237
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Property taxes receivable		428,006
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Net pension liability - LGERS		(2,017,608)
Total pension liability - LEOSA		(1,246,080)
Other liabilities due in more than one year		<u>(4,894,985)</u>
		(8,158,673)
Deferred inflows of resources related to pensions are not reported in the funds		(207,445)
Other liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		<u>(7,676)</u>
Net position of governmental funds	\$	<u>23,757,820</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, 2017**

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 6,401,148	\$ -	\$ 6,401,148
Other taxes and licenses	28,660	-	28,660
Unrestricted intergovernmental	4,172,297	-	4,172,297
Restricted intergovernmental	468,011	88,036	556,047
Permits and fees	206,525	-	206,525
Sales and services	2,716,278	-	2,716,278
Investment earnings	38,309	1,928	40,237
Miscellaneous	87,828	4,104	91,932
Total revenues	<u>14,119,056</u>	<u>94,068</u>	<u>14,213,124</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,135,559	-	1,135,559
Public safety	6,281,581	90,221	6,371,802
Planning and community development	379,048	142,966	522,014
Public services:			
Transportation and other	1,573,090	15,146	1,588,236
Environmental protection	850,642	-	850,642
Recreation and parks	1,307,573	11,642	1,319,215
Non-departmental:			
Local agencies and shared programs	1,026,258	-	1,026,258
General non-departmental	414,534	-	414,534
Debt service:			
Principal	404,970	-	404,970
Interest and other charges	58,008	-	58,008
Lease purchases	31,127	-	31,127
Total expenditures	<u>13,462,390</u>	<u>259,975</u>	<u>13,722,365</u>
Excess (deficiency) of revenues over expenditures	<u>656,666</u>	<u>(165,907)</u>	<u>490,759</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of installment notes	34,754	-	34,754
Transfers from other funds	850,600	382,041	1,232,641
Transfers (to) other funds	(472,891)	(30,699)	(503,590)
Total other financing sources (uses)	<u>412,463</u>	<u>351,342</u>	<u>763,805</u>
Net change in fund balance	1,069,129	185,435	1,254,564
<b>FUND BALANCES, beginning</b>	<u>9,778,897</u>	<u>727,221</u>	<u>10,506,118</u>
<b>FUND BALANCES, ending</b>	<u>\$ 10,848,026</u>	<u>\$ 912,656</u>	<u>\$ 11,760,682</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, 2017**

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

Net changes in fund balances - total governmental funds	\$	1,254,564
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	482,507	
Depreciation expense for governmental assets	(667,423)	
Special Item: Land reconveyance (Note II.E)	166,696	(18,220)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>		
		417,461
<p>Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities</p>		
		53,153
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	(16,411)	
Change in accrued interest on taxes receivable	(3,479)	(19,890)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these difference in the treatment of long-term debt and related items.</p>		
Issuance of long-term debt	(34,754)	
Principal payments on long-term debt	434,320	
Change in accrued interest payable	(1,478)	398,088
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(1,009)	
Pension expense	(507,878)	
Net LEO pension expense	(105,646)	
Other postemployment benefits	(138,424)	(752,957)
Total adjustments		77,635
Total changes in net position of governmental activities	\$	1,332,199

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 6,148,290	\$ 6,148,290	\$ 6,401,148	\$ 252,858
Other taxes and licenses	26,000	26,000	28,660	2,660
Unrestricted intergovernmental	3,851,400	3,851,400	4,172,297	320,897
Restricted intergovernmental	468,700	468,700	468,011	(689)
Permits and fees	216,500	216,500	206,525	(9,975)
Sales and services	2,668,020	2,668,020	2,716,278	48,258
Investment earnings	8,000	8,000	38,309	30,309
Miscellaneous	41,000	41,000	87,828	46,828
Total revenues	<u>13,427,910</u>	<u>13,427,910</u>	<u>14,119,056</u>	<u>691,146</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,276,160	1,271,164	1,135,559	135,605
Public safety	6,606,040	6,564,135	6,281,581	282,554
Planning and community development	353,720	409,372	379,048	30,324
Public services:				
Transportation and other	2,375,120	1,656,421	1,573,090	83,331
Environmental protection	910,550	907,518	850,642	56,876
Recreation and parks	1,500,430	1,495,065	1,307,573	187,492
Non-departmental:				
Local agencies and shared programs	1,072,890	1,072,890	1,026,258	46,632
General non-departmental	810,040	709,341	414,534	294,807
Debt service:				
Lease purchase payments	96,500	31,196	31,127	69
Principal	350,000	404,970	404,970	-
Interest and other charges	47,700	58,034	58,008	26
Total expenditures	<u>15,399,150</u>	<u>14,580,106</u>	<u>13,462,390</u>	<u>1,117,716</u>
Excess (deficiency) of revenues over expenditures	<u>(1,971,240)</u>	<u>(1,152,196)</u>	<u>656,666</u>	<u>1,808,862</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment note proceeds	634,000	634,000	34,754	(599,246)
Transfers from other funds	850,600	850,600	850,600	-
Transfers (to) other funds	(97,100)	(922,144)	(472,891)	449,253
Total other financing sources (uses)	<u>1,387,500</u>	<u>562,456</u>	<u>412,463</u>	<u>(149,993)</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>(583,740)</u>	<u>(589,740)</u>	<u>1,069,129</u>	<u>1,658,869</u>
Fund balance appropriated	<u>583,740</u>	<u>589,740</u>	<u>-</u>	<u>(589,740)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,069,129</u>	<u>\$ 1,069,129</u>
<b>FUND BALANCES, beginning</b>			<u>9,778,897</u>	
<b>FUND BALANCES, ending</b>			<u>\$ 10,848,026</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**  
**June 30, 2017**

	<b>Major Enterprise Funds</b>			<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Regional Water System Fund</b>	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,906,468	\$ 5,060,646	\$ 10,863,591	\$ 22,830,705
Accounts receivable				
Customer receivables (net) - billed	396,079	261,114	145,733	802,926
Customer receivables (net) - unbilled	160,852	258,138	-	418,990
Capital project receivables	234,776	1,199,335	-	1,434,111
Inventories	-	8,503	56,072	64,575
Current portion of notes receivable	43,750	-	-	43,750
Restricted cash and cash equivalents	358,356	-	-	358,356
Total current assets	<u>8,100,281</u>	<u>6,787,736</u>	<u>11,065,396</u>	<u>25,953,413</u>
Non-current assets				
Security deposits	142	-	-	142
Capital assets				
Land, non-depreciable assets, and construction in progress	1,994,918	21,134,000	3,497,458	26,626,376
Other capital assets, net of depreciation	<u>17,505,582</u>	<u>22,976,232</u>	<u>20,623,757</u>	<u>61,105,571</u>
Total capital assets	19,500,500	44,110,232	24,121,215	87,731,947
Notes receivable				
Due in more than one year	<u>1,531,250</u>	<u>-</u>	<u>-</u>	<u>1,531,250</u>
Total non-current assets	<u>21,031,892</u>	<u>44,110,232</u>	<u>24,121,215</u>	<u>89,263,339</u>
Total assets	<u>29,132,173</u>	<u>50,897,968</u>	<u>35,186,611</u>	<u>115,216,752</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	<u>216,322</u>	<u>234,173</u>	<u>130,881</u>	<u>581,376</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**  
**June 30, 2017**

	<b>Major Enterprise Funds</b>			<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Regional Water System Fund</b>	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	58,856	1,313,948	118,323	1,491,127
Accrued interest payable	11,817	1,311	17,193	30,321
Current portion of long-term liabilities	1,100,601	928,206	309,310	2,338,117
Liabilities payable from restricted assets				
Customer/security deposits	<u>358,356</u>	<u>-</u>	<u>-</u>	<u>358,356</u>
Total current liabilities	1,529,630	2,243,465	444,826	4,217,921
Long-term liabilities				
Other postemployment benefits	377,662	657,677	307,880	1,343,219
Compensated absences payable	46,464	45,444	19,695	111,603
Net pension liability	251,729	280,328	157,800	689,857
Notes payable due in more than one year	<u>4,005,127</u>	<u>15,923,813</u>	<u>2,608,795</u>	<u>22,537,735</u>
Total long-term liabilities	<u>4,680,982</u>	<u>16,907,262</u>	<u>3,094,170</u>	<u>24,682,414</u>
Total liabilities	<u>6,210,612</u>	<u>19,150,727</u>	<u>3,538,996</u>	<u>28,900,335</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	<u>26,715</u>	<u>34,243</u>	<u>16,693</u>	<u>77,651</u>
<b>NET POSITION</b>				
Net investment in capital assets	14,394,772	27,258,213	21,203,111	62,856,096
Unrestricted	<u>8,716,396</u>	<u>4,688,958</u>	<u>10,558,692</u>	<u>23,964,046</u>
Total net position	<u>\$ 23,111,168</u>	<u>\$ 31,947,171</u>	<u>\$ 31,761,803</u>	<u>\$ 86,820,142</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, 2017**

	<b>Major Enterprise Funds</b>			<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Regional Water System Fund</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 6,362,712	\$ 5,010,393	\$ 4,895,433	\$ 16,268,538
Water reservation fees	9,125	-	-	9,125
Tap fees	56,492	6,500	-	62,992
Other operating revenues	18,676	5,671	10,147	34,494
Total operating revenues	<u>6,447,005</u>	<u>5,022,564</u>	<u>4,905,580</u>	<u>16,375,149</u>
<b>OPERATING EXPENSES</b>				
Administration and engineering	231,668	-	-	231,668
Public services administration	49,673	-	-	49,673
Water distribution operations	4,005,193	-	-	4,005,193
Customer service	487,105	-	-	487,105
Water reclamation facility	-	1,768,549	-	1,768,549
Sewer collection operations	-	308,934	-	308,934
Sewer I & I operations	-	146,219	-	146,219
Regional water plant	-	-	1,925,969	1,925,969
Non-departmental	21,676	31,561	32,971	86,208
Depreciation	430,767	825,638	519,305	1,775,710
Total operating expenditures	<u>5,226,082</u>	<u>3,080,901</u>	<u>2,478,245</u>	<u>10,785,228</u>
<b>Operating income (loss)</b>	<u>1,220,923</u>	<u>1,941,663</u>	<u>2,427,335</u>	<u>5,589,921</u>
<b>NONOPERATING REVENUES</b>				
<b>(EXPENSES)</b>				
Investment earnings	12,885	19,172	28,295	60,352
Sprint / T-Mobile agreements	54,501	-	-	54,501
Vance County	-	67,180	-	67,180
Insurance proceeds	6,035	-	-	6,035
Gain (loss) from sale of assets	812	236	-	1,048
Sales tax refund	1	44,008	26,037	70,046
Interest and other charges	(98,840)	(28,942)	(56,939)	(184,721)
Total other financing sources (uses)	<u>(24,606)</u>	<u>101,654</u>	<u>(2,607)</u>	<u>74,441</u>
<b>Income (loss) before contributions and transfers</b>	1,196,317	2,043,317	2,424,728	5,664,362
Capital contributions	131,882	282,711	-	414,593
Transfers from other funds	863,599	-	-	863,599
Transfers (to) other funds	(378,600)	(882,350)	(331,700)	(1,592,650)
<b>Change in net position</b>	<u>1,813,198</u>	<u>1,443,678</u>	<u>2,093,028</u>	<u>5,349,904</u>
<b>Total net position, beginning</b>	<u>21,297,970</u>	<u>30,503,493</u>	<u>29,668,775</u>	<u>81,470,238</u>
<b>Total net position, ending</b>	<u>\$ 23,111,168</u>	<u>\$ 31,947,171</u>	<u>\$ 31,761,803</u>	<u>\$ 86,820,142</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, 2017**

	<b>Major Enterprise Funds</b>			<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Regional Water System Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 6,533,342	\$ 5,021,737	\$ 4,907,090	\$ 16,462,169
Cash paid for goods and services	(3,850,538)	(1,191,696)	(1,338,007)	(6,380,241)
Cash paid to or on behalf of employees for services	(907,395)	(986,286)	(544,583)	(2,438,264)
Net cash provided (used) by operating activities	1,775,409	2,843,755	3,024,500	7,643,664
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Sprint / T-Mobile agreements	54,501	-	-	54,501
Insurance proceeds	6,035	-	-	6,035
Vance County	-	67,180	-	67,180
Transfers from other funds	863,599	-	-	863,599
Transfers to other funds	(378,600)	(882,350)	(331,700)	(1,592,650)
Net cash provided (used) by noncapital financing activities	545,535	(815,170)	(331,700)	(601,335)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition/construction of capital assets	(257,370)	(1,009,910)	(164,384)	(1,431,664)
Financing for acquisition/construction of capital assets	238,204	518,559	-	756,763
Capital contributions	-	263,430	-	263,430
Principal paid on bond and equipment contracts	(1,121,021)	(1,147,285)	(284,932)	(2,553,238)
Interest paid on bond and equipment contracts	(103,265)	(32,602)	(66,662)	(202,529)
Net cash provided (used) by capital and related financing activities	(1,242,640)	(1,407,572)	(515,978)	(3,166,190)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	12,885	19,172	28,295	60,352
Net cash provided (used) by investing activities	12,885	19,172	28,295	60,352
Net increase (decrease) in cash and cash equivalents	1,091,189	640,185	2,205,117	3,936,491
Balances, beginning	6,173,635	4,420,461	8,658,474	19,252,570
Balances, ending	\$ 7,264,824	\$ 5,060,646	\$ 10,863,591	\$ 23,189,061

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, 2017**

	<b>Major Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Regional Water System Fund</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 1,220,923	\$ 1,941,663	\$ 2,427,335	\$ 5,589,921
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	430,767	825,638	519,305	1,775,710
Release of prior year capital project costs for non-capitalized items	-	-	3,136	3,136
Changes in assets, deferred in/outflows and liabilities:				
(Increase) decrease in-				
Customer receivables	19,829	(827)	1,510	20,512
Notes receivable - Water Reservation	43,750	-	-	43,750
Inventory	-	10,194	1,770	11,964
Deferred outflows of resources for pensions	(165,134)	(177,492)	(102,089)	(444,715)
Increase (decrease) in-				
Accounts payable and accrued liabilities	8,663	41,547	58,119	108,329
Customer/security deposits	22,758	-	-	22,758
Accrued OPEB liability	17,456	18,287	10,189	45,932
Accrued vacation pay	173	(4,667)	(3,720)	(8,214)
Net pension liability	194,686	209,255	120,358	524,299
Deferred inflows of resources for pensions	(18,462)	(19,843)	(11,413)	(49,718)
Total adjustments	<u>554,486</u>	<u>902,092</u>	<u>597,165</u>	<u>2,053,743</u>
Net cash provided by operating activities	<u>\$ 1,775,409</u>	<u>\$ 2,843,755</u>	<u>\$ 3,024,500</u>	<u>\$ 7,643,664</u>
<b>Schedule of non-cash capital and related financing activities</b>				
Increase (Decrease) in capital outlays payable	\$ (200)	\$ 1,143,317	\$ -	\$ 1,143,117
Increase (Decrease) in construction draws receivable	(135,309)	475,195	-	339,886
Increase (Decrease) in capital contributions receivable	131,882	19,281	-	151,163

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, 2017**

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**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, 2017**

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and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services, parks and recreation, and general governmental services. The City maintains separate Street Improvement and Powell Bill Funds for accounting purposes. These funds have been consolidated into the General Fund for reporting purposes.

The City reports the following non-major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

**Regional Water System Fund.** This fund is used to account for general operations and user charges of the Regional Water Plant at Kerr Lake which provides water to the City and surrounding area. The City additionally maintains enterprise funds for budgetary purposes which are consolidated with their respective operating fund for reporting purposes. The Regional Water Capital Project Fund and the Regional Water Reserve Fund are consolidated in this manner.

C. Measurement Focus and Basis of Accounting

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

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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D. Budgetary Data

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

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

1. Deposits and Investments

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

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

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.



**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

City of Henderson Restricted Cash

Governmental Activities			
General Fund:			
Powell Bill	Streets	\$	896,300
Assurance Deposits	Assurance Deposits		10,000
Grants Fund:			
NC Dept. of Env. Quality	Planning & Community Dev.		163
Walmart Community Grant	Public Safety		1,500
Panthers Challenger Grant	Recreation and parks		926
Capital Reserve General Fund	Capital Reserves		69,840
Capital Reserve Economic Development Fund	Capital Reserves		<u>15,828</u>
Total Governmental Activities			<u>994,557</u>
Business-type Activities			
Water Fund	Customer Deposits		<u>358,356</u>
Total restricted cash		\$	<u>1,352,913</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, 2016.

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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activities, business-type activities, or proprietary fund type statement of net assets. In fund financial statements, governmental fund types recognize the face amount of the notes receivable issued as other financing sources.

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 with an estimated useful life of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are reported at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Improvements	25
Water/Sewer distribution system	75
Vehicles	5
Furniture and equipment	10
Computer equipment	3

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has several items that meet the criterion for this category—contributions and expenses made subsequent to the actuarial measurement date, and other pension-related deferrals.

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

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,

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences

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

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

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

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

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

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

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

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

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

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

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

Assigned for Public Safety – portion of fund balance representing the unexpended portion of unrestricted donations intended for use in the Public Safety department.

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

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

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

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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13. Pensions

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

**II. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions. The City analyzes the financial soundness of any other financial institution used by the City. The City complies with the provisions of G. S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017 the City's deposits had a carrying amount of \$13,470,873 and a bank balance of \$13,653,324. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the City had petty cash of \$2,140.

2. Investments

At June 30, 2017, the City had \$20,984,147 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no formal policy regarding credit risk, but has internal management procedures mandating compliance with the governance of G. S. 159-30 (b) and (c) which lists the types of investments permitted to local governments and public authorities.

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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3. Receivables

a. Due from Other Governments

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

General Fund:	
Tax collection remittances	\$ 95,056
State shared revenues:	
Local option sales tax	508,807
Other	219,584
Sales tax refund	147,202
Vance County contracts	97,521
Vance County ABC Board	11,542
Grants Fund:	
Grants receivable	47,060
Water Fund:	
Construction note draws	102,894
Grants receivable	131,882
Sewer Fund:	
Construction note draws	983,250
Grants receivable	<u>216,085</u>
Total	<u>\$ 2,560,883</u>

b. Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017, are net of the following allowances for doubtful accounts:

General Fund:	
Property taxes receivable	\$ 170,000
Accounts receivable	<u>197,394</u>
Total	<u>367,394</u>
Water Fund:	
Customer receivables	<u>132,857</u>
Sewer Fund:	
Customer receivables	<u>141,624</u>

4. Notes Receivable – Water Reservation Agreements

The City is party to a water sales agreement with Vance County for Phase 1A, effective August 22, 2011. Under the terms of this agreement, the County has agreed to pay an annual fee of \$9,125 to the City to obtain reservation of 150,000 gpd for the County Water District Phase 1A. This agreement has an effective period of forty (40) years, with payments due on or before July 31<sup>st</sup> 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

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\$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, 2017, total as follows:

Water Fund:

Vance County	\$ 1,575,000
Less: current portion	<u>(43,750)</u>
Non-current receivable	<u>\$ 1,531,250</u>

Minimum future payments due on notes receivable are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 43,750	\$ -	\$ 43,750
2019	43,750	-	43,750
2020	43,750	-	43,750
2021	43,750	-	43,750
2022	43,750	-	43,750
2023-2027	218,750	-	218,750
2028-2032	218,750	-	218,750
2033-2037	218,750	-	218,750
2038-2042	218,750	-	218,750
2043-2047	218,750	-	218,750
2048-2052	<u>262,500</u>	-	<u>262,500</u>
Total	<u>\$ 1,531,250</u>	<u>\$ -</u>	<u>\$ 1,531,250</u>

5. Capital Assets

Capital asset activity for the City of Henderson for the year ended June 30, 2017, was as follows:

<u>Governmental Activities</u>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,515,183	\$ 166,696	\$ -	\$ 1,681,879
Construction in progress	<u>274,645</u>	<u>119,875</u>	-	<u>394,520</u>
Total capital assets not being depreciated	1,789,828	286,571	-	2,076,399
<b>Capital assets being depreciated:</b>				
Buildings	17,663,793	-	-	17,663,793
Other improvements	13,286,115	78,382	-	13,364,497
Equipment and vehicles	<u>9,499,190</u>	<u>284,250</u>	<u>257,919</u>	<u>9,525,521</u>
Total capital assets being depreciated	40,449,098	362,632	257,919	40,553,811
<b>Less accumulated depreciation for:</b>				
Buildings	2,885,408	286,779	-	3,172,187
Other improvements	12,601,074	35,301	-	12,636,375
Equipment and vehicles	<u>8,634,841</u>	<u>345,343</u>	<u>257,919</u>	<u>8,722,265</u>
Total accumulated depreciation	<u>24,121,323</u>	<u>667,423</u>	<u>257,919</u>	<u>24,530,827</u>
Total capital assets being depreciated, net	<u>16,327,775</u>			<u>16,022,984</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 18,117,603</u>			<u>\$ 18,099,383</u>

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

General government	\$ 83,079
Public safety	268,703
Planning and community development	20,120
Public services –	
Transportation and other	126,763
Environmental protection	48,114
Recreation and parks	<u>120,644</u>
Total depreciation expense	<u>\$ 667,423</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Business-type Activities</u></b>				
<b><u>Water Fund</u></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,710,560	\$ -	\$ -	\$ 1,710,560
Construction in progress	<u>2,208,235</u>	<u>235,576</u>	<u>2,159,453</u>	<u>284,358</u>
Total capital assets not being depreciated	3,918,795	235,576	2,159,453	1,994,918
<b>Capital assets being depreciated:</b>				
Buildings	1,859,228	-	-	1,859,228
Distribution system	19,629,467	1,865,525	-	21,494,992
Equipment and vehicles	<u>917,421</u>	<u>315,522</u>	-	<u>1,232,943</u>
Total capital assets being depreciated	22,406,116	2,181,047	-	24,587,163
<b>Less accumulated depreciation for:</b>				
Buildings	497,434	22,880	-	520,314
Distribution system	5,460,879	316,147	-	5,777,026
Equipment and vehicles	<u>692,501</u>	<u>91,740</u>	-	<u>784,241</u>
Total accumulated depreciation	<u>6,650,814</u>	<u>430,767</u>	-	<u>7,081,581</u>
Total capital assets being depreciated, net	<u>15,755,301</u>			<u>17,505,582</u>
<b>Water capital assets, net</b>	<u>19,674,096</u>			<u>19,500,500</u>
 <b><u>Sewer Fund</u></b>				
<b>Capital assets not being depreciated:</b>				
Land	211,136	-	-	211,136
Construction in progress	<u>18,798,875</u>	<u>2,123,989</u>	-	<u>20,922,864</u>
Total capital assets not being depreciated	19,010,011	2,123,989	-	21,134,000
<b>Capital assets being depreciated:</b>				
Buildings	24,197,822	-	-	24,197,822
Distribution system	15,566,524	-	-	15,566,524
Equipment and vehicles	<u>2,438,174</u>	<u>39,476</u>	<u>13,157</u>	<u>2,464,492</u>
Total capital assets being depreciated	41,837,297	39,476	13,157	42,228,838
<b>Less accumulated depreciation for:</b>				
Buildings	12,772,141	481,774	-	13,253,915
Distribution system	3,720,577	224,858	-	3,945,435
Equipment and vehicles	<u>1,947,407</u>	<u>119,006</u>	<u>13,157</u>	<u>2,053,256</u>
Total accumulated depreciation	<u>18,440,125</u>	<u>825,638</u>	<u>13,157</u>	<u>19,252,606</u>
Total capital assets being depreciated, net	<u>24,762,395</u>			<u>22,976,232</u>
<b>Sewer capital assets, net</b>	<u>42,772,406</u>			<u>44,110,232</u>



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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Regional Water System Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 155,672	\$ -	\$ -	\$ 155,672
Water storage rights	2,375,336	-	-	2,375,336
Interbasin transfer rights	-	899,606	-	899,606
Construction in progress	<u>2,031,027</u>	<u>63,708</u>	<u>2,027,891</u>	<u>66,844</u>
Total capital assets not being depreciated	4,562,035	963,314	2,027,891	3,497,458
<b>Capital assets being depreciated:</b>				
Buildings	6,808,289	-	-	6,808,289
Improvements	142,773	96,252	-	239,025
Distribution system	22,216,810	1,128,285	-	23,345,095
Equipment and vehicles	<u>829,098</u>	<u>27,325</u>	-	<u>856,423</u>
Total capital assets being depreciated	29,996,970	1,251,862	-	31,248,832
<b>Less accumulated depreciation for:</b>				
Buildings	3,926,458	101,117	-	4,027,575
Improvements	476	6,716	-	7,192
Distribution system	5,526,476	359,035	-	5,885,510
Equipment and vehicles	<u>652,361</u>	<u>52,437</u>	-	<u>704,798</u>
Total accumulated depreciation	<u>10,105,771</u>	<u>519,305</u>	-	<u>10,625,075</u>
Total capital assets being depreciated, net	<u>19,891,200</u>			<u>20,623,757</u>
<b>Regional Water capital assets, net</b>	<u>24,453,235</u>			<u>24,121,215</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 86,899,737</u>			<u>\$ 87,731,947</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.

**Intangible Asset – Interbasin Transfer Rights**

Effective November 5, 2015, the Regional Water System obtained a Certification of Interbasin Transfer (IBT) from the North Carolina Environmental Management Commission. The IBT certificate statutorily increases the allowance of surface water that the Kerr Lake Regional Water System may transfer between specified river basins. The IBT certificate does not increase the allocation allowed to the Regional Water System from the John H. Kerr Reservoir. The increased allowance was designed to meet regional water demands anticipated through 2045, however, the Commission may amend the certificate to reduce the maximum amount authorized. The costs of obtaining the IBT certificate, including an environmental assessment and other professional services, were budgeted as a capital project with a final outlay totaling \$899,606. The City considers this asset to have an indefinite useful life.

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**Construction Commitments**

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contracts are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Capital Project Fund - General		
Old Municipal Building	\$ 40,275	\$ 4,725
Business-Type Activities:		
Water Fund Capital Projects		
Young Ave. Asbestos Repl.	\$ 101,619	\$ 30,286
Sewer Fund Capital Projects		
HWRF Improvements	64,431	16,454
Elmwood Cemetery Outfall	894,278	725,648
Sandy Creek Pump Station	1,452,679	5,519
Newton Dairy Road	39,457	48,543
RWS Fund Capital Projects		
Pipe Repair Project	99,714	286
SCADA System Project	36,176	13,524
Business-Type Activities Total	<u>\$ 2,688,354</u>	<u>\$ 840,260</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

i. *Plan Description*

The City of Henderson is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

ii. *Benefits Provided*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest

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consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*iii. Contributions*

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Henderson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Henderson's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.40% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Henderson were \$555,337 for the year ended June 30, 2017.

*iv. Refunds of Contributions*

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

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

At June 30, 2017, the City reported a liability of \$2,707,463 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's

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proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was 0.1276%, which was a decrease of 0.0052% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$675,617. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,869	\$ 94,873
Changes of assumptions	185,437	-
Net difference between projected and actual earnings on pension plan investments	1,496,886	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	165,116
City contributions subsequent to the measurement date	555,337	-
	\$ 2,288,529	\$ 259,989

\$555,337 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	189,630
2019		190,045
2020		676,508
2021		417,023
2022		-
Thereafter		-

*vi. Actuarial Assumptions*

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*vii. Discount Rate*

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

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

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

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	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 6,426,072	\$ 2,707,463	\$ (398,596)

*ix. Pension Plan Fiduciary Net Position*

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

**b. Law Enforcement Officers' Special Separation Allowance**

*i. Plan Description*

The City of Henderson administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

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

At December 31, 2015 the Separation Allowance's membership consisted of:

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

*ii. Summary of Significant Accounting Policies*

**Basis-of-Accounting.** The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

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The Separation allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

*iii. Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment rate of return	3.86 percent, including inflation

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month. For the December 31, 2016 measurement date, the Municipal Bond Index Rate increased from 3.57% to 3.86% percent.

Mortality rates are based on the RP-2014 Health Annuitant base rates, projected to the valuation date using MP-2015.

*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. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$96,703 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$1,246,080. The Total pension liability was measured as of December 31, 2016, based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$105,646.

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	25,107
Net difference between projected and actual earnings on pension plan investments	-	-
City benefit payments and plan administrative expense Made subsequent to the measurement date	53,153	-
	<u>\$ 53,153</u>	<u>\$ 25,107</u>

\$53,153 reported as deferred outflows of resources related to pension resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other

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

Year ended June 30:	
2018	\$ (4,923)
2019	(4,923)
2020	(4,923)
2021	(4,923)
2022	(4,923)
Thereafter	(492)

*vi. Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate*

The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate.

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 1,353,436	\$ 1,246,080	\$ 1,149,116

*vii. Schedule of Changes in Total Pension Liability*

**Law Enforcement Officers' Special Separation Allowance**

	<u>2017</u>
Beginning balance	\$ 1,267,027
Service cost	62,229
Interest on the total pension liability	43,508
Changes of benefit terms	-
Differences between expected and actual experience in the measure of the total pension liability	-
Changes of assumptions or other inputs	(30,030)
Benefit payments	(96,654)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,246,080</u>

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

The actuarial assumptions used in the December 31, 2015 valuation are based on the results of an experience study obtained by the North Carolina Local Governmental Employees' Retirement System for the period January 1, 2010 through December 31, 2015, and are in the aggregate reasonable related to the experience under the benefit program and to reasonable expectations of anticipated experience under the program.



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c. Supplemental Retirement Income Plan for Law Enforcement Officers

i. *Plan Description*

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

ii. *Funding Policy*

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$121,748, which consisted of \$95,872 from the City and \$25,876 from the law enforcement officers.

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

i. *Plan Description*

The State of North Carolina contributes, on behalf of the City of Henderson, to the Firemen's and Rescue Squad Workers Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firemen's and Rescue Workers Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

ii. *Benefits Provided*

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

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*iii. Contributions*

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

*iv. Refunds of Contributions*

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

e. Deferred Compensation Plan

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

f. Other Postemployment Benefit: Healthcare Benefits

*i. Plan Description*

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

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

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

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

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

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

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

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they personally pay one-half of the health insurance premiums the City pays for retired City employees.

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

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

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

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

*ii. Funding Policy*

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the City Council. Retirees may continue dependent coverage until the dependent becomes eligible for Medicare (and pay the full premium amount for this coverage) if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.97% of annual covered payroll. For the current year, the city contributed \$453,627 or 6.46% of annual covered payroll. The city obtains healthcare coverage through private insurers. There were no contributions made by employees, and no contributions for dependent coverage. The City's obligation to contribute to the plan is established and may be amended by the City Council.

*iii. Summary of Significant Accounting Policies*

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

*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

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funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 629,538
Interest on net OPEB obligation	188,922
Adjustment to annual required contribution	<u>(180,479)</u>
Annual OPEB cost	637,981
Contributions made	<u>(453,627)</u>
Increase (decrease) in net OPEB obligation	184,354
Net OPEB obligation, beginning of year	<u>4,723,038</u>
Net OPEB obligation, end of year	<u>\$ 4,907,392</u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 637,981	71.10%	\$ 4,907,392
2016	637,602	66.74%	4,723,038
2015	618,792	57.15%	4,510,973

v. *Funded Status and Funding Progress*

As of December 31, 2015, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$12,841,598. The covered payroll (annual payroll of active employees covered by the plan) was \$7,021,835, and the ratio of the UAAL to the covered payroll was 182.88%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

vi. *Actuarial Methods and Assumptions*

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

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's

**CITY OF HENDERSON, NORTH CAROLINA**  
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own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of between 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>
Government-wide:	
Contributions to LGERS pension plan in current fiscal year	\$ 555,337
Benefit payments made and admin. expenses for LEOSSA	53,153
Differences between projected and actual experience	50,869
Changes of assumptions	185,437
Net difference between projected and actual earnings	1,496,886
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Total Deferred Outflows	<u>\$ 2,341,682</u>

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

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
Government-wide:		
Prepaid revenues	\$ 793	\$ 793
Differences between projected and actual experience	94,873	-
Changes of assumptions	25,107	-
Net difference between projected and actual earnings	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	165,116	-
General Fund:		
Property taxes receivable	-	428,006
Total Deferred Inflows	<u>\$ 285,889</u>	<u>\$ 428,799</u>

**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, 2017, 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.

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6. Long-Term Obligations

a. Capital Leases

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

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

The following is an analysis of the assets recorded under capital leases at June 30, 2017:

<u>Class of property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles and equipment	\$ 423,812	\$ 236,971	\$ 186,841

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental</u>	<u>Business-type</u>
2018	\$ 31,128	\$ 55,452
2019	31,128	-
2020	-	-
2021	-	-
2022	-	-
Total minimum lease payments	62,256	55,452
Less: amount representing interest	(1,802)	(834)
Present value of minimum lease payments	<u>\$ 60,454</u>	<u>\$ 54,618</u>

b. Notes Payable and Revolving Loans

At June 30, 2017, the City of Henderson had a legal debt margin of \$70,429,611.

Notes payable at June 30, 2017 are comprised of the following:

Serviced by the General Fund:

\$4,840,000, 2002 note payable to Wachovia Bank due in semi-annual installments ranging from \$304,036 to \$505,770 including interest at 4.84% for a police station. \$ 635,000

\$266,427 portion of \$671,075 2016 note payable to Citizens Community Bank, due in five annual installments of \$145,933 including interest at 2.45% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the General Fund totals \$57,933. 218,260

**CITY OF HENDERSON, NORTH CAROLINA**  
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<p>\$34,754, 2016 note payable to Benchmark Community Bank due in five annual installments of \$7,376 including interest at 2.15% for the purchase of a vehicle.</p>	<p>\$ 27,951</p>
<p>Serviced by the Water Fund:</p>	
<p>\$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%.</p>	<p>143,245</p>
<p>\$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.</p>	<p>249,839</p>
<p>\$1,831,483, 2014 revolving loan payable to the North Carolina Department of Environment and Natural Resources in 20 annual installments, with zero interest, for water line capital improvements. The annual payments are scheduled for one payment each of \$94,929 and \$88,220, followed by 18 payments of \$91,574.</p>	<p>1,648,335</p>
<p>\$64,568 portion of \$671,075 2016 note payable to Citizens Community Bank, due in five annual installments of \$145,933 including interest at 2.45% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the Water Fund totals \$14,056.</p>	<p>40,175</p>
<p>Serviced by the Sewer Fund:</p>	
<p>\$494,391, 2013 revolving loan payable to the North Carolina Department of Environment and Natural Resources in 20 annual installments of \$24,720 plus interest at 2% for sanitary sewer capital improvements.</p>	<p>395,513</p>
<p>\$16,115,000, 2014 revolving loan payable to the North Carolina Department of Environment and Natural Resources for capital improvements at the Henderson water reclamation facility. The capital project associated with this loan is ongoing as of June 30, 2017. Repayment of the total approved loan of \$16,115,000 is scheduled for 20 annual installments of \$805,750, with zero interest. Repayment began during the prior fiscal year in accordance with this schedule.</p>	<p>14,503,500</p>
<p>\$798,296, 2015 revolving loan payable to the North Carolina Department of Environment and Natural Resources for pump station capital improvements. The capital project associated with this loan is ongoing as of June 30, 2017. Repayment of the total approved loan of \$848,437 was scheduled for 20 annual installments of \$42,422, with zero interest. Repayment began during the prior fiscal year in accordance with this schedule. Future minimum principal payments may be revised.</p>	<p>713,452</p>



**CITY OF HENDERSON, NORTH CAROLINA**  
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\$340,080 portion of \$671,075 2016 note payable to Citizens Community Bank, due in five annual installments of \$145,933 including interest at 2.45% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the Sewer Fund totals \$73,974. \$ 211,423

Serviced by the Regional Water Fund:

\$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. 366,024

\$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 \$119,607, including interest at 2.75% 1,680,324

\$968,618, 2015 revolving loan payable to the North Carolina Department of Environment and Natural Resources, due in 20 annual installments with zero interest, for a high-speed efficiency pump capital project. The annual payments are scheduled for one payment each of \$56,450 and \$40,412, followed by 18 payments of \$48,431. 871,756

Total Notes Payable described above at June 30, 2017 \$ 21,704,797

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

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 404,340	\$ 36,681	\$ 1,284,014	\$ 71,993
2019	350,787	18,549	1,374,843	68,699
2020	62,247	3,053	1,192,627	58,774
2021	63,837	1,463	1,196,897	54,010
2022	-	-	1,113,395	48,987
2023-2027	-	-	5,604,568	199,925
2028-2032	-	-	5,674,072	118,062
2033-2037	-	-	3,342,088	31,977
2038-2042	<u>-</u>	<u>-</u>	<u>41,082</u>	<u>5,166</u>
Total	<u>\$ 881,211</u>	<u>\$ 59,746</u>	<u>\$ 20,823,586</u>	<u>\$ 657,593</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
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c. Notes Payable and Revolving Loans – Approved/Ongoing Capital Projects

As of June 30, 2017, the City of Henderson was subject to two revolving loan agreements for ongoing capital project for which the draw-down phase of the agreement was not yet completed, and repayment of the loan has not yet begun. The balances below are additionally included in notes payable as of June 30, 2017.

To be serviced by the Water Fund:

\$1,548,000, 2016 revolving loan payable to the North Carolina Department of Environment and Natural Resources for the Young Avenue Water Line replacement project. Repayment of the loan is scheduled for 20 years with zero interest. \$ 102,894

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%. \$ 997,753

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%. \$ 2,897,000

The future payments of the revenue bond are as follows:

Year Ending June 30	Principal	Interest
2018	\$ 944,000	\$ 69,528
2019	966,000	46,872
2020	987,000	23,688
2021	-	-
2022	-	-
Total	<u>\$ 2,897,000</u>	<u>\$ 140,088</u>

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

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**For the Fiscal Year Ended June 30, 2017**

The debt service ratio calculations for the year ended June 30, 2017, are as follows:

	<u>Water and Sewer Funds</u>
<u>Parity debt</u>	
Income (loss) before contributions and transfers	\$ 3,239,634
Add back:	
Interest and other charges	127,782
Depreciation	<u>1,256,405</u>
Net revenues	<u>4,623,821</u>
Debt service, principal and interest (Revenue Refunding Bond only)	<u>1,016,424</u>
Debt coverage ratio	455%
Required debt coverage ratio	125%
<u>Subordinate debt</u>	
Net revenues	\$ 4,623,821
Less: parity debt service	<u>1,016,424</u>
Adjusted net revenues	<u>3,607,397</u>
Debt service, principal and interest (all, including capital leases)	2,396,088
Less: parity debt service	<u>1,016,424</u>
Debt service, excluding parity debt	<u>1,379,664</u>
Debt coverage ratio	261%
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 \$3,037,088. Principal and interest paid for the current year was \$1,016,424.

e. Changes in General Long-Term Debt

	Balance (Restated) July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
<b>Governmental Activities:</b>					
Notes payable	\$ 1,251,427	\$ 34,754	\$ 404,970	\$ 881,211	\$ 404,339
Capital leases	89,804	-	29,350	60,454	29,931
Net pension liability-LGERS	430,352	1,587,256	-	2,017,608	-
Net pension liability-LEO	1,267,027	-	20,947	1,246,080	-
Other post-employment benefits	3,425,751	138,423	-	3,564,174	-
Compensated absences	<u>388,136</u>	<u>157,943</u>	<u>156,933</u>	<u>389,146</u>	<u>154,436</u>
Governmental activity long-term liabilities	<u>\$ 6,852,497</u>	<u>\$ 1,918,376</u>	<u>\$ 612,200</u>	<u>\$ 8,158,673</u>	<u>\$ 588,706</u>

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	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
<b>Business-type Activities:</b>					
Notes payable	\$ 22,402,028	\$ 1,096,648	\$ 1,574,442	\$ 21,924,234	\$ 1,275,016
Revenue bond	3,822,000	-	925,000	2,897,000	944,000
Capital leases	108,415	-	53,797	54,618	54,618
Net pension liability-LGERS	165,558	524,299	-	689,857	-
Other post-employment benefits	1,297,287	45,932	-	1,343,219	-
Compensated absences	119,816	45,517	53,730	111,603	64,483
Business-type activity long-term liabilities	<u>\$ 27,915,104</u>	<u>\$ 1,712,396</u>	<u>\$ 2,606,969</u>	<u>\$ 27,020,531</u>	<u>\$ 2,338,117</u>

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2017 consist of the following:

Due from Grants Fund to General Fund after receipt of cost reimbursement grant funding	\$ <u>33,765</u>
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Transfers to/from other funds at June 30, 2017 consist of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	
<b>Totals by Purpose of Transfer</b>		
Funding of grant and capital projects:		
General Fund	Grants Fund	\$ 15,791
General Fund	General Capital Projects Fund	360,000
Water Fund	Water Capital Projects Fund	799
Sewer Fund	Sewer Capital Projects Fund	659,549
Sewer Fund	Grants Fund	6,250
Regional Water System Fund	RWS Capital Project Fund	286
Reversion of excess transfers:		
Grants Fund	Capital Reserve Utilities Fund	30,699
Water Capital Project Fund	Capital Reserve Utilities Fund	19,447
RWS Capital Project Fund	Regional Water System Fund	10,182
Contributions to budgetary reserves:		
Water Fund	Capital Reserve Utilities Fund	5,000
Sewer Fund	Capital Reserve Utilities Fund	5,000
Regional Water System Fund	Regional Water Reserve Fund	1,318,790
Utilization of budgetary reserves:		
Rate Stabilization Fund	Water Capital Project Fund	200,000
Regional Water Reserve Fund	RWS Capital Project Fund	60,761
Administrative support of proprietary funds:		
Water Fund	General Fund	378,600
Sewer Fund	General Fund	252,800
Sewer Fund	Water Fund	221,800
Regional Water System Fund	General Fund	219,200
Regional Water System Fund	Water Fund	96,500

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

<u>Transfer Out</u>	<u>Transfer In</u>	
Proprietary fund debt service:		
General Fund	Water Fund	97,100
Sewer Fund	Water Fund	401,500
Regional Water System Fund	Water Fund	16,000

Transfers by fund type for the year ended June 30, 2017 are summarized as follows:

	<u>Transfer In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Non-major Gov. Fund</u>	<u>Major Enterprise Fund</u>	<u>Non-major Enterprise Fund</u>	
<b>Transfer Out:</b>					
General Fund	\$ -	\$ 375,791	\$ 97,100	\$ -	\$ 472,891
Non-major Gov. Fund	-	-	-	30,699	30,699
Major Enterprise Fund	850,600	6,250	735,800	1,989,424	3,582,072
Non-major Ent. Fund	-	-	10,182	280,208	290,390
Totals	<u>\$ 850,600</u>	<u>\$ 382,041</u>	<u>\$ 843,082</u>	<u>\$ 2,300,331</u>	<u>\$ 4,376,052</u>

Transfers are used to move unrestricted revenues to finance various programs 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>\$ 10,848,026</u>
Less:	
Stabilization by State Statute	1,812,012
Public Safety – Asset Forfeiture	221,847
Streets – Powell Bill	896,300
Committed for LEO Pension Contributions	115,805
Assigned for Public Safety	5,007
Assigned for Recreation and Parks	58,184
Assigned for Capital Project Funds	460,000
Appropriated fund balance in 2017 budget	503,000
Remaining fund balance	6,775,871

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, 2017, the unassigned fund balance is 43.77% of budgeted expenditures for fiscal year 2017-2018. Per the calculation used by the LGC, the City’s fund balance available for appropriation is 67.08% of fiscal year 2016-2017 expenditures.

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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The outstanding encumbrances are amounts needed to pay any commitments related to purchase order and contracts that remain unperformed at year-end. Encumbrances at year-end totaled \$541,350 for the General Fund.

E. Special Item: Land Reconveyance

In accordance with the terms and conditions of an agreement between the City and the Embassy Cultural Center Foundation, Inc., dated September 9, 2014, the City made a conveyance of land known as the unoccupied portion of the “Embassy North” block in downtown Henderson. The purpose of this conveyance was the development of the land for public parking and recreational public purposes. This agreement provided that the City could demand reconveyance of the property for a period of twenty years in the event that specified covenants were not met. During the current fiscal year, it was determined that developmental goals specified by such covenants had not been met. The City obtained reconveyance of this property, consisting of undeveloped land, effective April 6, 2017, and recognized a special revenue item totaling \$166,696.

**III. Tax Abatements**

The City enters into Economic Development Incentive agreements with local businesses in accordance with Article 1 of the Local Development Act of 1925, G.S. 158.7.1, and NC G.S. 160A-456, “Community Development Programs and Activities.” The City uses this program to further identified strategic objectives: to create new jobs and investment, expand the tax base, and increase the per capita income. Under this program, the City offers individual incentive packages to attract new businesses, or induce additional investment of existing businesses within the City. Commitments made by businesses in such agreements include specified levels of investment, staffing, and continued operations for required lengths of time. The incentives offered by the City consist of grant payments determined by the business personal property and real estate taxes which are attributable to such investments. Failure to meet the commitments can result in reductions of the incentives paid, or refunds of incentives previously paid by the City. For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$44,370 under this program.

**IV. Jointly Governed Organization**

The City, in conjunction with five counties and fifteen municipalities, established the Kerr-Tar Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints at least one member to the Council’s governing board. The City paid a total of \$14,368 to the Council during the fiscal year ended June 30, 2017.

**V. 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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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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, 2017, the Water Fund of the City of Henderson purchased water from the System totaling \$3,158,359. 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, 2017.

In accordance with the intergovernmental agreement between the participating governments, as amended on March 14, 2011, Vance County currently funds 75% of the library budget, with the City funding the remaining 25%. For fiscal year 2017, 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, 2017.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$28,750 to the Authority to supplement its activities during the fiscal year ended June 30, 2017. 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

**CITY OF HENDERSON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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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, 2017. Financial statements for the System can be obtained from the Henderson Fire Department, 211 Dabney Drive, Henderson NC, 27536.

**VI. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**VII. Significant Effects of Subsequent Events**

The City has evaluated events and transactions that occurred between June 30, 2017 and December 4, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Effective July 24, 2017, the City Council approved a commercial loan with Branch Banking and Trust in the amount of \$830,000 to fund the renovation of the former municipal building. The budget of the Old Municipal Building Capital Improvement project was amended to reflect this funding source.

Effective August 3, 2017, the City Council accepted notice of approval by the USDA of a \$474,000 loan and \$133,000 grant to finance the purchase of a Fire Pumper Truck.

**VIII. Reclassification**

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

**IX. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ended December 31, 2016). As a result, net position for the governmental activities decreased \$905,170.



## **Supplementary Information**

**CITY OF HENDERSON, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

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**Schedule of Changes in Total Pension Liability**

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	<u>2017</u>
Beginning Balance	\$ 1,267,027
Service Cost	62,229
Interest on the total pension liability	43,508
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(30,030)
Benefit payments	(96,654)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,246,080</u>

The Amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

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**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

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	<u>2017</u>
Total pension liability	\$ 1,246,080
Covered payroll	2,232,177
Total pension liability as a percentage of covered payroll	55.82%

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**Notes to the Schedules**

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The City of Henderson has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

December 31, 2016 Measurement Date: The Municipal Bond Index Rate increased from 3.57% to 3.86%.

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

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) – Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b - a) / c)</b>
12/31/2015	\$ -	\$ 12,841,598	\$ 12,841,598	0.00%	\$ 7,021,835	182.88%
12/31/2013	-	10,170,800	10,170,800	0.00%	7,018,925	144.91%
12/31/2011	-	10,161,543	10,161,543	0.00%	6,762,235	150.27%

**Schedule of Employer Contributions**

<b>Year Ended June 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Contributions Made</b>
2017	\$ 629,538	72.1%	\$ 453,627
2016	629,538	67.6%	425,537
2015	611,202	57.9%	353,611

**Notes to the Required Schedules**

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Henderson's proportion of the net pension liability (asset) (%)	0.12757%	0.13278%	0.14199%	0.14680%
Henderson's proportion of the net pension liability (asset) (\$)	\$ 2,707,463	\$ 595,909	\$ (837,380)	\$ 1,769,504
Henderson's covered-employee payroll	\$ 7,202,668	\$ 7,216,506	\$ 7,219,054	\$ 6,962,920
Henderson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.59%	8.26%	-11.60%	25.41%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

**Schedule of Contributions**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 555,337	\$ 497,415	\$ 513,039	\$ 514,589
Contributions in relation to the contractually required contribution	555,337	497,489	513,039	514,589
Contribution deficiency (excess)	\$ -	\$ (74)	\$ -	\$ -
Henderson's covered-employee payroll	\$ 7,339,085	\$ 7,202,668	\$ 7,216,506	\$ 7,219,054
Contributions as a percentage of covered-employee payroll	7.57%	6.91%	7.11%	7.13%

## **Statements and Schedules**

**CITY OF HENDERSON, NORTH CAROLINA**  
**General Fund**

**Schedule of Revenues and Expenditures – Budget and Actual**

**For the Fiscal Year Ended June 30, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>REVENUES</b>				
Ad valorem taxes				
Current year	\$ 5,447,290	\$ 5,525,730	\$ 78,440	\$ 5,467,583
Prior years	204,000	223,571	19,571	251,509
DMV motor vehicle tax collections	440,000	583,866	143,866	519,413
Penalties and interest	57,000	67,981	10,981	80,797
Total	<u>6,148,290</u>	<u>6,401,148</u>	<u>252,858</u>	<u>6,319,302</u>
Other taxes and licenses				
Privilege licenses	-	1,664	1,664	1,780
Vehicle rental tax	26,000	26,996	996	31,675
Total	<u>26,000</u>	<u>28,660</u>	<u>2,660</u>	<u>33,455</u>
Unrestricted intergovernmental				
Vance County ABC-5%	1,800	1,898	98	1,909
Utilities sales distributions (Franchise tax)	860,000	1,009,335	149,335	1,042,369
Local option sales tax	2,917,100	3,077,740	160,640	2,968,489
ABC net revenues	2,500	15,006	12,506	3,441
Beer and wine tax	70,000	68,318	(1,682)	66,600
Total	<u>3,851,400</u>	<u>4,172,297</u>	<u>320,897</u>	<u>4,082,808</u>
Restricted intergovernmental				
State Street Aid grant	450,000	440,005	(9,995)	447,503
DOT mowing / snow contract	12,000	14,243	2,243	20,914
Solid waste disposal tax	6,700	10,139	3,439	9,812
Bullet Proof Vest Grant	-	3,624	3,624	2,250
Total	<u>468,700</u>	<u>468,011</u>	<u>(689)</u>	<u>480,479</u>
Permits and fees				
Auto tags	200,000	182,330	(17,670)	105,320
Fire inspection fees and permits	16,500	24,195	7,695	23,270
Total	<u>216,500</u>	<u>206,525</u>	<u>(9,975)</u>	<u>128,590</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
**General Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	2017		Variance Positive (Negative)	2016 Actual
	Budget	Actual		
Sales and services				
Recreation	\$ 50,000	\$ 51,789	\$ 1,789	\$ 59,357
Refuse collections	1,788,500	1,886,635	98,135	1,852,877
Misc. refuse collections	1,000	375	(625)	1,400
Leaf bags	1,000	1,259	259	1,379
Debt setoff-refuse collections	9,500	1,313	(8,187)	918
Bad debt recovery	1,200	1,553	353	1,661
Cemetery interment	7,000	9,000	2,000	7,500
Aquatics Center	71,000	90,627	19,627	102,449
Rental-Fox Pond Park	1,400	2,800	1,400	2,484
Demolition and lot cleaning	3,000	42,553	39,553	9,471
County contracts	714,420	595,598	(118,822)	733,653
Zoning and reclassification	20,000	32,776	12,776	34,007
Total	<u>2,668,020</u>	<u>2,716,278</u>	<u>48,258</u>	<u>2,807,156</u>
Investment earnings				
General Fund	8,000	34,804	26,804	20,509
Powell Bill	-	3,505	3,505	1,679
Total	<u>8,000</u>	<u>38,309</u>	<u>30,309</u>	<u>22,188</u>
Miscellaneous				
Parking violations	1,000	3,085	2,085	2,245
Civil penalties	-	2,000	2,000	-
Drug tax/Forfeitures	2,000	26,955	24,955	40,744
Court fees and charges	4,000	2,915	(1,085)	3,813
Fire code violations	-	1,200	1,200	160
Verizon water tower agreement	27,000	16,750	(10,250)	-
Public safety donations	-	5,254	5,254	-
Recreation donations	-	14,831	14,831	16,752
Miscellaneous	1,000	8,642	7,642	9,204
Insurance proceeds	-	1,528	1,528	23,789
Sale of assets	6,000	4,668	(1,332)	80,199
Total	<u>41,000</u>	<u>87,828</u>	<u>46,828</u>	<u>176,906</u>
Total revenues	<u>13,427,910</u>	<u>14,119,056</u>	<u>691,146</u>	<u>14,050,884</u>
<b>EXPENDITURES</b>				
General Government				
Legislative				
Governing Body	192,569	183,730	8,839	173,498
City Attorney	72,500	60,722	11,778	62,596
Total Legislative	<u>265,069</u>	<u>244,452</u>	<u>20,617</u>	<u>236,094</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
**General Fund**

**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
Administrative				
Administration	\$ 280,584	\$ 268,903	\$ 11,681	\$ 241,731
Human Resources	195,414	195,554	(140)	195,001
Finance	478,997	393,158	85,839	344,193
Information services	51,100	33,492	17,608	30,867
Total Administrative	<u>1,006,095</u>	<u>891,107</u>	<u>114,988</u>	<u>811,792</u>
Total General Government	<u>1,271,164</u>	<u>1,135,559</u>	<u>135,605</u>	<u>1,047,886</u>
Public safety				
Police	4,068,211	3,884,012	184,199	3,698,543
Police - asset forfeiture	116,756	111,219	5,537	131,041
Fire department	2,379,168	2,286,350	92,818	2,086,316
Total Public safety	<u>6,564,135</u>	<u>6,281,581</u>	<u>282,554</u>	<u>5,915,900</u>
Planning and community development				
Main Street - downtown development	45,900	45,900	-	20,000
Development Services	363,472	333,148	30,324	311,623
Total Planning and community development	<u>409,372</u>	<u>379,048</u>	<u>30,324</u>	<u>331,623</u>
Public services				
Transportation - Street maintenance	1,204,542	1,092,626	111,916	1,009,741
Environmental protection - Sanitation	907,518	850,642	56,876	999,201
Other public services				
Public Buildings	70,700	62,534	8,166	59,094
Bennett Perry House	600	-	600	434
Administration - public works	146,371	134,592	11,779	117,849
City Garage	133,708	184,900	(51,192)	199,113
Cemetery	100,500	98,438	2,062	86,065
Total Other public services	<u>451,879</u>	<u>480,464</u>	<u>(28,585)</u>	<u>462,555</u>
Total Public services	<u>2,563,939</u>	<u>2,423,732</u>	<u>140,207</u>	<u>2,471,497</u>
Recreation and parks				
Recreation Services	927,142	800,576	126,566	806,907
Youth Services	395,644	354,322	41,322	320,184
Aycock Aquatics Center	172,279	152,675	19,604	162,769
Total Recreation and parks	<u>1,495,065</u>	<u>1,307,573</u>	<u>187,492</u>	<u>1,289,860</u>



**CITY OF HENDERSON, NORTH CAROLINA**  
**General Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
Non-departmental				
City and County shared programs				
Contribution to library	\$ 187,400	\$ 187,400	\$ -	\$ 187,400
Other shared programs	855,040	808,408	46,632	757,481
Total City and county shared programs	1,042,440	995,808	46,632	944,881
Local agencies				
Contribution to airport	28,750	28,750	-	28,750
Other local agencies	1,700	1,700	-	2,000
Total Local agencies	30,450	30,450	-	30,750
General Non-departmental				
Insurance deductible	15,000	(1,316)	16,316	-
Insurance reserve	1,666	(1,229)	2,895	-
Group insurance - retiree	375,396	368,939	6,457	358,447
Unemployment costs	3,150	2,985	165	1,468
Economic development incentive	60,000	44,370	15,630	19,592
Licenses/Permits/Fees	1,580	560	1,020	685
Bad debt	30,000	225	29,775	-
Reserve - other	222,549	-	222,549	-
Total General non-departmental	709,341	414,534	294,807	380,192
Total Non-departmental	1,782,231	1,440,792	341,439	1,355,823
Debt service				
Lease purchase payments	31,196	31,127	69	52,134
Principal retirement	404,970	404,970	-	647,016
Interest and other charges	58,034	58,008	26	79,043
Total Debt service	494,200	494,105	95	778,193
Total expenditures	14,580,106	13,462,390	1,117,716	13,190,782
Excess of revenues over (under) expenditures	(1,152,196)	656,666	1,808,862	860,102

**CITY OF HENDERSON, NORTH CAROLINA**  
**General Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of installment notes	\$ 634,000	\$ 34,754	\$ (599,246)	\$ 266,427
Transfers from other funds:				
Capital Projects - Powell Bill	-	-	-	29,900
Enterprise Fund - Water Fund	378,600	378,600	-	361,300
Enterprise Fund - Sewer Fund	252,800	252,800	-	252,800
Enterprise Fund Regional Water System Fund	219,200	219,200	-	219,200
Transfers (to) other funds:				
Special Revenue - Grants Fund	(5,044)	(15,791)	(10,747)	(3,605)
Capital Projects - General Fund	(820,000)	(360,000)	460,000	-
Enterprise Fund - Water Fund	(97,100)	(97,100)	-	(97,100)
Total other financing sources	<u>562,456</u>	<u>412,463</u>	<u>(149,993)</u>	<u>1,028,922</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(589,740)</u>	<u>1,069,129</u>	<u>1,658,869</u>	<u>1,889,024</u>
Fund balance appropriated	<u>589,740</u>	<u>-</u>	<u>(589,740)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,069,129</u>	<u>\$ 1,069,129</u>	<u>1,889,024</u>
<b>FUND BALANCE – Beginning</b>		<u>9,778,897</u>		<u>7,889,873</u>
<b>FUND BALANCE – Ending</b>		<u>\$ 10,848,026</u>		<u>\$ 9,778,897</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
**Combining Balance Sheet — Nonmajor Governmental Funds**  
**June 30, 2017, with Comparative Totals for June 30, 2016**

	Special	Capital Project Funds			Permanent	Total Nonmajor	
	Revenue Fund				Fund	Governmental Funds	
	Grants Fund	Capital Reserve General	Capital Reserve Economic Development	Capital Projects General Fund	Elmwood Cemetery	June 30, 2017	June 30, 2016
<b>ASSETS</b>							
Cash and equivalents	\$ -	\$ -	\$ -	\$ 391,561	\$ 433,706	\$ 825,267	\$ 599,888
Restricted cash	2,589	69,840	15,828	-	-	88,257	127,613
Due from other governments	47,060	-	-	-	-	47,060	10,815
Due from General Fund	-	-	-	-	-	-	3,605
Total assets	<u>\$ 49,649</u>	<u>\$ 69,840</u>	<u>\$ 15,828</u>	<u>\$ 391,561</u>	<u>\$ 433,706</u>	<u>\$ 960,584</u>	<u>\$ 741,921</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 13,295	\$ -	\$ -	\$ 868	\$ -	\$ 14,163	\$ 14,700
Due to General Fund	<u>33,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,765</u>	<u>-</u>
Total liabilities	<u>47,060</u>	<u>-</u>	<u>-</u>	<u>868</u>	<u>-</u>	<u>47,928</u>	<u>14,700</u>
<b>FUND BALANCES</b>							
Non Spendable							
Perpetual maintenance	-	-	-	-	433,706	433,706	431,978
Restricted							
Streets - Powell Bill	-	-	-	-	-	-	-
Public Safety	1,500	-	-	-	-	1,500	6,020
Planning and community development	163	-	-	-	-	163	30,699
Recreation and parks	926	-	-	-	-	926	5,484
Capital reserves	-	69,840	15,828	-	-	85,668	85,590
Assigned	-	-	-	390,693	-	390,693	167,450
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>2,589</u>	<u>69,840</u>	<u>15,828</u>	<u>390,693</u>	<u>433,706</u>	<u>912,656</u>	<u>727,221</u>
Total liabilities and fund balances	<u>\$ 49,649</u>	<u>\$ 69,840</u>	<u>\$ 15,828</u>	<u>\$ 391,561</u>	<u>\$ 433,706</u>	<u>\$ 960,584</u>	<u>\$ 741,921</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance — Nonmajor Governmental Funds**  
**June 30, 2017, with Comparative Totals for June 30, 2016**

	Special	Capital Project Funds			Permanent	Total Nonmajor	
	Revenue Fund				Fund	Governmental Funds	
	Grants Fund	Capital Reserve General	Capital Reserve Economic Development	Capital Projects General Fund	Elmwood Cemetery	June 30, 2017	June 30, 2016
<b>REVENUES</b>							
Restricted intergovernmental	\$ 88,036	\$ -	\$ -	\$ -	\$ -	\$ 88,036	\$ 30,794
Other revenues	4,104	-	-	-	-	4,104	40,275
Investment earnings	-	78	-	122	1,728	1,928	1,039
Total revenues	<u>92,140</u>	<u>78</u>	<u>-</u>	<u>122</u>	<u>1,728</u>	<u>94,068</u>	<u>72,108</u>
<b>EXPENDITURES</b>							
Public safety	90,221	-	-	-	-	90,221	37,030
Planning and community development	6,087	-	-	136,879	-	142,966	17,909
Public services	15,146	-	-	-	-	15,146	-
Recreation and parks	11,642	-	-	-	-	11,642	19,516
Total expenditures	<u>123,096</u>	<u>-</u>	<u>-</u>	<u>136,879</u>	<u>-</u>	<u>259,975</u>	<u>74,455</u>
<b>Revenues over (under) expenditures</b>	<u>(30,956)</u>	<u>78</u>	<u>-</u>	<u>(136,757)</u>	<u>1,728</u>	<u>(165,907)</u>	<u>(2,347)</u>
<b>OTHER FINANCING SOURCES</b>							
Transfers in - General Fund	15,791	-	-	360,000	-	375,791	3,605
Transfers in - Sewer Fund	6,250	-	-	-	-	6,250	-
Transfers (out) - General Fund	-	-	-	-	-	-	(29,900)
Transfers (out) - Capital Res. Utilities	(30,699)	-	-	-	-	(30,699)	-
Total other financing sources	<u>(8,658)</u>	<u>-</u>	<u>-</u>	<u>360,000</u>	<u>-</u>	<u>351,342</u>	<u>(26,295)</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>(39,614)</u>	<u>78</u>	<u>-</u>	<u>223,243</u>	<u>1,728</u>	<u>185,435</u>	<u>(28,642)</u>
<b>FUND BALANCE</b>							
Beginning	42,203	69,762	15,828	167,450	431,978	727,221	755,863
Ending	<u>\$ 2,589</u>	<u>\$ 69,840</u>	<u>\$ 15,828</u>	<u>\$ 390,693</u>	<u>\$ 433,706</u>	<u>\$ 912,656</u>	<u>\$ 727,221</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, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
<b>REVENUES</b>						
Restricted intergovernmental:						
BJA Grant Bulletproof Vests 2014						
Bureau of Justice Grant	\$ -	\$ 5,855	\$ -	\$ (5,855)	\$ -	\$ -
Bureau of Justice Grant 2015						
Bureau of Justice Grant	-	15,994	-	(15,994)	-	-
BJA Grant 2016						
Bureau of Justice Grant	19,996	-	19,996	-	19,996	-
Governor's Crime Commission						
Governor's Crime Comm. Grant	11,250	10,815	-	-	10,815	(435)
Governor's Crime Commission Task Force						
Governor's Crime Comm. Grant	76,185	-	68,040	-	68,040	(8,145)
Julia Avenue Project						
Vance Co. Engineering Contract	-	39,000	-	(39,000)	-	-
Technical Assistance Grant						
NC Dept. of Env. Quality Grant	125,000	-	-	-	-	(125,000)
Other Revenues:						
Electric Vehicle Charge Stations						
Duke Energy Grant	20,000	-	-	-	-	(20,000)
Walmart Community Grant						
Fire Department Grant (2016)	-	4,480	(4,480)	-	-	-
Fire Department Grant (2017)	1,500	-	1,500	-	1,500	-
Challenger Flag Football Program						
Panthers Challenger Grant	2,500	-	2,500	-	2,500	-
Fox Pond Trail Project						
Triangle North Healthcare	-	20,000	4,584	(24,584)	-	-
Total revenues	256,431	96,144	92,140	(85,433)	102,851	(153,580)

**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, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
<b>EXPENDITURES</b>						
Public safety:						
BJA Grant Bulletproof Vests 2014						
Capital outlay	\$ -	\$ 8,406	\$ 1,620	\$ (10,026)	\$ -	\$ -
Bureau of Justice Grant 2015						
Capital outlay	-	16,038	-	(16,038)	-	-
BJA Grant 2016						
Capital outlay	19,996	-	19,996	-	19,996	-
Governor's Crime Commission						
Capital outlay	15,000	14,456	-	-	14,456	544
Community Task Force						
Noncapital expense	44,285	-	43,111	-	43,111	1,174
Capital outlay	31,900	-	25,494	-	25,494	6,406
Total	76,185	-	68,605	-	68,605	7,580
Walmart Community Grant						
Fire Department Grant (2017)	1,500	-	-	-	-	1,500
Planning and community development:						
Julia Avenue Project						
Contracted services	-	3,430	-	(3,430)	-	-
Legal/Administrative	-	4,871	-	(4,871)	-	-
Total	-	8,301	-	(8,301)	8,301	(8,301)
Technical Assistance Grant						
Software	3,000	-	-	-	-	3,000
Engineering	128,250	-	6,087	-	6,087	122,163
Total	131,250	-	6,087	-	6,087	125,163
Public Services:						
Electric Vehicle Charge Stations						
Capital Outlay	13,200	-	13,146	-	13,146	54
Legal/Administrative	230	-	350	-	350	(120)
Engineering	1,650	-	1,650	-	1,650	-
Construction	9,920	-	-	-	-	9,920
Total	25,000	-	15,146	-	15,146	9,854

**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, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
Recreation and Parks:						
Challenger Flag Football Program Recreation services	\$ 2,500	\$ -	\$ 1,574	\$ -	\$ 1,574	\$ 926
Fox Pond Trail Project Capital outlay	-	14,516	10,068	(24,584)	-	-
Total expenditures	271,431	61,717	123,096	(58,949)	125,864	145,567
<b>Excess of revenues over (under) expenditures</b>	<u>(15,000)</u>	<u>34,427</u>	<u>(30,956)</u>	<u>(26,484)</u>	<u>(23,013)</u>	<u>(8,013)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer from General Fund:						
BJA Grant Bulletproof Vests 2014	-	4,171	-	(4,171)	-	-
Bureau of Justice Grant 2015	-	-	44	(44)	-	-
Governor's Crime Commission	3,750	3,605	36	-	3,641	(109)
Community Task Force	-	-	565	-	565	565
Electric Vehicle Charge Stations	5,000	-	15,146	-	15,146	10,146
Transfer from Sewer Fund:						
Technical Assistance Grant	6,250	-	6,250	-	6,250	-
Transfer (to) Capital Res. Utilities						
Julia Avenue Project	-	-	(30,699)	30,699	-	-
Total	15,000	7,776	(8,658)	26,484	25,602	10,602
Total other financing sources (uses)	15,000	7,776	(8,658)	26,484	25,602	10,602
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 42,203</u>	<u>(39,614)</u>	<u>\$ -</u>	<u>\$ 2,589</u>	<u>\$ 2,589</u>
<b>FUND BALANCE – Beginning</b>			<u>42,203</u>			
<b>FUND BALANCE – Ending</b>			<u>\$ 2,589</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>			<b>2016 Actual</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	
<b>REVENUES</b>				
Environment protection	\$ -	\$ -	\$ -	\$ 13,287
Investment earnings	-	78	78	40
Total revenues	<u>-</u>	<u>78</u>	<u>78</u>	<u>13,327</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (to) from other funds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	78	<u>\$ 78</u>	13,327
<b>FUND BALANCE – Beginning</b>		<u>69,762</u>		<u>56,435</u>
<b>FUND BALANCE – Ending</b>		<u>\$ 69,840</u>		<u>\$ 69,762</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Planning and community development:				
Capital Reserve	15,800	-	15,800	-
Total expenditures	15,800	-	15,800	-
<b>Excess of revenues over (under) expenditures</b>	(15,800)	-	15,800	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance appropriated	15,800	-	(15,800)	-
Total other financing sources	15,800	-	(15,800)	-
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	-	<u>\$ -</u>	-
<b>FUND BALANCE – Beginning</b>		15,828		15,828
<b>FUND BALANCE – Ending</b>		<u>\$ 15,828</u>		<u>\$ 15,828</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
**Capital Projects Fund – General**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2017**

	Project Author- ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year			
			Revenues/ Expenditures	Closed		Total to Date
<b>REVENUES</b>						
Beckford Drive Widening Project:						
Restricted intergovernmental SAFETEA - LU	\$ 825,000	\$ 171,427	\$ -	\$ -	\$ 171,427	\$ (653,573)
Investment income	-	98	122	-	220	220
Total revenues	825,000	171,525	122	-	171,647	(653,353)
<b>EXPENDITURES</b>						
Planning and community dev.:						
Beckford Drive Widening Project:						
Contingency	84,150	-	-	-	-	84,150
Administration	18,787	17,674	100	-	17,774	1,013
Construction	714,600	-	-	-	-	714,600
Engineering	201,713	212,671	5,441	-	218,112	(16,399)
Right of Way	12,000	14,150	52	-	14,202	(2,202)
Total	1,031,250	244,495	5,593	-	250,088	781,162
Outdoor Pavilion and Market						
Legal/Admin	1,500	-	-	-	-	1,500
Construction	15,500	-	-	-	-	15,500
Landscape Design	3,000	-	-	-	-	3,000
Total	20,000	-	-	-	-	20,000
Street Resurfacing Project						
Resurfacing	200,000	-	-	-	-	200,000
Old Municipal Building Project						
Legal/Admin	9,000	-	1,754	-	1,754	7,246
Engineering	45,000	-	40,275	-	40,275	4,725
Construction	491,000	-	89,257	-	89,257	401,743
Contingency	55,000	-	-	-	-	55,000
Total	600,000	-	131,286	-	131,286	468,714
Total expenditures	1,851,250	244,495	136,879	-	381,374	1,469,876
<b>Excess of revenues over (under) expenditures</b>	<b>(1,026,250)</b>	<b>(72,970)</b>	<b>(136,757)</b>	<b>-</b>	<b>(209,727)</b>	<b>816,523</b>

**CITY OF HENDERSON, NORTH CAROLINA**  
**Capital Projects Fund – General**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2017**

	Project Author- ization	Actual			Variance Positive Negative	
		Current Year				
		Prior Years	Revenues/ Expenditures	Closed		Total to Date
<b>OTHER FINANCING SOURCES</b>						
<b>(USES)</b>						
Transfers (to) from General Fund:						
Beckford Drive Widening Project	\$ 206,250	\$ 206,250	\$ -	\$ -	\$ 206,250	\$ -
Outdoor Pavilion and Market	20,000	-	20,000	-	20,000	-
Street Resurfacing Project	200,000	-	200,000	-	200,000	-
Old Municipal Building Project	600,000	-	140,000	-	140,000	(460,000)
Total other financing sources (uses)	<u>1,026,250</u>	<u>206,250</u>	<u>360,000</u>	<u>-</u>	<u>566,250</u>	<u>(460,000)</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 133,280</u>	223,243	<u>\$ -</u>	<u>\$ 356,523</u>	<u>\$ 356,523</u>
<b>FUND BALANCE – Beginning</b>			<u>167,450</u>			
<b>FUND BALANCE – Ending</b>			<u>\$ 390,693</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>			<b>2016 Actual</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	
<b>REVENUES</b>				
Investment earnings	\$ -	\$ 1,728	\$ 1,728	\$ 893
<b>EXPENDITURES</b>				
Public Services	-	-	-	-
<b>Excess of revenues over (under) expenditures</b>	-	1,728	1,728	893
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (to) General Fund	-	-	-	-
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	1,728	<u>\$ 1,728</u>	893
<b>FUND BALANCE – Beginning</b>		<u>431,978</u>		<u>431,085</u>
<b>FUND BALANCE – Ending</b>		<u>\$ 433,706</u>		<u>\$ 431,978</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Budget	Actual		
<b>REVENUES</b>				
Operating revenues				
Charges for services				
Water charges	\$ 5,633,970	\$ 6,094,415	\$ 460,445	\$ 5,904,489
Water reservation fee - Vance County	52,800	52,875	75	52,875
Debt setoff - water charges	3,000	4,713	1,713	2,462
Sprinklers and hydrants	121,590	132,362	10,772	129,364
Bad debts recovery	8,000	14,540	6,540	8,870
Returned check fees	2,200	5,075	2,875	2,975
Tapping	10,000	56,492	46,492	37,118
Reconnection	28,000	24,297	(3,703)	23,196
Set up charges	13,000	11,279	(1,721)	10,973
Overpayments utilities	1,000	(5,802)	(6,802)	(4,417)
Past due charges	73,000	81,833	8,833	79,121
Total	<u>5,946,560</u>	<u>6,472,079</u>	<u>525,519</u>	<u>6,247,026</u>
Other operating revenues				
Sale of materials	2,000	6,989	4,989	4,919
Miscellaneous	6,190	11,464	5,274	14,159
Over-short	-	223	223	(23)
Total	<u>8,190</u>	<u>18,676</u>	<u>10,486</u>	<u>19,055</u>
Total operating revenues	<u>5,954,750</u>	<u>6,490,755</u>	<u>536,005</u>	<u>6,266,081</u>
Non-operating revenues				
Interest on investments	3,500	7,054	3,554	5,811
Insurance proceeds	-	6,035	6,035	6,283
Sale of assets	-	812	812	-
T-Mobile Agreement	27,000	27,872	872	27,326
Sprint PCS Site Agreement	26,000	26,629	629	26,473
Total non-operating revenues	<u>56,500</u>	<u>68,402</u>	<u>11,902</u>	<u>65,893</u>
Total revenues	<u>6,011,250</u>	<u>6,559,157</u>	<u>547,907</u>	<u>6,331,974</u>
<b>EXPENDITURES</b>				
Administration and engineering				
Salaries and employee benefits	242,000	190,275	51,725	205,519
Supplies	23,400	13,900	9,500	14,723
Telephone	5,000	4,001	999	3,418
Insurance	4,393	4,369	24	3,057
Contracted services	10,300	9,522	778	2,613
Capital outlay	18,000	17,995	5	10,000
Capital outlay - noncapital	800	712	88	-
Other administration expenses	10,800	5,290	5,510	7,571
Total	<u>314,693</u>	<u>246,064</u>	<u>68,629</u>	<u>246,901</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Budget	Actual		
Public services administration				
Salaries and employee benefits	\$ 91,100	\$ 39,546	\$ 51,554	\$ 88,634
Supplies	2,200	1,241	959	1,922
Telephone	1,400	968	432	636
Insurance	2,144	1,242	902	1,304
Other expenses	2,400	375	2,025	1,704
Total	99,244	43,372	55,872	94,200
Water distribution operations				
Salaries and employee benefits	435,730	346,313	89,417	393,406
Purchases for resale	3,060,000	3,158,359	(98,359)	3,067,269
Supplies	70,500	47,034	23,466	36,225
Telephone	4,900	4,383	517	3,771
Utilities	17,100	15,901	1,199	14,841
Insurance	27,735	22,968	4,767	16,800
Contracted services	105,400	74,498	30,902	80,816
Reimbursement - Water	49,100	29,060	20,040	40,026
Maintenance	114,000	90,260	23,740	78,163
Water line repairs	115,000	92,409	22,591	113,074
Water meter replacements	78,000	77,554	446	77,742
Water taps	15,000	11,680	3,320	7,491
Capital outlay	3,600	3,600	-	143,842
Capital outlay - noncapital	2,700	2,591	109	2,476
Other expenses	25,400	17,936	7,464	19,264
Total	4,124,165	3,994,546	129,619	4,095,206
Customer service				
Salaries and employee benefits	374,560	376,284	(1,724)	336,359
Supplies	21,690	13,214	8,476	15,719
Telephone	4,200	3,311	889	2,740
Insurance	16,061	13,345	2,716	11,684
Contracted services	63,400	51,958	11,442	52,177
Capital outlay - noncapital	1,600	1,168	432	3,701
Other expenses	34,320	23,253	11,067	28,463
Total	515,831	482,533	33,298	450,843

## CITY OF HENDERSON, NORTH CAROLINA

## Water Fund

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

For the Fiscal Year Ended June 30, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017			2016 Actual
	Budget	Actual	Variance Positive (Negative)	
Non-departmental				
Retiree insurance	\$ 30,050	\$ 21,115	\$ 8,935	\$ 22,911
Workers' compensation insurance	3,000	-	3,000	-
Vacation and comp. time payout	3,600	-	3,600	-
Licenses/Permits/Fees	2,000	523	1,477	92
Reserve for bad debt	75,000	-	75,000	-
Contingency	32,670	-	32,670	-
Insurance reserve	3,597	-	3,597	-
Other reserve	37,301	-	37,301	-
Total	<u>187,218</u>	<u>21,638</u>	<u>165,580</u>	<u>23,003</u>
Debt Service				
Lease purchase payments	24,155	24,064	91	34,371
Interest and fees	102,649	102,547	102	122,300
Principal	1,091,796	1,084,916	6,880	1,053,863
Total	<u>1,218,600</u>	<u>1,211,527</u>	<u>7,073</u>	<u>1,210,534</u>
Total expenditures	<u>6,459,751</u>	<u>5,999,680</u>	<u>460,071</u>	<u>6,120,687</u>
Excess of revenues over (under) expenditures	<u>(448,501)</u>	<u>559,477</u>	<u>87,836</u>	<u>211,287</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds:				
General Fund	97,100	97,100	-	97,100
Sewer Fund	623,300	623,300	-	606,900
Regional Water System Fund	112,500	112,500	-	96,000
Rate Stabilization Fund	-	-	-	60,000
Transfers (to) other funds:				
General Fund	(378,600)	(378,600)	-	(361,300)
Water Capital Project Fund	(799)	(799)	-	-
Capital Reserve Utilities Fund	(5,000)	(5,000)	-	(7,100)
Installment note proceeds	-	-	-	64,568
Accelerated note payment	-	(12,759)	(12,759)	-
Revision on settlement	-	-	-	30,000
Total other financing sources	<u>448,501</u>	<u>435,742</u>	<u>(12,759)</u>	<u>586,168</u>
Excess of revenues and other financing sources over (under) expenditures	<u>-</u>	<u>995,219</u>	<u>995,219</u>	<u>797,455</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>\$ 995,219</u>	<u>\$ 995,219</u>	<u>\$ 797,455</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Excess of revenues and other financing sources over (under) expenditures		\$ 995,219		\$ 797,455
Reconciling items:				
Debt service - principal		1,121,021		1,086,866
Installment note proceeds		-		(64,568)
Capital outlay		21,595		153,598
Depreciation		(430,767)		(362,093)
Increase (decrease) in notes receivable		(43,750)		(43,750)
(Increase) decrease in accrued liabilities:				
Accrued vacation		(173)		(8,358)
Accrued interest		4,425		3,341
Accrued OPEB Liability		(17,456)		(22,472)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		51,160		51,188
Pension expense		(62,250)		(29,074)
Consolidated activity:				
Water Capital Project Fund:				
Interest on investments		247		-
Sales tax refunds		1		11,428
Capital contributions received		131,882		-
Transfers (to) from Water Fund		799		-
Capital Reserve Utilities Fund				
Excess of revenues over (under) expenses		190		260
Transfers (to) from Water Fund		5,000		7,100
Transfers (to) from Grants Fund		30,699		-
Rate Stabilization Fund:				
Excess of revenues over (under) expenses		5,356		19,633
Transfers (to) from Water Fund		-		(60,000)
Total reconciling items		<u>817,979</u>		<u>743,099</u>
Change in net position		<u>\$ 1,813,198</u>		<u>\$ 1,540,554</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Budget	Actual		
<b>REVENUES</b>				
Operating revenues				
Charges for services				
Sewer charges	\$ 4,345,400	\$ 4,697,885	\$ 352,485	\$ 4,681,461
Sewer surcharges	16,000	10,589	(5,411)	14,807
Debt setoff - sewer charges	7,000	8,787	1,787	6,802
Bad debts recovery	8,500	9,696	1,196	11,004
Tapping	2,500	6,500	4,000	5,750
Reconnection	51,000	56,694	5,694	54,125
Code violations	5,000	1,106	(3,894)	1,800
Set up charges	22,000	25,571	3,571	25,603
Fog compliance monitoring	9,000	9,123	123	9,079
Past due charges	170,000	190,942	20,942	184,615
Total	<u>4,636,400</u>	<u>5,016,893</u>	<u>380,493</u>	<u>4,995,046</u>
Other operating revenues				
Sale of materials	1,000	-	(1,000)	3,303
Miscellaneous	1,000	254	(746)	-
Total	<u>2,000</u>	<u>254</u>	<u>(1,746)</u>	<u>3,303</u>
Total operating revenues	<u>4,638,400</u>	<u>5,017,147</u>	<u>378,747</u>	<u>4,998,349</u>
Non-operating revenues				
Interest on investments	3,500	13,448	9,948	7,237
Sale of assets	-	236	236	-
Vance County	69,400	67,180	(2,220)	132,490
Total non-operating revenues	<u>72,900</u>	<u>80,864</u>	<u>7,964</u>	<u>139,727</u>
Total revenues	<u>4,711,300</u>	<u>5,098,011</u>	<u>386,711</u>	<u>5,138,076</u>
<b>EXPENDITURES</b>				
Water Reclamation Facility				
Salaries and employee benefits	896,260	734,639	161,621	798,843
Supplies	209,500	197,403	12,097	193,518
Telephone	12,100	10,785	1,315	15,464
Utilities	361,000	336,002	24,998	346,129
Insurance	60,443	53,043	7,400	42,233
Contracted Services	261,500	248,865	12,635	185,610
Maintenance	176,500	148,451	28,049	153,372
Capital outlay	38,510	35,876	2,634	55,513
Capital outlay - noncapital	5,900	4,298	1,602	-
Other expenses	20,100	19,349	751	12,594
Total	<u>2,041,813</u>	<u>1,788,711</u>	<u>253,102</u>	<u>1,803,276</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Budget	Actual		
<b>Sewer Collection Operations</b>				
Salaries and employee benefits	\$ 214,570	\$ 181,396	\$ 33,174	\$ 192,680
Supplies	34,700	23,423	11,277	15,175
Telephone	3,300	2,620	680	2,413
Utilities	19,600	12,719	6,881	12,285
Insurance	21,711	18,018	3,693	12,388
Contracted services	29,900	10,854	19,046	3,347
Reimbursement - Utility policy	2,400	2,382	18	1,795
Maintenance	55,600	20,691	34,909	15,303
Sewer line repairs	20,000	8,789	11,211	4,311
Sewer taps	6,000	25	5,975	-
Capital outlay	3,600	3,600	-	277,300
Capital outlay - noncapital	3,650	3,513	137	2,476
Other expenses	12,800	7,885	4,915	7,628
Total	<u>427,831</u>	<u>295,915</u>	<u>131,916</u>	<u>547,101</u>
<b>Sewer I &amp; I Operations</b>				
Salaries and employee benefits	122,310	88,417	33,893	104,709
Supplies	24,800	10,733	14,067	12,742
Insurance	19,488	14,562	4,926	11,570
Contracted services	26,900	23,892	3,008	24,711
Maintenance	7,900	968	6,932	5,330
Capital outlay	-	-	-	30,442
Other expenses	6,600	4,246	2,354	4,428
Total	<u>207,998</u>	<u>142,818</u>	<u>65,180</u>	<u>193,932</u>
<b>Non-departmental</b>				
Retiree insurance	19,300	31,325	(12,025)	23,407
Workers' compensation insurance	3,000	-	3,000	-
Vacation and comp. time payout	5,000	-	5,000	-
Licenses/Permits/Fees	1,000	198	802	530
Reserve for bad debt	78,000	-	78,000	-
Insurance reserve	4,548	-	4,548	-
Other reserve	52,300	-	52,300	-
Contingency	19,440	-	19,440	-
Total	<u>182,588</u>	<u>31,523</u>	<u>151,065</u>	<u>23,937</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017			2016 Actual
	Budget	Actual	Variance Positive (Negative)	
Debt Service				
Lease purchase payments	\$ 31,418	\$ 31,388	\$ 30	\$ 31,388
Interest and fees	67,153	31,666	35,487	17,663
Principal	1,125,929	1,116,834	9,095	1,050,403
Total	1,224,500	1,179,888	44,612	1,099,454
Total expenditures	4,084,730	3,438,855	645,875	3,667,700
<b>Excess of revenues over (under) expenditures</b>	<b>626,570</b>	<b>1,659,156</b>	<b>(259,164)</b>	<b>1,470,376</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (to) other funds:				
General Fund	(252,800)	(252,800)	-	(252,800)
Special Revenue - Grants Fund	(6,250)	(6,250)	-	-
Sewer Capital Project Fund	-	(659,547)	(659,547)	-
Water Fund	(623,300)	(623,300)	-	(606,900)
Capital Reserve Utilities Fund	(5,000)	(5,000)	-	(8,000)
Installment note proceeds	-	-	-	340,080
Total other financing sources	(887,350)	(1,546,897)	(659,547)	(527,620)
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<b>(260,780)</b>	<b>112,259</b>	<b>373,039</b>	<b>942,756</b>
Fund balance appropriated	260,780	-	(260,780)	-
<b>Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 112,259</b>	<b>\$ 112,259</b>	<b>\$ 942,756</b>

## CITY OF HENDERSON, NORTH CAROLINA

## Sewer Fund

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

For the Fiscal Year Ended June 30, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Budget	Actual		
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Excess of revenues and other financing sources over (under) expenditures		\$ 112,259		\$ 942,756
Reconciling items:				
Debt service - principal		1,147,285		1,080,539
Installment note proceeds		-		(340,080)
Capital outlay		39,476		365,223
Depreciation		(825,638)		(775,526)
Increase (decrease) in inventory		(10,194)		4,533
(Increase) decrease in accrued liabilities:				
Accrued vacation		4,667		(4,573)
Accrued interest		3,660		(2,043)
Accrued OPEB Liability		(18,287)		(23,906)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		55,035		56,681
Pension expense		(66,954)		(32,203)
Consolidated activity:				
Sewer Capital Project Fund:				
Sales tax refunds		44,008		-
Capital contributions received		282,711		867,743
Transfers (to) from Sewer Fund		659,547		-
Capital Reserve Utilities Fund				
Excess of revenues over (under) expenses		5,747		3,184
Transfers (to) from Sewer Fund		5,000		8,000
Rate Stabilization Fund				
Excess of revenues over (under) expenses		5,356		2,784
Total reconciling items		1,331,419		1,210,356
Change in net position		\$ 1,443,678		\$ 2,153,112

**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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>REVENUES</b>				
Operating revenues				
Charges for services				
Water charges	\$ 4,431,380	\$ 4,895,433	\$ 464,053	\$ 4,955,200
Other operating revenues				
Miscellaneous	<u>7,720</u>	<u>10,147</u>	<u>2,427</u>	<u>8,177</u>
Total operating revenues	<u>4,439,100</u>	<u>4,905,580</u>	<u>466,480</u>	<u>4,963,377</u>
Non-operating revenues				
Interest on investments	<u>3,010</u>	<u>10,707</u>	<u>7,697</u>	<u>6,667</u>
Total revenues	<u>4,442,110</u>	<u>4,916,287</u>	<u>474,177</u>	<u>4,970,044</u>
<b>EXPENDITURES</b>				
Regional Water Plant				
Salaries and employee benefits	636,850	564,351	72,499	548,676
Supplies	493,400	430,404	62,996	403,452
Telephone	6,700	5,314	1,386	5,092
Utilities	419,000	381,348	37,652	333,007
Insurance	45,845	35,358	10,487	32,358
Contracted services	316,752	249,781	66,971	200,129
Maintenance	239,900	211,312	28,588	139,098
Capital outlay	126,854	123,577	3,277	-
Capital outlay - noncapital	6,498	6,498	-	-
Other expenses	<u>38,500</u>	<u>23,102</u>	<u>15,398</u>	<u>21,741</u>
Total	<u>2,330,299</u>	<u>2,031,045</u>	<u>299,254</u>	<u>1,683,553</u>
Non-departmental				
Retiree insurance	29,500	32,248	(2,748)	20,771
Workers' compensation insurance	1,400	-	1,400	-
Vacation and comp. time payout	600	-	600	-
Insurance reserve	515	-	515	-
Other reserve	39,682	-	39,682	-
Bank service charges	2,000	573	1,427	437
Contingency	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Total	<u>103,697</u>	<u>32,821</u>	<u>70,876</u>	<u>21,208</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
Debt Service				
Interest and fees	\$ 66,773	\$ 66,662	\$ 111	\$ 116,981
Principal	<u>301,033</u>	<u>284,932</u>	<u>16,101</u>	<u>791,496</u>
Total	<u>367,806</u>	<u>351,594</u>	<u>16,212</u>	<u>908,477</u>
 Total expenditures	 <u>2,801,802</u>	 <u>2,415,460</u>	 <u>386,342</u>	 <u>2,613,238</u>
 <b>Excess of revenues over (under) expenditures</b>	 <u>1,640,308</u>	 <u>2,500,827</u>	 <u>87,835</u>	 <u>2,356,806</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from other funds				
Regional Water System Capital Project Fund	10,182	10,182	-	-
Transfers (to) other funds:				
General Fund	(219,200)	(219,200)	-	(219,200)
Water Fund	(112,500)	(112,500)	-	(96,000)
Regional Water System Capital Project Fund	-	(286)	(286)	(579,694)
Regional Water Reserve Fund	<u>(1,318,790)</u>	<u>(1,318,790)</u>	<u>-</u>	<u>(512,100)</u>
 Total other financing sources	 <u>(1,640,308)</u>	 <u>(1,640,594)</u>	 <u>(286)</u>	 <u>(1,406,994)</u>
 <b>Excess of revenues and other financing sources over (under) expenditures</b>	 <u>-</u>	 <u>860,233</u>	 <u>860,233</u>	 <u>949,812</u>
 Fund balance appropriated	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Excess of revenues, other financing sources and fund balance appropriated over (under) expenditures</b>	 <u>\$ -</u>	 <u>\$ 860,233</u>	 <u>\$ 860,233</u>	 <u>\$ 949,812</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Excess of revenues and other financing sources over (under) expenditures		\$ 860,233		\$ 949,812
Reconciling items:				
Debt service - principal		284,932		791,496
Capital outlay		123,577		8,000
Depreciation		(519,305)		(489,983)
Increase (decrease) in inventory		(1,770)		12,273
(Increase) decrease in accrued liabilities:				
Accrued vacation		3,720		(2,626)
Accrued interest		9,723		7,231
Accrued OPEB Liability		(10,189)		(12,280)
Deferred outflows of resources for contributions made to pension plans in current fiscal year		31,681		28,792
Pension expense		(38,537)		(16,348)
Consolidated activity:				
Regional Water System Capital Project Fund				
Investment earnings		186		734
Sales tax refunds		26,037		7,187
Non-capitalized projects closed to the Regional Water System Fund		(3,136)		-
Transfers (to) from Regional Water System Fund		(9,896)		579,694
Regional Water Reserve Fund				
Excess of revenues over (under) expenses		16,982		8,189
Transfers (to) from Regional Water System Fund		<u>1,318,790</u>		<u>512,100</u>
Total reconciling items		<u>1,232,795</u>		<u>1,434,459</u>
Change in net position		<u>\$ 2,093,028</u>		<u>\$ 2,384,271</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, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
<b>REVENUES</b>						
Restricted intergovernmental						
Industrial Park Water & Sewer Ext.						
NC Rural Economic Dev. Grant	\$ 165,356	\$ -	\$ 131,882	\$ -	\$ 131,882	\$ (33,474)
Investment income						
General	-	-	247	-	247	247
Sales tax refunds						
2" Water Line Replacement	-	33,242	1	(33,243)	-	-
Radio Read Water Meter Purch.	-	19,447	-	(19,447)	-	-
Beckford Dr./Hwy 158 Water Ext.	582	582	-	-	582	-
General	-	2,960	-	-	2,960	2,960
Total revenues	<u>165,938</u>	<u>56,231</u>	<u>132,130</u>	<u>(52,690)</u>	<u>135,671</u>	<u>(30,267)</u>
<b>EXPENDITURES</b>						
Capital Outlay:						
2" Water Line Replacement						
Permit Fees	-	1,825	-	(1,825)	-	-
Admin. / Closing fee	-	37,971	-	(37,971)	-	-
Legal / Admin.	-	1,293	-	(1,293)	-	-
Engineering	-	30,672	-	(30,672)	-	-
Construction	-	1,793,764	-	(1,793,764)	-	-
Total	-	1,865,525	-	(1,865,525)	-	-
Radio Read Water Meter Purch.						
Admin. / Closing fee	-	5,879	-	(5,879)	-	-
Water meter replacement	-	288,049	-	(288,049)	-	-
Total	-	293,928	-	(293,928)	-	-
Beckford Dr./Hwy 158 Water Ext.						
Legal / Admin.	1,082	1,082	-	-	1,082	-
Engineering	47,000	47,000	-	-	47,000	-
Total	48,082	48,082	-	-	48,082	-



**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, 2017**

	Project Author- ization	Actual			Variance Positive (Negative)	
		Current Year				
		Prior Years	Revenues/ Expenditures	Closed		Total to Date
<b>Young Ave. Asbestos Replace.</b>						
Admin. / Closing fee	\$ 30,960	\$ -	\$ -	\$ -	\$ -	\$ 30,960
Construction	1,293,877	-	-	-	-	1,293,877
Legal / Admin.	5,000	700	575	-	1,275	3,725
Engineering	30,000	-	15,000	-	15,000	15,000
Planning & Design	101,905	-	86,619	-	86,619	15,286
Contingency	117,218	-	-	-	-	117,218
Total	1,578,960	700	102,194	-	102,894	1,476,066
<b>Industrial Park Water &amp; Sewer Ext.</b>						
Construction	131,510	-	127,585	-	127,585	3,925
Construction/Admin.	11,527	-	-	-	-	11,527
Legal/Admin.	1,000	-	167	-	167	833
Engineering & Design	7,532	-	-	-	-	7,532
Preliminary Engineering	7,500	-	5,630	-	5,630	1,870
Contingency	6,287	-	-	-	-	6,287
Total	165,356	-	133,382	-	133,382	31,974
<b>Beckford Dr. Loop Waterline</b>						
Legal/Admin.	4,800	-	-	-	-	4,800
Construction	180,000	-	-	-	-	180,000
Permitting	200	-	-	-	-	200
Contingency	15,000	-	-	-	-	15,000
Total	200,000	-	-	-	-	200,000
Total expenditures	1,992,398	2,208,235	235,576	(2,159,453)	284,358	1,708,040
<b>Excess of revenues over (under) expenditures</b>	<u>(1,826,460)</u>	<u>(2,152,004)</u>	<u>(103,446)</u>	<u>2,106,763</u>	<u>(148,687)</u>	<u>1,677,773</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, 2017**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year		
			Revenues/ Expenditures	Closed	
<b>OTHER FINANCING SOURCES</b>					
<b>(USES)</b>					
2" Water Line Replacement					
Transfer from Water Fund	\$ -	\$ -	\$ 799	\$ (799)	\$ -
Loan proceeds - DWSRF	-	1,831,483	-	(1,831,483)	-
Radio Read Water Meter Purchase					
Transfer (to) Capital Res. Utilities	-	-	(19,447)	19,447	-
Loan proceeds - DWSRF	-	293,928	-	(293,928)	-
Beckford Dr./Hwy 158 Water Ext.					
Transfer from Cap. Res. Utilities	47,500	47,500	-	-	47,500
Young Ave. Asbestos Replace.					
Loan proceeds - DWSRF	1,578,960	-	102,894	-	102,894
Beckford Dr. Loop Waterline					
Transfer from Rate Stabiliz. Fund	200,000	-	200,000	-	200,000
Total other financing sources (uses)	1,826,460	2,172,911	284,246	(2,106,763)	350,394
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 20,907</u>	180,800	<u>\$ -</u>	<u>\$ 201,707</u>
<b>FUND BALANCE – Beginning</b>			<u>20,907</u>		
<b>FUND BALANCE – Ending</b>			<u>\$ 201,707</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, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Current Year			Total to Date	
		Prior Years	Revenues/ Expenditures	Closed		
<b>REVENUES</b>						
HWRF Improvements						
Restricted intergovernmental						
CWSRF principal forgiveness	\$ 1,000,000	\$ -	\$ 144,250	\$ -	\$ 144,250	\$ (855,750)
NC CWMTF grant	600,000	513,967	86,033	-	600,000	-
Sales tax refunds	-	-	10,238	-	10,238	10,238
Total	1,600,000	513,967	240,521	-	754,488	(845,512)
Sandy Creek Pump Station Imp.						
Restricted intergovernmental						
CWSRF principal forgiveness	848,437	815,181	(16,885)	-	798,296	(50,141)
Sales tax refunds	-	-	33,770	-	33,770	33,770
Total	848,437	815,181	16,885	-	832,066	(16,371)
Newton Dairy Sewer Extension						
Restricted intergovernmental						
CDBG - Sewer	1,532,400	74,831	69,313	-	144,144	(1,388,256)
Investment income	-	16,675	-	-	16,675	16,675
Sales tax refunds	-	49,075	-	-	49,075	49,075
Total revenues	3,980,837	1,469,729	326,719	-	1,796,448	(2,184,389)
<b>EXPENDITURES</b>						
Capital Outlay:						
Newton Dairy Pump Project						
Professional Services	600	324	-	-	324	276
Advertising	400	-	371	-	371	29
Right of Way	21,000	-	-	-	-	21,000
Engineering	25,900	17,283	-	-	17,283	8,617
Total	47,900	17,607	371	-	17,978	29,922

**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, 2017**

	Project Author- ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year			
			Revenues/ Expenditures	Closed		Total to Date
<b>HWRF Improvements</b>						
Legal/Admin	\$ 57,000	\$ 28,273	\$ 20,995	\$ -	\$ 49,268	\$ 7,732
Engineering	1,107,780	1,107,780	-	-	1,107,780	-
Construction / Admin	16,639,215	15,404,889	1,101,175	-	16,506,064	133,151
Closing Fee - Grant / Loan	342,300	342,300	-	-	342,300	-
Land acquisition	27,000	26,985	-	-	26,985	15
Contingency	45,065	-	-	-	-	45,065
Total	18,218,360	16,910,227	1,122,170	-	18,032,397	185,963
<b>Elmwood Cemetery Outfall</b>						
Planning and design	108,300	108,255	-	-	108,255	45
Legal/Admin	5,700	3,696	777	-	4,473	1,227
Engineering	32,400	31,570	830	-	32,400	-
Construction	1,531,950	-	894,278	-	894,278	637,672
Right of Way Easements	11,500	11,208	-	-	11,208	292
SRF Closing Fee	36,000	-	36,000	-	36,000	-
Contingency	154,450	-	-	-	-	154,450
Total	1,880,300	154,729	931,885	-	1,086,614	793,686
<b>Sandy Creek Pump Station Imp.</b>						
Engineering and Geotechnical	143,100	127,971	-	-	127,971	15,129
Legal/Admin	2,500	871	-	-	871	1,629
Geotechnical	22,000	4,034	-	-	4,034	17,966
Construction	1,538,198	1,497,922	250	-	1,498,172	40,026
SRF Closing Fee	34,000	33,937	-	-	33,937	63
Contingency	9,276	-	-	-	-	9,276
Total	1,749,074	1,664,735	250	-	1,664,985	84,089
<b>Newton Dairy Sewer Extension</b>						
Design	109,800	54,800	47,000	-	101,800	8,000
Grant Administration	80,000	20,031	16,976	-	37,007	42,993
Construction / Admin	1,174,360	-	3,226	-	3,226	1,171,134
Right of Way Easements	15,000	-	2,111	-	2,111	12,889
Contingency	153,240	-	-	-	-	153,240
Total	1,532,400	74,831	69,313	-	144,144	1,388,256
Total expenditures	23,428,034	18,822,129	2,123,989	-	20,946,118	2,481,916
<b>Excess of revenues over (under) expenditures</b>	<b>(19,447,197)</b>	<b>(17,352,400)</b>	<b>(1,797,270)</b>	<b>-</b>	<b>(19,149,670)</b>	<b>297,527</b>

**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, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
<b>OTHER FINANCING SOURCES (USES)</b>						
Newton Dairy Pump Project						
Transfer from Sewer Fund	\$ 42,000	\$ 42,000	\$ -	\$ -	\$ 42,000	\$ -
Transfer from Cap. Res. Utilities	5,900	5,900	-	-	5,900	-
Total	47,900	47,900	-	-	47,900	-
HWRP Improvements						
Loan proceeds - CWSRF	16,115,000	15,956,703	158,297	-	16,115,000	-
Transfer from Sewer Fund	-	-	659,549	-	659,549	659,549
Transfer from Cap. Res. Utilities	400,000	400,000	-	-	400,000	-
Transfer from Rate Stabilization	103,360	103,360	-	-	103,360	-
Total	16,618,360	16,460,063	817,846	-	17,277,909	659,549
Elmwood Cemetery Outfall						
Loan proceeds - CWSRF	1,800,000	145,412	852,341	-	997,753	(802,247)
Transfer from Sewer Fund	25,000	25,000	-	-	25,000	-
Transfer from Cap. Res. Utilities	55,300	55,300	-	-	55,300	-
Total	1,880,300	225,712	852,341	-	1,078,053	(802,247)
Sandy Creek Pump Station Imp.						
Loan proceeds - CWSRF	848,437	815,181	(16,885)	-	798,296	(50,141)
Transfer from Cap. Res. Utilities	52,200	52,200	-	-	52,200	-
Total	900,637	867,381	(16,885)	-	850,496	(50,141)
Loan discount	-	6,506	-	-	6,506	6,506
Other	-	1,448	-	-	1,448	1,448
Total other financing sources (uses)	19,447,197	17,609,010	1,653,302	-	19,262,312	(184,885)
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 256,610</u>	<u>(143,968)</u>	<u>\$ -</u>	<u>\$ 112,642</u>	<u>\$ 112,642</u>
<b>FUND BALANCE – Beginning</b>			<u>256,610</u>			
<b>FUND BALANCE – Ending</b>			<u>\$ 112,642</u>			

**CITY OF HENDERSON, NORTH CAROLINA**  
**Regional Water System Capital Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP)**  
**From Inception and For the Fiscal Year Ended June 30, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
<b>REVENUES</b>						
KLRW Interbasin Transfer						
Investment income	\$ -	\$ 514	\$ -	\$ (514)	\$ -	\$ -
KLRWP High Speed Eff. Pump						
Sales tax refunds	-	6,455	26,037	(32,492)	-	-
Containment Wall at KLRW Plant						
Sales tax refunds	-	-	-	-	-	-
General						
Investment income	-	-	445	-	445	445
Total revenues	-	6,969	26,482	(33,006)	445	445
<b>EXPENDITURES</b>						
Capital Outlay:						
KLRW Interbasin Transfer						
Engineering	-	700,911	-	(700,911)	-	-
Planning/design	-	119,988	-	(119,988)	-	-
Contingency	-	-	-	-	-	-
Professional services	-	78,707	-	(78,707)	-	-
Total	-	899,606	-	(899,606)	-	-
KLRWP High Speed Eff. Pump						
Engineering	-	42,666	-	(42,666)	-	-
Contingency	-	-	-	-	-	-
Legal/Admin	-	1,585	-	(1,585)	-	-
Construction	-	964,876	(3,136)	(961,740)	-	-
SRF Closing Fee	-	22,580	-	(22,580)	-	-
Total	-	1,031,707	(3,136)	(1,028,571)	-	-
Pipe Repair Project						
Construction	-	99,714	-	(99,714)	-	-
SCADA System Project						
Engineering	19,700	-	36,176	-	36,176	(16,476)
Legal/Admin	1,000	-	658	-	658	342
Engineering	30,000	-	-	-	-	30,000
Construction	472,300	-	-	-	-	472,300
Total	523,000	-	36,834	-	36,834	486,166

**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, 2017**

	Project Author- ization	Actual				Variance Positive (Negative)
		Prior Years	Current Year		Total to Date	
			Revenues/ Expenditures	Closed		
20MGD Expansion Phase 2						
Legal/Admin	\$ 1,000	\$ -	\$ 717	\$ -	\$ 717	\$ 283
Engineering	29,300	-	29,294	-	29,294	6
Construction	3,000	-	-	-	-	3,000
Total	<u>33,300</u>	<u>-</u>	<u>30,011</u>	<u>-</u>	<u>30,011</u>	<u>3,289</u>
Total expenditures	<u>556,300</u>	<u>2,031,027</u>	<u>63,709</u>	<u>(2,027,891)</u>	<u>66,845</u>	<u>489,455</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(556,300)</u>	<u>(2,024,058)</u>	<u>(37,227)</u>	<u>1,994,885</u>	<u>(66,400)</u>	<u>489,900</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
KLRW Interbasin Transfer						
Transfer from Regional Water	-	383,988	(9,896)	(374,092)	-	-
Transfer from Cap. Res. IBT	-	525,000	-	(525,000)	-	-
Total	-	908,988	(9,896)	(899,092)	-	-
KLRWP High Speed Eff. Pump						
Transfer from Regional Water Res.	-	-	27,461	(27,461)	-	-
Loan proceeds - DWSRF	-	968,618	-	(968,618)	-	-
Total	-	968,618	27,461	(996,079)	-	-
Pipe Repair Project						
Transfer from Regional Water	-	99,714	-	(99,714)	-	-
SCADA System Project						
Transfer from Regional Water	523,000	523,000	-	-	523,000	-
20MGD Expansion Phase 2						
Transfer from Regional Water Res.	33,300	-	33,300	-	33,300	-
Total other financing sources (uses)	<u>556,300</u>	<u>2,500,320</u>	<u>50,865</u>	<u>(1,994,885)</u>	<u>556,300</u>	<u>-</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 476,262</u>	<u>13,638</u>	<u>\$ -</u>	<u>\$ 489,900</u>	<u>\$ 489,900</u>
<b>FUND BALANCE – Beginning</b>			<u>476,262</u>			
<b>FUND BALANCE – Ending</b>			<u>\$ 489,900</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>REVENUES</b>				
Capital Reserve - Water				
Investment earnings	\$ -	\$ 215	\$ 215	\$ 291
Capital Reserve - Sewer				
Investment earnings	-	355	355	364
Capacity usage fee	-	5,417	5,417	2,851
Total revenues	<u>-</u>	<u>5,987</u>	<u>5,987</u>	<u>3,506</u>
<b>EXPENDITURES</b>				
Capital Reserve - Water				
Licenses/Permits/Fees	-	25	(25)	31
Reserve	55,146	-	55,146	-
Capital Reserve - Sewer				
Licenses/Permits/Fees	-	25	(25)	31
Reserve	172,250	-	172,250	-
Total expenditures	<u>227,396</u>	<u>50</u>	<u>227,346</u>	<u>62</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(227,396)</u>	<u>5,937</u>	<u>233,333</u>	<u>3,444</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Reserve - Water				
Transfer (to) from Water Fund	5,000	5,000	-	7,100
Transfer (to) from Water Capital Project Fund	19,447	19,447	-	-
Transfer (to) from Grants Fund	30,699	30,699	-	-
Fund balance appropriated	-	-	-	-
Capital Reserve - Sewer				
Transfer (to) from Sewer Fund	5,000	5,000	-	8,000
Fund balance appropriated	167,250	-	(167,250)	-
Total other financing sources	<u>227,396</u>	<u>60,146</u>	<u>(167,250)</u>	<u>15,100</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>66,083</u>	<u>\$ 66,083</u>	<u>18,544</u>
<b>FUND BALANCE – Beginning</b>		<u>345,884</u>		<u>327,340</u>
<b>FUND BALANCE – Ending</b>		<u>\$ 411,967</u>		<u>\$ 345,884</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016**

	<u>2017</u>		<b>Variance Positive (Negative)</b>	<b>2016 Actual</b>
	<u>Budget</u>	<u>Actual</u>		
<b>REVENUES</b>				
Investment earnings				
Capital Reserve - Regional	\$ -	\$ 1,171	\$ 1,171	\$ 577
Capital Reserve - Regional COE	-	315	315	155
Capital Reserve - Regional 20MGD	-	15,646	15,646	7,691
Total revenues	<u>-</u>	<u>17,132</u>	<u>17,132</u>	<u>8,423</u>
<b>EXPENDITURES</b>				
Capital Reserve - Regional				
Licenses/Permits/Fees	1,200	50	1,150	78
Reserve	212,100	-	212,100	-
Capital Reserve - Regional COE				
Licenses/Permits/Fees	-	50	(50)	78
Reserve	62,000	-	62,000	-
Capital Reserve - Regional 20MGD				
Licenses/Permits/Fees	-	50	(50)	78
Reserve	5,142,509	-	5,142,509	-
Total expenditures	<u>5,417,809</u>	<u>150</u>	<u>5,417,659</u>	<u>234</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(5,417,809)</u>	<u>16,982</u>	<u>5,434,791</u>	<u>8,189</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (to) from other fund:				
Regional Water Fund				
Capital Reserve - Regional	-	-	-	(100,000)
Capital Reserve - Regional 20MGD	1,469,900	1,318,790	(151,110)	612,100
Regional Water CIP Fund				
Capital Reserve - Regional 20MGD	(60,761)	(60,761)	-	-
Fund balance appropriated	4,008,670	-	(4,008,670)	-
Total other financing sources	<u>5,417,809</u>	<u>1,258,029</u>	<u>(4,159,780)</u>	<u>512,100</u>
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>1,275,011</u>	<u>\$ 1,275,011</u>	<u>520,289</u>
<b>FUND BALANCE – Beginning</b>		<u>4,119,206</u>		<u>3,598,917</u>
<b>FUND BALANCE – Ending</b>		<u>\$ 5,394,217</u>		<u>\$ 4,119,206</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, 2017, with Comparative Totals for the Fiscal Year ended June 30, 2016

	2017		Variance Positive (Negative)	2016 Actual
	Budget	Actual		
<b>REVENUES</b>				
Rate Stabilization - Water				
Investment earnings	\$ -	\$ 5,369	\$ 5,369	\$ 19,733
Rate Stabilization - Sewer				
Investment earnings	-	5,369	5,369	2,884
Total revenues	-	10,738	10,738	22,617
<b>EXPENDITURES</b>				
Rate Stabilization - Water				
Licenses/Permits/Fees	-	13	(13)	100
Reserve	2,504,300	-	2,504,300	-
Rate Stabilization - Sewer				
Licenses/Permits/Fees	-	13	(13)	100
Reserve	461,484	-	461,484	-
Total expenditures	2,965,784	26	2,965,758	200
<b>Excess of revenues over (under) expenditures</b>	<b>(2,965,784)</b>	<b>10,712</b>	<b>2,976,496</b>	<b>22,417</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Rate Stabilization - Water				
Transfer (to) from Water Fund	-	-	-	(60,000)
Transfer (to) from Water Capital Project Fund	(200,000)	(200,000)	-	-
Fund balance appropriated	2,704,300	-	(2,704,300)	-
Rate Stabilization - Sewer				
Fund balance appropriated	461,484	-	(461,484)	-
Total other financing sources	2,965,784	(200,000)	(3,165,784)	(60,000)
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>(189,288)</b>	<b>\$ (189,288)</b>	<b>(37,583)</b>
<b>FUND BALANCE – Beginning</b>		<b>3,789,036</b>		<b>3,826,619</b>
<b>FUND BALANCE – Ending</b>		<b>\$ 3,599,748</b>		<b>\$ 3,789,036</b>

**CITY OF HENDERSON, NORTH CAROLINA**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2017**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 6,338,532	\$ 6,108,796	\$ 229,736
2015-2016	334,480	-	122,473	212,007
2014-2015	64,370	-	30,627	33,743
2013-2014	46,351	-	14,098	32,253
2012-2013	70,595	-	52,311	18,284
2011-2012	19,933	-	3,000	16,933
2010-2011	10,579	-	2,162	8,417
2009-2010	14,370	-	4,855	9,515
2008-2009	27,847	-	2,020	25,827
2007-2008	12,514	-	1,223	11,291
2006-2007	13,378	-	13,378	-
	<u>\$ 614,417</u>	<u>\$ 6,338,532</u>	<u>\$ 6,354,943</u>	598,006
				Less: allowance for uncollectible accounts: <u>(170,000)</u>
				Ad Valorem taxes receivable – net <u>\$ 428,006</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund \$ 6,401,148
				Reconciling items:
				Interest collected (68,145)
				Collections of previously written off taxes (1,850)
				Taxes written off 12,339
				Releases <u>11,451</u>
				Total collections and credits <u>\$ 6,354,943</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**For the Fiscal Year Ended June 30, 2017**

	City - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 850,920,930	0.712	\$ 6,058,557	\$ 5,636,445	\$ 422,112
Motor vehicles taxed at prior year's rate	26,089,431	0.620	161,754	-	161,754
Penalties	-		24,064	24,064	-
Total	877,010,361		6,244,375	5,660,509	583,866
Discoveries:					
Current year taxes	2,388,595	0.712	17,007	17,007	-
Prior year taxes	5,976,461	0.620	37,055	37,055	-
Prior year taxes	5,916,577	0.585	34,546	34,546	-
Total	14,281,633		88,608	88,608	-
Abatements/Non-Discoveries:					
Current year taxes	835,072	0.712	5,687	5,687	-
Prior year taxes	(23,612)	0.585	(138)	(138)	-
Total	811,460		5,549	5,549	-
Total property valuation	\$ 892,103,454				
Net levy			6,338,532	5,754,666	583,866
Less Uncollected taxes at June 30, 2017			229,736	229,736	-
Current year's taxes collected			\$ 6,108,796	\$ 5,524,930	\$ 583,866
Current levy collection percentage			96.38%	96.01%	100.00%

## **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									
	2017 (a)	2016 (b)	2015 (c)	2014 (d)	2013	2012 (d)	2011	2010	2009	2008
<b>Governmental Activities</b>										
Net investment in										
capital assets	\$ 17,157,718	\$ 16,776,372	\$ 16,387,583	\$ 16,107,257	\$ 15,855,575	\$ 9,099,920	\$ 14,328,977	\$ 14,686,579	\$ 14,582,291	\$ 12,257,263
Restricted	3,452,122	2,842,835	2,693,934	2,697,355	2,544,337	3,326,377	3,185,989	1,772,784	1,899,503	1,893,464
Unrestricted (deficit)	<u>3,147,980</u>	<u>3,711,584</u>	<u>1,820,143</u>	<u>1,026,753</u>	<u>461,525</u>	<u>(374,053)</u>	<u>(197,470)</u>	<u>1,978,225</u>	<u>2,439,450</u>	<u>4,441,365</u>
Total	<u>\$ 23,757,820</u>	<u>\$ 23,330,791</u>	<u>\$ 20,901,660</u>	<u>\$ 19,831,365</u>	<u>\$ 18,861,437</u>	<u>\$ 12,052,244</u>	<u>\$ 17,317,496</u>	<u>\$ 18,437,588</u>	<u>\$ 18,921,244</u>	<u>\$ 18,592,092</u>
<b>Business-type Activities</b>										
Net investment in										
capital assets	\$ 62,856,096	\$ 60,567,294	\$ 57,944,442	\$ 57,062,814	\$ 56,461,187	\$ 54,571,969	\$ 49,450,831	\$ 46,753,174	\$ 45,375,752	\$ 43,605,863
Restricted	-	28,258	-	-	-	-	-	-	-	225,065
Unrestricted (deficit)	<u>23,964,046</u>	<u>20,874,686</u>	<u>17,447,859</u>	<u>14,528,459</u>	<u>19,252,954</u>	<u>15,816,368</u>	<u>9,049,829</u>	<u>8,183,861</u>	<u>7,272,178</u>	<u>7,035,416</u>
Total	<u>\$ 86,820,142</u>	<u>\$ 81,470,238</u>	<u>\$ 75,392,301</u>	<u>\$ 71,591,273</u>	<u>\$ 75,714,141</u>	<u>\$ 70,388,337</u>	<u>\$ 58,500,660</u>	<u>\$ 54,937,035</u>	<u>\$ 52,647,930</u>	<u>\$ 50,866,344</u>
<b>Primary Government</b>										
Net investment in										
capital assets	\$ 80,013,814	\$ 77,343,666	\$ 74,332,025	\$ 73,170,071	\$ 72,316,762	\$ 63,671,889	\$ 63,779,808	\$ 61,439,753	\$ 59,958,043	\$ 55,863,126
Restricted	3,452,122	2,871,093	2,693,934	2,697,355	2,544,337	3,326,377	3,185,989	1,772,784	1,899,503	2,118,529
Unrestricted (deficit)	<u>27,112,026</u>	<u>24,586,270</u>	<u>19,268,002</u>	<u>15,555,212</u>	<u>19,714,479</u>	<u>15,442,315</u>	<u>8,852,359</u>	<u>10,162,086</u>	<u>9,711,628</u>	<u>11,476,781</u>
Total	<u>\$ 110,577,962</u>	<u>\$ 104,801,029</u>	<u>\$ 96,293,961</u>	<u>\$ 91,422,638</u>	<u>\$ 94,575,578</u>	<u>\$ 82,440,581</u>	<u>\$ 75,818,156</u>	<u>\$ 73,374,623</u>	<u>\$ 71,569,174</u>	<u>\$ 69,458,436</u>

**Notes**

- a: In accordance with GASB Statement 75, fiscal year 2017 includes restatements to recognize net pension liability and deferred inflows/outflows of resources.
- b: In accordance with GASB Statement 73, fiscal year 2016 includes reclassification of the City's Law Enforcement Officers' pension trust fund into the General Fund.
- c: In accordance with GASB Statement 68, fiscal year 2015 includes restatements to recognize net pension liability and deferred inflows/outflows of resources.
- d: Net position reflects prior period adjustments recognized during the fiscal year.
- e: 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									
	2017	2016	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008
<b>Governmental Activities</b>										
Expenses										
General government	\$ 1,661,484	\$ 1,496,470	\$ 1,563,433	\$ 1,682,775	\$ 1,722,160	\$ 2,238,209	\$ 2,566,627	\$ 2,633,778	\$ 909,799	\$ 3,462,318
Public safety	6,623,560	6,014,327	5,800,755	6,343,595	6,543,946	6,753,177	6,798,592	7,349,933	6,968,586	5,690,650
Planning and community dev.	443,742	326,690	254,659	376,614	362,099	3,821,273	-	-	-	-
Economic and physical dev.	-	-	-	-	-	-	444,922	45,732	498,004	2,079,810
Human Services	-	-	-	-	-	-	302,533	267,359	604,768	-
Public services										
Transportation and other	1,624,605	1,510,645	1,497,998	1,584,661	1,451,033	1,525,762	-	-	-	-
Transportation and utilities	-	-	-	-	-	-	2,034,973	2,001,374	1,936,074	2,130,965
Environmental protection	904,228	836,546	822,787	884,873	830,317	900,391	900,033	859,341	1,309,976	1,132,792
Recreation and parks	1,411,642	1,385,641	1,276,472	1,451,755	1,497,013	1,418,212	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	2,384,515	2,471,824	2,006,921	2,467,644
Local agencies and shared prog.	1,026,258	975,631	1,015,897	966,837	957,131	983,549	-	-	-	-
Interest on Long-Term Debt	61,263	81,593	108,803	141,665	170,211	209,088	242,768	285,532	283,950	371,805
<b>Total</b>	<b>13,756,782</b>	<b>12,627,543</b>	<b>12,340,804</b>	<b>13,432,775</b>	<b>13,533,910</b>	<b>17,849,661</b>	<b>15,674,963</b>	<b>15,914,873</b>	<b>14,518,078</b>	<b>17,335,984</b>
Program Revenues										
Charges for Services										
General government	-	-	-	-	-	-	306,870	-	-	2,156,793
Public safety	206,525	128,590	131,888	164,298	105,783	112,740	449,415	470,633	523,420	800
Planning and community dev.	32,776	34,007	29,818	24,540	13,705	16,115	-	-	-	-
Economic and physical dev.	-	-	-	-	-	-	15,212	15,805	16,810	-
Public services										
Transportation and other	9,000	7,500	14,250	16,500	8,250	15,750	-	-	-	-
Transportation and utilities	-	-	-	-	-	-	437,339	521,671	572,373	491,781
Environmental protection	1,933,688	1,880,993	1,796,749	1,944,950	1,737,036	1,707,242	2,936,451	2,877,402	2,853,864	1,890,034
Recreation and parks	740,814	897,943	848,576	886,189	936,923	909,600	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	904,876	1,025,485	1,135,797	132,923
Operating Grants and Contrib.	488,096	504,211	478,665	535,648	478,832	586,526	718,763	1,687,630	937,300	2,615,917
Capital Grants and Contributions	92,140	50,794	96,478	63,481	6,687,820	1,385,656	332,582	-	261,250	1,269,099
<b>Total</b>	<b>3,503,039</b>	<b>3,504,038</b>	<b>3,396,424</b>	<b>3,635,606</b>	<b>9,968,349</b>	<b>4,733,629</b>	<b>6,101,508</b>	<b>6,598,626</b>	<b>6,300,814</b>	<b>8,557,347</b>



Table 2

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

	Fiscal Year									
	2017	2016	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008
Total Governmental Activities										
Net Program Expense	\$ (10,253,743)	\$ (9,123,505)	\$ (8,944,380)	\$ (9,797,169)	\$ (3,565,561)	\$ (13,116,032)	\$ (9,573,455)	\$ (9,316,247)	\$ (8,217,264)	\$ (8,778,637)
General Revenues and Other Changes in Net Position										
Taxes:										
Property taxes,										
levied for general purpose	\$ 6,381,258	\$ 6,401,674	\$ 5,969,044	\$ 6,292,225	\$ 5,835,556	\$ 5,376,949	\$ 5,188,448	\$ 5,182,210	\$ 5,236,164	\$ 5,106,455
Other taxes and licenses	28,660	33,455	117,026	275,929	186,542	404,224	988,795	1,077,211	957,720	1,198,375
Unrestricted Grants and Contrib.										
Local option sales tax	3,077,740	2,968,469	2,770,276	2,456,998	2,392,890	2,355,482	2,150,394	2,164,956	2,482,544	2,509,029
Other	1,094,557	1,114,339	1,110,280	918,778	899,158	898,516	-	-	-	-
Investment earnings, unrestricted	40,237	23,227	6,933	8,858	5,259	5,974	10,524	10,777	73,336	190,901
Sale of capital assets	4,668	80,199	160	14,842	-	-	-	-	-	638,280
Miscellaneous, unrestricted	63,075	79,963	210,202	63,719	163,149	149,921	204,424	150,800	94,999	130,237
Special items	166,696	-	-	-	-	-	-	-	-	-
Transfers	729,051	736,200	736,390	735,748	892,200	1,264,596	(89,222)	246,637	(7,660)	(482,577)
Total	<u>11,585,942</u>	<u>11,437,526</u>	<u>10,920,311</u>	<u>10,767,097</u>	<u>10,374,754</u>	<u>10,455,662</u>	<u>8,453,363</u>	<u>8,832,591</u>	<u>8,837,103</u>	<u>9,290,700</u>
Total Governmental Activities										
Change in Net Position	<u>\$ 1,332,199</u>	<u>\$ 2,314,021</u>	<u>\$ 1,975,931</u>	<u>\$ 969,928</u>	<u>\$ 6,809,193</u>	<u>\$ (2,660,370)</u>	<u>\$ (1,120,092)</u>	<u>\$ (483,656)</u>	<u>\$ 619,839</u>	<u>\$ 512,063</u>

Table 2

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

	Fiscal Year									
	2017	2016	2015	2014	2013 (a)	2012 (a)	2011	2010	2009	2008
<b>Business-type Activities</b>										
Expenses										
Water, Sewer, and Regional Water System	\$ 10,969,677	\$ 10,533,845	\$ 10,813,134	\$ 10,968,686	\$ 10,729,182	\$ 10,685,265	\$ 11,623,998	\$ 11,080,440	\$ 11,359,948	\$ 10,824,002
Revenues										
Charges for Services	16,346,070	16,186,908	14,999,113	14,775,363	16,324,276	22,887,295	13,541,898	12,911,533	12,513,643	12,262,768
Capital Grants and Contributions	414,593	867,743	448,481	383,429	308,044	965,529	1,198,775	-	-	-
Total	<u>16,760,663</u>	<u>17,054,651</u>	<u>15,447,594</u>	<u>15,158,792</u>	<u>16,632,320</u>	<u>23,852,824</u>	<u>14,740,673</u>	<u>12,911,533</u>	<u>12,513,643</u>	<u>12,262,768</u>
Total Business-type Activities Net Program Expenses	5,790,986	6,520,806	4,634,460	4,190,106	5,903,138	13,167,559	3,116,675	1,831,093	1,153,695	1,438,766
Other Changes in Net Position										
Miscellaneous, unrestricted	287,969	293,331	252,236	315,044	314,866	579,747	357,728	704,649	620,231	315,387
Extraordinary events	-	-	-	(8,190,590)	-	-	-	-	-	-
Transfers	(729,051)	(736,200)	(736,390)	(735,748)	(892,200)	(1,264,596)	89,222	(246,637)	7,660	-
Total	<u>(441,082)</u>	<u>(442,869)</u>	<u>(484,154)</u>	<u>(8,611,294)</u>	<u>(577,334)</u>	<u>(684,849)</u>	<u>446,950</u>	<u>458,012</u>	<u>627,891</u>	<u>315,387</u>
Total Business-type Activities Change in Net Position	<u>\$ 5,349,904</u>	<u>\$ 6,077,937</u>	<u>\$ 4,150,306</u>	<u>\$ (4,421,188)</u>	<u>\$ 5,325,804</u>	<u>\$ 12,482,710</u>	<u>\$ 3,563,625</u>	<u>\$ 2,289,105</u>	<u>\$ 1,781,586</u>	<u>\$ 1,754,153</u>
<b>Total Primary Government</b>										
<b>Changes in Net Position</b>	<u>\$ 6,682,103</u>	<u>\$ 8,391,958</u>	<u>\$ 6,126,237</u>	<u>\$ (3,451,260)</u>	<u>\$ 12,134,997</u>	<u>\$ 9,822,340</u>	<u>\$ 2,443,533</u>	<u>\$ 1,805,449</u>	<u>\$ 2,401,425</u>	<u>\$ 2,266,216</u>

**Notes**

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

b: 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									
	2017	2016	2015	2014	2013	2012	2011 (b)	2010	2009	2008
<b>General Fund</b>										
Restricted	\$ 2,930,159	\$ 2,283,064	\$ 2,125,038	\$ 2,129,484	\$ 1,973,653	\$ 2,510,980	\$ 2,454,942	\$ -	\$ -	\$ -
Committed	115,805	115,347	-	-	-	-	-	-	-	-
Assigned	1,026,191	397,616	345,000	325,000	153,000	259,600	175,008	-	-	-
Unassigned	6,775,871	6,982,870	5,304,725	3,676,351	2,966,287	2,005,613	1,983,708	-	-	-
Reserved	-	-	-	-	-	-	-	2,545,411	2,229,474	2,963,811
Unreserved	-	-	-	-	-	-	-	1,952,743	2,073,596	2,243,368
Total General Fund	<u>\$ 10,848,026</u>	<u>\$ 9,778,897</u>	<u>\$ 7,774,763</u>	<u>\$ 6,130,835</u>	<u>\$ 5,092,940</u>	<u>\$ 4,776,193</u>	<u>\$ 4,613,658</u>	<u>\$ 4,498,154</u>	<u>\$ 4,303,070</u>	<u>\$ 5,207,179</u>
<b>All other Governmental Funds</b>										
Nonspendable	\$ 433,706	\$ 431,978	\$ 431,085	\$ 431,012	\$ 430,970	\$ 430,965	\$ 430,210	\$ -	\$ -	\$ -
Restricted	88,257	127,793	137,811	136,859	139,714	81,606	96,032	-	-	-
Assigned	390,693	167,450	186,967	170,564	158,168	302,826	204,805	-	-	-
Unassigned	-	-	-	(4,356)	-	-	(27,906)	-	-	-
Reserved	-	-	-	-	-	-	-	430,210	429,610	419,112
Unreserved, reported in:										
Capital Projects Funds	-	-	-	-	-	-	-	249,212	(31,104)	209,647
Special Revenue Funds	-	-	-	-	-	-	-	58,983	64,607	96,434
Total All Other Governmental Funds	<u>\$ 912,656</u>	<u>\$ 727,221</u>	<u>\$ 755,863</u>	<u>\$ 734,079</u>	<u>\$ 728,852</u>	<u>\$ 815,397</u>	<u>\$ 703,141</u>	<u>\$ 738,405</u>	<u>\$ 463,113</u>	<u>\$ 725,193</u>
<b>Total for All Governmental Funds</b>	<u>\$ 11,760,682</u>	<u>\$ 10,506,118</u>	<u>\$ 8,530,626</u>	<u>\$ 6,864,914</u>	<u>\$ 5,821,792</u>	<u>\$ 5,591,590</u>	<u>\$ 5,316,799</u>	<u>\$ 5,236,559</u>	<u>\$ 4,766,183</u>	<u>\$ 5,932,372</u>

**Notes**

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

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

Table 4

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Ad valorem taxes	\$ 6,401,148	\$ 6,319,302	\$ 6,125,558	\$ 6,427,962	\$ 5,752,690	\$ 5,462,314	\$ 5,259,600	\$ 5,297,691	\$ 5,193,534	\$ 5,138,248
Other taxes and licenses	28,660	33,455	117,026	275,929	186,542	404,224	2,496,141	2,328,959	2,482,544	2,654,438
Unrestricted intergovernmental	4,172,297	4,082,808	3,878,056	3,375,776	3,292,048	3,253,999	977,123	942,297	1,000,133	931,360
Restricted intergovernmental	556,047	511,273	574,195	589,000	464,060	1,858,484	1,019,041	1,648,073	507,059	572,888
Permits and fees	206,525	128,590	131,888	164,298	105,783	112,740	92,333	101,619	106,870	121,606
Sales and services	2,716,278	2,807,156	2,689,393	2,872,179	2,695,914	2,648,706	4,295,878	4,442,363	4,568,346	4,672,331
Investment earnings	40,237	23,227	6,933	8,858	5,024	5,974	10,524	10,777	70,107	181,623
Miscellaneous	91,932	217,181	213,806	88,690	177,921	153,051	500,645	496,282	492,953	2,173,266
Total Revenues	<u>14,213,124</u>	<u>14,122,992</u>	<u>13,736,855</u>	<u>13,802,692</u>	<u>12,679,982</u>	<u>13,899,492</u>	<u>14,651,285</u>	<u>15,268,061</u>	<u>14,421,546</u>	<u>16,445,760</u>
<b>Expenditures</b>										
General government	1,135,559	1,047,886	1,154,202	1,126,489	1,181,189	1,353,565	1,366,911	1,374,033	1,686,089	1,702,486
Public safety	6,371,802	5,952,930	5,966,824	6,173,693	5,920,178	5,716,570	5,874,069	6,256,868	6,512,334	5,994,425
Planning and community dev.	522,014	349,532	257,636	361,079	334,523	1,622,634	132,148	136,608	-	-
Economic and physical dev.	-	-	-	-	-	-	671,490	807,344	57,845	49,365
Code Compliance	-	-	-	-	-	-	170,385	130,751	-	-
Public services										
Transportation and other	1,588,236	1,472,296	1,385,926	1,451,389	1,432,838	1,482,282	-	-	-	-
Transportation and utilities	-	-	-	-	-	-	1,984,752	1,949,725	1,886,579	2,250,585
Cemetery	-	-	-	-	-	-	69,545	125,267	-	-
Environmental protection	850,642	999,201	809,958	853,437	794,968	837,848	791,878	674,421	900,958	998,673
Recreation and parks	1,319,215	1,309,376	1,205,754	1,299,305	1,349,608	1,254,367	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	1,494,213	1,558,605	2,816,159	2,767,056
Non-departmental										
Donation to local agencies	1,026,258	975,631	1,015,897	966,837	957,131	983,549	664,791	694,316	-	-
General Non-departmental	414,534	380,192	351,484	420,680	402,230	463,478	430,086	337,704	42,404	30,019
Debt Service:										
Principal	404,970	647,016	647,016	647,016	647,016	654,265	764,141	745,148	704,857	794,491
Interest	58,008	79,043	110,412	141,781	172,782	211,659	226,004	285,532	304,665	371,805
Lease purchases	31,127	52,134	52,136	53,612	71,280	79,401	-	-	-	-
Total Expenditures	<u>13,722,365</u>	<u>13,265,237</u>	<u>12,957,245</u>	<u>13,495,318</u>	<u>13,263,743</u>	<u>14,659,618</u>	<u>14,640,413</u>	<u>15,076,322</u>	<u>14,911,890</u>	<u>14,958,905</u>

Table 4

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Excess (Deficiency) of										
Revenues Over Expenditures	\$ 490,759	\$ 857,755	\$ 779,610	\$ 307,374	\$ (583,761)	\$ (760,126)	\$ 10,872	\$ 191,739	\$ (490,344)	\$ 1,486,855
<b>Other Financing Sources (Uses)</b>										
Transfer from other funds	856,850	833,300	856,382	788,072	914,707	1,391,353	298,423	460,723	159,244	111,995
Transfers to other funds	(127,799)	(97,100)	(119,992)	(52,324)	(14,199)	(125,257)	(327,186)	(182,086)	(355,301)	(634,608)
Installment Financing	34,754	266,427	149,712	-	-	-	98,131	-	72,979	118,620
Total Other Financing Sources and Uses	763,805	1,002,627	886,102	735,748	900,508	1,266,096	69,368	278,637	(123,078)	(403,993)
Net Change in Fund Balance	<u>\$ 1,254,564</u>	<u>\$ 1,860,382</u>	<u>\$ 1,665,712</u>	<u>\$ 1,043,122</u>	<u>\$ 316,747</u>	<u>\$ 505,970</u>	<u>\$ 80,240</u>	<u>\$ 470,376</u>	<u>\$ (613,422)</u>	<u>\$ 1,082,862</u>
Total Expenditures	\$ 13,722,365	\$ 13,265,237	\$ 12,957,245	\$ 13,495,318	\$ 13,263,743	\$ 14,659,618	\$ 14,640,413	\$ 15,076,322	\$ 14,911,890	
Less: Capital Outlay Expenditures	(482,507)	(559,883)	(334,788)	(214,352)	(248,376)	(1,360,687)	(671,528)	(1,013,764)	(3,738,856)	
Total Noncapital Expenditures	<u>\$ 13,239,858</u>	<u>\$ 12,705,354</u>	<u>\$ 12,622,457</u>	<u>\$ 13,280,966</u>	<u>\$ 13,015,367</u>	<u>\$ 13,298,931</u>	<u>\$ 13,968,885</u>	<u>\$ 14,062,558</u>	<u>\$ 11,173,034</u>	
Debt Service as a Percentage of Noncapital Expenditures	3.73%	6.12%	6.41%	6.34%	6.85%	7.11%	7.09%	7.33%	9.04%	8.45%

**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**

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<b>Fiscal Year</b>		<b>Personal</b>	<b>Elderly</b>	<b>Total Assessed</b>	<b>Total Direct Tax</b>
<b>Ended June 30,</b>	<b>Real Property</b>	<b>Property</b>	<b>Exemption</b>	<b>Value</b>	<b>Rate</b>
2017	\$ 683,290,685	\$ 218,676,549	\$ 9,863,780	892,103,454	0.7120
2016	803,213,795	225,254,133	11,578,527	1,016,889,401	0.6200
2015	802,972,715	188,467,082	11,773,994	979,665,803	0.6200
2014	807,811,498	212,797,127	11,995,274	1,008,613,351	0.6200
2013	804,253,630	197,365,742	11,723,023	989,896,349	0.5850
2012	740,509,996	177,719,279	11,918,304	906,310,971	0.5850
2011	733,148,790	157,305,744	9,683,725	880,770,809	0.5850
2010	738,807,561	160,975,155	12,703,860	887,078,856	0.5850
2009	740,398,927	172,187,141	12,634,810	899,951,258	0.5650
2008	603,721,711	166,083,642	10,098,965	759,706,388	0.6700

**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>Henderson</u>	<u>Vance County</u>	<u>Total</u>
2017	\$ 0.7120	\$ 0.8900	\$ 1.6020
2016	0.6200	0.7920	1.4120
2015	0.6200	0.7920	1.4120
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

**Note**

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Components of the Total Direct Rate</u>		<u>Total Direct Rate</u>
	<u>General Fund</u>	<u>Public Library</u> <u>Fund</u>	
2017	\$ 0.7120	\$ -	\$ 0.7120
2016	0.6200	-	0.6200
2015	0.6200	-	0.6200
2014	0.6200	-	0.6200
2013	0.5850	-	0.5850
2012	0.5850	-	0.5850
2011	0.5850	-	0.5850
2010	0.5850	-	0.5850
2009	0.5250	0.0400	0.5650
2008	0.6300	0.0400	0.6700

Table 7

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
DLP Maria Parham Medical Center	\$ 79,258,055	1	8.88%			
Duke Energy Progress Inc.	16,618,417	2	1.86%	\$ 12,777,346	2	1.68%
Pacific Coast Feather Co.	14,100,030	3	1.58%			
Wal-Mart Real Estate Bus. Trust	13,021,914	4	1.46%	11,855,055	4	1.56%
WW Properties & Rentals LLC	9,903,068	5	1.11%	7,202,191	5	0.95%
Libby Henderson Enterprises LLC	9,877,235	6	1.11%			
Carolina Telephone	9,557,260	7	1.07%			
Ruin Creek Properties	8,889,612	8	1.00%			
Rosemyr Corporation	8,187,190	9	0.92%	7,070,200	7	0.93%
Vescom America Real Estate	6,635,483	10	0.74%			
Royal Home Fashions, Inc.				13,836,396	1	1.82%
Carolina Telephone				12,609,393	3	1.66%
Galileo Henderson, LP				7,075,510	6	0.93%
Lowe's of Henderson				6,636,125	8	0.87%
Henderson Country Club Inc.				4,766,630	9	0.63%
LIC Associates				4,343,545	10	0.57%
	<u>\$ 176,048,264</u>		<u>19.73%</u>	<u>\$ 88,172,391</u>		<u>11.61%</u>

**Note:**

Above taxable assessed valuations are as of January 1, 2016 and 2007 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2017 and 2008 respectively.

**Source:**

Vance County Tax Office and 2008 City of Henderson CAFR.



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

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<b>Fiscal Year</b>				<b>Current Year</b>	<b>Percentage of</b>
<b>Ended June 30,</b>	<b>Tax Year</b>	<b>Net Levy</b>		<b>Collections</b>	<b>Levy</b>
2017	2016	\$ 6,338,532	\$	6,108,796	96.38%
2016	2015	6,333,277		5,998,797	94.72%
2015	2014	6,080,830		5,886,491	96.80%
2014	2013	6,251,938		5,994,922	95.89%
2013	2012	5,803,718		5,432,137	93.59%
2012	2011	5,320,777		4,994,426	93.87%
2011	2010	5,152,510		4,817,414	93.50%
2010	2009	5,165,463		4,792,999	92.79%
2009	2008	5,165,139		4,759,265	92.14%
2008	2007	5,093,720		4,749,230	93.24%

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				
2017	\$ 60,454	\$ 881,211	\$ 2,897,000	\$ 54,618	\$ 21,924,234	\$ 25,817,517	5.23%	15,166	\$ 1,702
2016	89,804	1,251,427	3,822,000	108,415	22,402,028	27,673,674	5.70%	15,271	1,812
2015	139,105	1,632,016	4,721,000	171,555	23,533,955	30,197,631	6.59%	15,265	1,978
2014	40,568	2,279,032	5,597,000	233,745	17,919,573	26,069,918	5.82%	15,345	1,699
2013	91,725	2,926,048	6,459,000	328,603	5,357,064	15,162,440	3.34%	15,320	990
2012	158,410	3,573,064	7,294,000	120,346	4,852,745	15,998,565	3.36%	15,330	1,044
2011	245,060	4,220,080	10,005,000	215,829	6,513,336	21,199,305	4.60%	15,368	1,379
2010	296,804	4,834,347	10,770,000	321,115	8,143,693	24,365,959	5.28%	15,777	1,544
2009	437,685	5,438,614	11,500,000	461,896	9,743,507	27,581,702	5.99%	15,850	1,740
2008	-	6,216,142	-	-	23,909,909	30,126,051	6.53%	15,897	1,895

**Notes**

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

1 - Personal income is disclosed on page 114

2 - Source: U.S. Census Bureau

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

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<b>Fiscal Year</b>	<b>Percentage of</b>		<b>Actual Taxable</b>	
<b>Ended June 30,</b>	<b>General</b>	<b>Value of</b>	<b>Debt Per Capita</b>	
<b>Obligation Debt</b>	<b>Property</b>			
2017	\$ -	0.000%	\$ -	-
2016	-	0.000%	-	-
2015	-	0.000%	-	-
2014	-	0.000%	-	-
2013	-	0.000%	-	-
2012	-	0.000%	-	-
2011	-	0.000%	-	-
2010	-	0.000%	-	-
2009	-	0.000%	-	-
2008	-	0.000%	-	-

**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**

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<b>Fiscal Year</b>	<b>Net General</b>	<b>Percentage</b>	<b>Amount</b>
<b>Ended June 30,</b>	<b>Obligation</b>	<b>Applicable to</b>	<b>Applicable to</b>
<b>Ended June 30,</b>	<b>Bonded Debt</b>	<b>Vance County</b>	<b>Vance County</b>
2017	\$ -	0.000%	\$ -
2016	-	0.000%	-
2015	-	0.000%	-
2014	-	0.000%	-
2013	-	0.000%	-
2012	-	0.000%	-
2011	-	0.000%	-
2010	-	0.000%	-
2009	-	0.000%	-
2008	-	0.000%	-

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

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value		\$	<u>892,103,454</u>
Debt Limit - Eight Percent (8%) of Assessed Value			71,368,276
Amount of Debt Applicable to Debt Limit			
Lease financing agreements	\$	941,665	
Revolving Loan		<u>-</u>	
Total Debt	\$	941,665	
Less - Statutory Deductions		<u>-</u>	<u>941,665</u>
Legal Debt Margin		\$	<u><u>70,426,611</u></u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt Limit	\$ 71,368,276	\$ 81,351,152	\$ 78,373,264	\$ 80,689,068	\$ 79,191,708	\$ 72,504,878	\$ 70,461,665	\$ 70,966,308	\$ 71,996,101	\$ 60,776,511
Total Net Debt										
Applicable to Limit	<u>(941,665)</u>	<u>(1,341,231)</u>	<u>(1,771,121)</u>	<u>(2,319,600)</u>	<u>(3,017,773)</u>	<u>(3,731,474)</u>	<u>(4,465,140)</u>	<u>(4,465,140)</u>	<u>(5,876,299)</u>	<u>(6,216,142)</u>
Legal Debt Margin	<u>\$ 70,426,611</u>	<u>\$ 80,009,921</u>	<u>\$ 76,602,143</u>	<u>\$ 78,369,468</u>	<u>\$ 76,173,935</u>	<u>\$ 68,773,404</u>	<u>\$ 65,996,525</u>	<u>\$ 66,501,168</u>	<u>\$ 66,119,802</u>	<u>\$ 54,560,369</u>
Total Net Debt										
Applicable to the Limit as a Percentage of Debt Limit	1.32%	1.65%	2.26%	2.87%	3.81%	5.15%	6.34%	6.29%	8.16%	10.23%

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

<b>Fiscal Year</b>		<b>(Vance County) Per</b>				<b>Public School</b>
<b>Ended</b>	<b>Population</b>	<b>Capita Income</b>	<b>Personal</b>	<b>Unemployment</b>	<b>Total Labor</b>	<b>Enrollment</b>
<b>June 30,</b>	<b>Estimated (1)</b>	<b>(2)</b>	<b>Income</b>	<b>Rate (3)</b>	<b>Force (3)</b>	<b>(ADM) (4)</b>
2017	15,166	\$32,565	\$493,880,790	5.70%	18,037	6,027
2016	15,271	\$31,792	\$485,495,632	7.50%	17,835	6,296
2015	15,265	\$30,024	\$458,316,360	9.40%	17,988	6,449
2014	15,345	\$29,179	\$447,751,755	9.40%	18,614	6,809
2013	15,320	\$29,632	\$453,962,240	12.80%	18,933	6,848
2012	15,330	\$31,058	\$476,119,140	14.20%	19,161	7,003
2011	15,368	\$29,972	\$460,609,696	14.10%	19,665	7,270
2010	15,777	\$29,263	\$461,682,351	13.50%	19,372	7,460
2009	15,850	\$29,074	\$460,822,900	12.30%	19,371	7,669
2008	15,897	\$29,040	\$461,648,880	14.40%	20,459	7,872

1 - Source: U.S. Census Bureau

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

3 - Source: North Carolina Employment Security Commission

4 - Source: The North Carolina Department of Public Instruction

ADM: Average Daily Membership

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

<b>Employer</b>	<b>2017</b>		<b>2010</b>	
	<b>Employment Range</b>	<b>Rank</b>	<b>Employment Range</b>	<b>Rank</b>
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
County of Vance	250-499	5		
Vance-Granville Community College	250-499	6		
Xerox State Healthcare LLC	250-499	7		
Pacific Coast Feather Company	250-499	8	500-999	4
Ardagh Glass Inc.	250-499	9		
Food Lion	250-499	10		
City of Henderson			250-499	5
M. R. Williams			100-249	6
Clayton Homes			100-249	7
Optimum Lighting			100-249	8
ETC			50-100	9
Vance County Mental Health			50-100	10

**Note:**

The City only started reporting this information in FY 2010.

**Source:**

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

Table 15

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

	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>	<b>FY</b>
	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12</b>	<b>12-13</b>	<b>13-14</b>	<b>14-15</b>	<b>15-16</b>	<b>16-17</b>
General government	22	20	20	21	18	13	12	13	15	1
Public safety	102	102	101	105	95	95	95	94	95	85
Transportation and utilities	17	16	20	20	20	19	18	18	18	18
Environmental protection	28	22	18	8	5	5	5	5	5	5
Cultural and recreation	14	15	15	15	15	17	15	14	12	12
Code compliance	3	3	2	2	2	2	2	-	-	-
Planning and community development	3	2	2	2	3	3	3	-	-	-
Development services	-	-	-	-	-	-	-	4	3	4
	189	180	178	173	158	154	150	148	148	125
<b>Water Fund</b>										
Engineering	4	3	3	3	3	4	4	4	4	3
Customer Service	-	-	-	-	-	10	10	10	10	9
Water distribution	14	13	13	15	15	10	10	11	11	12
	18	16	16	18	18	24	24	25	25	24
<b>Sewer Fund</b>										
Water reclamation facility	21	21	21	21	21	21	21	21	20	15
Sewer Collection	6	6	5	5	5	5	5	5	3	4
Sewer Collection I&I	3	3	3	3	3	3	3	3	3	3
	30	30	29	29	29	29	29	29	26	22
<b>Regional Water System Fund</b>										
	11	11	10	11	11	12	13	13	13	12
	<u>248</u>	<u>237</u>	<u>233</u>	<u>231</u>	<u>216</u>	<u>219</u>	<u>216</u>	<u>215</u>	<u>212</u>	<u>183</u>



## **Compliance Section**



**William L. Stark and Company**  
Certified Public Accountants

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

To the City Council  
City of Henderson, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, North Carolina, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City of Henderson's basic financial statements, and have issued our report thereon dated December 4, 2017.

**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 an opinion on the effectiveness of the City of Henderson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Henderson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 4, 2017



**William L. Stark and Company**  
Certified Public Accountants

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

To the City Council  
City of Henderson, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the City of Henderson's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Henderson's major federal programs for the year ended June 30, 2017. The City of Henderson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Henderson's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Henderson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program**

In our opinion, the City of Henderson complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

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

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

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

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

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 4, 2017



**William L. Stark and Company**  
Certified Public Accountants

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

To the City Council  
City of Henderson, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the City of Henderson's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Henderson's major State programs for the year ended June 30, 2017. The City of Henderson's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Henderson's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Henderson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

## **Opinion on Each Major State Program**

In our opinion, the City of Henderson complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

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

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

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

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

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 4, 2017

**CITY OF HENDERSON, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2017**

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**Section I. Summary of Auditor's Results**

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(s) identified?        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?        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 2 CFR 200.516(a)        Yes   X   No

Identification of major federal programs:

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

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

\$ 750,000

Auditee qualified as low-risk auditee?        Yes   X   No





**CITY OF HENDERSON, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>FEDERAL AWARDS</b>				
<u>U.S. Department of Housing and Urban Development –</u>				
Passed through N.C. Dept. of Environmental Quality:				
Community Development Block Grant	14.228	14-I-2658	\$ 69,313	\$ -
<u>U.S. Department of Justice</u>				
Bureau of Justice Assistance				
Passed through N.C. Dept. of Public Safety and Public Safety:				
Bulletproof Vest Partnership Program	16.607	2014 BUBX14070762	1,620	-
Bulletproof Vest Partnership Program	16.607	2016 BUBX16081323	3,624	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0366	19,996	-
<u>U.S. Environmental Protection Agency</u>				
Office of Water				
Passed through N.C. Dept. of Environment and Natural Resources:				
Capitalization Grants for State Revolving Funds				
Clean Water State Revolving Funds	66.458	CS-370410-06	302,547	-
Clean Water State Revolving Funds	66.458	CS-370410-07	-	-
Clean Water State Revolving Funds	66.458	CS-370410-08	852,341	-
Drinking Water State Revolving Funds	66.468	WIF-1911	102,894	-
<b>Total Federal Awards</b>			<u>1,352,335</u>	<u>-</u>
<b>STATE AWARDS</b>				
<u>N.C. Department of Commerce</u>				
Special Appropriations: Industrial Development Fund		U-459	\$ -	\$ 130,882
<u>N.C. Department of Natural and Cultural Resources</u>				
NC Clean Water Trust Fund		2012-539	-	111,291
<u>N.C. Department of Public Safety</u>				
Governor's Crime Commission Task Force		2015 - HERO / ICAC	-	68,040
<u>N.C. Department of Transportation</u>				
Powell Bill		32570	-	289,786
<b>Total State Awards</b>			<u>-</u>	<u>599,999</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,352,335</u>	<u>\$ 599,999</u>

**CITY OF HENDERSON, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

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

1 Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Henderson, under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the City of Henderson, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

2 Summary of Significant Accounting Policies

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

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

3 Loans Outstanding

The City of Henderson had the following loan balances outstanding at June 30, 2017, for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. However, the Environmental Protection Agency considers loans from Capitalization Grants for Clean Water (66.458) and Drinking Water (66.468) State Revolving Funds passed from the State to be grants to the state and loans to subrecipients. The EPA states that in determining the amount of Federal funds expended to be reported on the SEFSA, subrecipients receiving such loans should include project expenditures incurred under these loans during the audit period as provided in 2 CFR section 200.502(a).

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds			
Clean Water	66.458	CS-370410-06	\$ 14,503,000
Clean Water	66.458	CS-370410-07	713,452
Clean Water	66.458	CS-370410-08	997,753
Drinking Water	66.468	WIF-1911	102,894