

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF HENDERSON**

**HENDERSON, NORTH CAROLINA**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**FINANCE DEPARTMENT**

**JOEY FUQUA**

**FINANCE DIRECTOR**

**CITY OF HENDERSON, NORTH CAROLINA  
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For the Fiscal Year Ended June 30, 2020  
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## **Introductory Section**



December 21, 2020

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, 2020. 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 Thompson, Price, Scott, Adams, & Co., PA, 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, 2020, 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, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis

(MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

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

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

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

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

The Mayor and Council Members, or governing body, are responsible for the legislative affairs of the City by way of establishing policies by enacting Ordinances and Resolutions, as well as the *Annual Operating and Capital Budget* and the *Strategic Plan*. The City Council meets on the second 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.

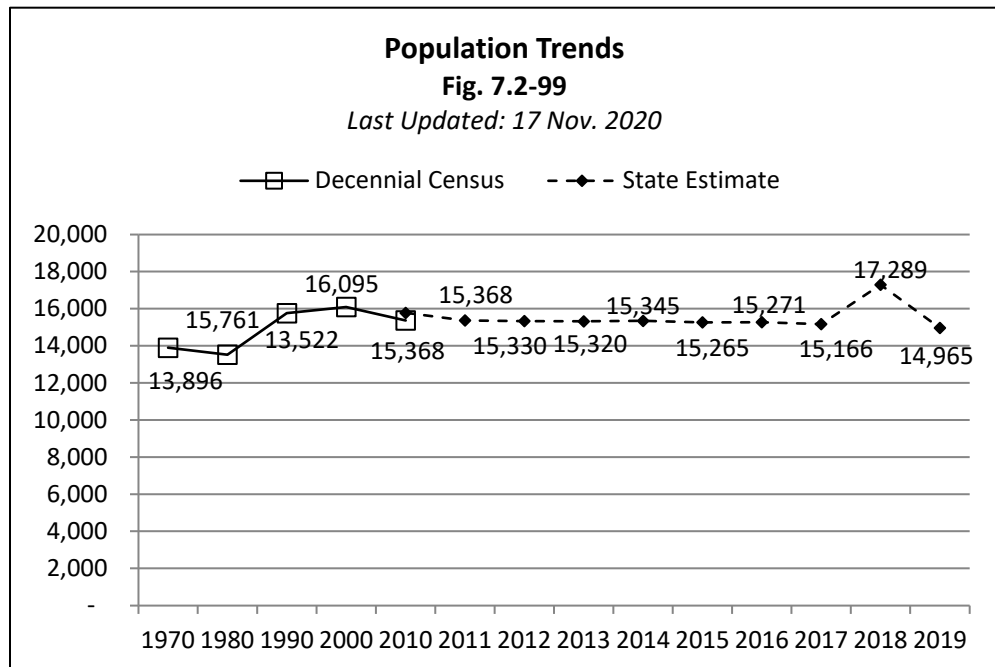
The City is empowered to levy a property tax on real and certain personal properties within its boundaries. It is also empowered to levy various fees and rates for services to its citizens and customers. North Carolina General Statutes enable the City to extend its corporate limits via voluntary and/or 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 January of each year and adopted in February of each year, provides for overall guidance in developing the *Annual Operating and Capital Budget*. The City Council develops key strategic objectives and action plans that identify its top priorities. City Administration develops the recommended budget with these key strategic objectives in mind.

The *Annual Operating and Capital Budget* serves as the foundation of the City's financial planning and control. The City Council is required to hold a public hearing on the City Manager's recommended budget and to adopt a final budget no later than June 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 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 improvement or stabilize these areas. The table above 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 include 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.

### ***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 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.

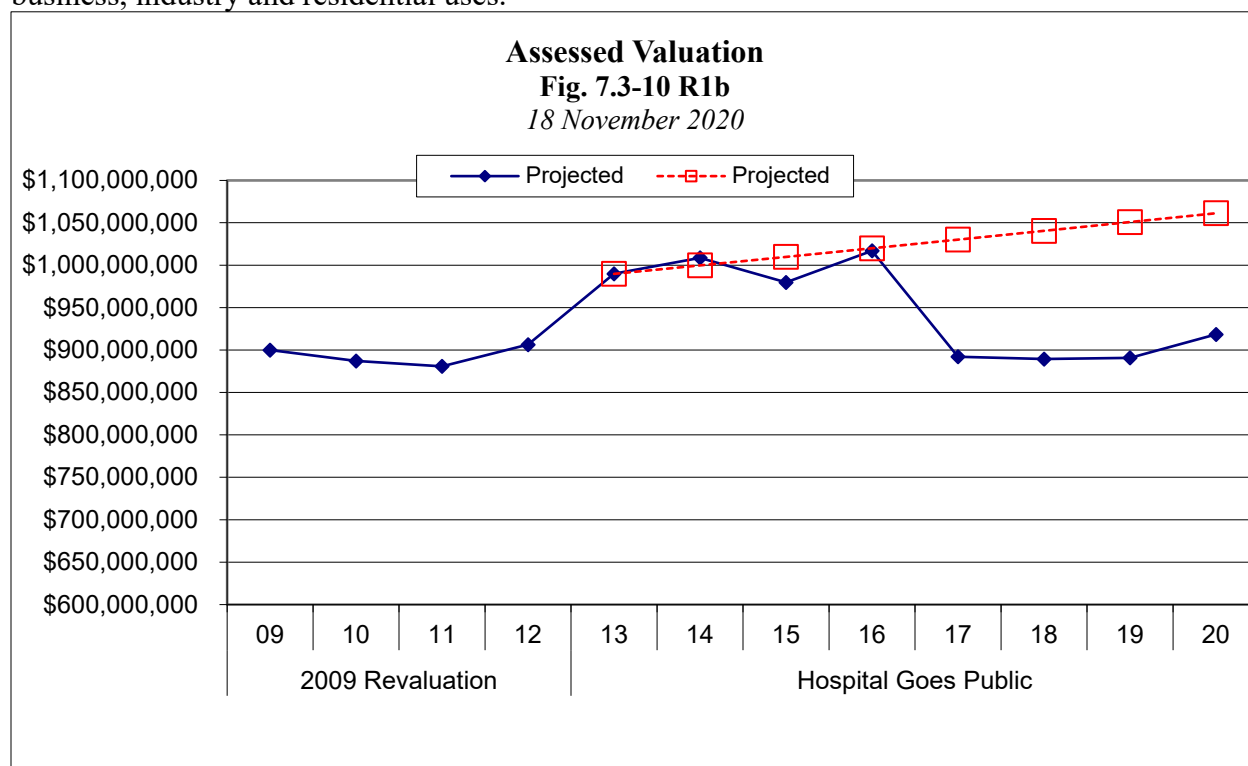
The Henderson—Vance County Economic Development Commission is charged with the responsibility of implementing the region's economic development strategy with various partners including the NC Department of Commerce, various public and private utility providers, other governmental entities, etc. Of significance is the development and regional marketing of the Triangle North Business Park as well as acquisition of additional land by the County to expand the existing industrial park just off of US Hwy 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 car 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.

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

The City continues to fund the Downtown Development Commission and now maintains a full-time Downtown Development Director that will continue to recruit new restaurants and other businesses that will complement the 1,000 seat performing arts center in the heart of downtown Henderson. Major shows and events have already been held in the venue with other major shows scheduled, one of the first sell out events was performed by Henderson's own Gerald Alston of the Mannhattans. The McGregor Hall Performing Arts Center has is a major downtown anchor in helping to revitalize downtown Henderson and its recruitment efforts in promoting new businesses. Construction 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 regain its NC Mainstreet status as Henderson was selected along with other cities as a 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 ongoing construction of a major outfall which will eliminate a pump station which is in need of replacement. Additionally, design is in progress 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. Delays in design consideration, rate structure, and cost escalations have prolonged steady progress in this project, but the City is committed to construction of the project and will proceed once all approvals are obtained. This will assure adequate potable water for the future for business, industry and residential uses.



After the revaluation, the overall assessed tax values decreased; therefore, the tax rate for FY 20 has remained at the same rate with a slight increase in other revenues. 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 ensure funding will be present for these major projects.

The City Council appropriated undesignated fund balance for recurring expenses in the current FY, but through sound budgeting and tight controls of the operating budget, the fund balance has remained stable. Unassigned fund balance at June 30, 2020 was \$6,953,332, or 42.79% of General Fund expenditures.

### ***Major Initiatives***

The City's fiscal year ending June 30, 2020 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 \$6,953,332.
- Contributions made to water and sanitary sewer rate stabilization funds.

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

The FY20-21 Annual Operating and Capital Budget was approved by City Council on 8 June 2020. The FY21 Budget, inclusive of all funds, is \$41,784,696. Water and Sewer rates remained the same for FY 21. As a result of the COVID-19 pandemic, the FY 20-21 operating budget has been impacted in utility revenue streams, but retail sales tax has shown impressive increases and tax values continue to stabilize as a result of economic development activity as well as the establishment of new businesses.

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

The City has participated in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. GFOA recognizes governmental units that issue their comprehensive annual financial reports (CAFR) substantially in conformity with

GAAP and all legal requirements. The City has received this award for its CAFR for the 2019 Report.

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

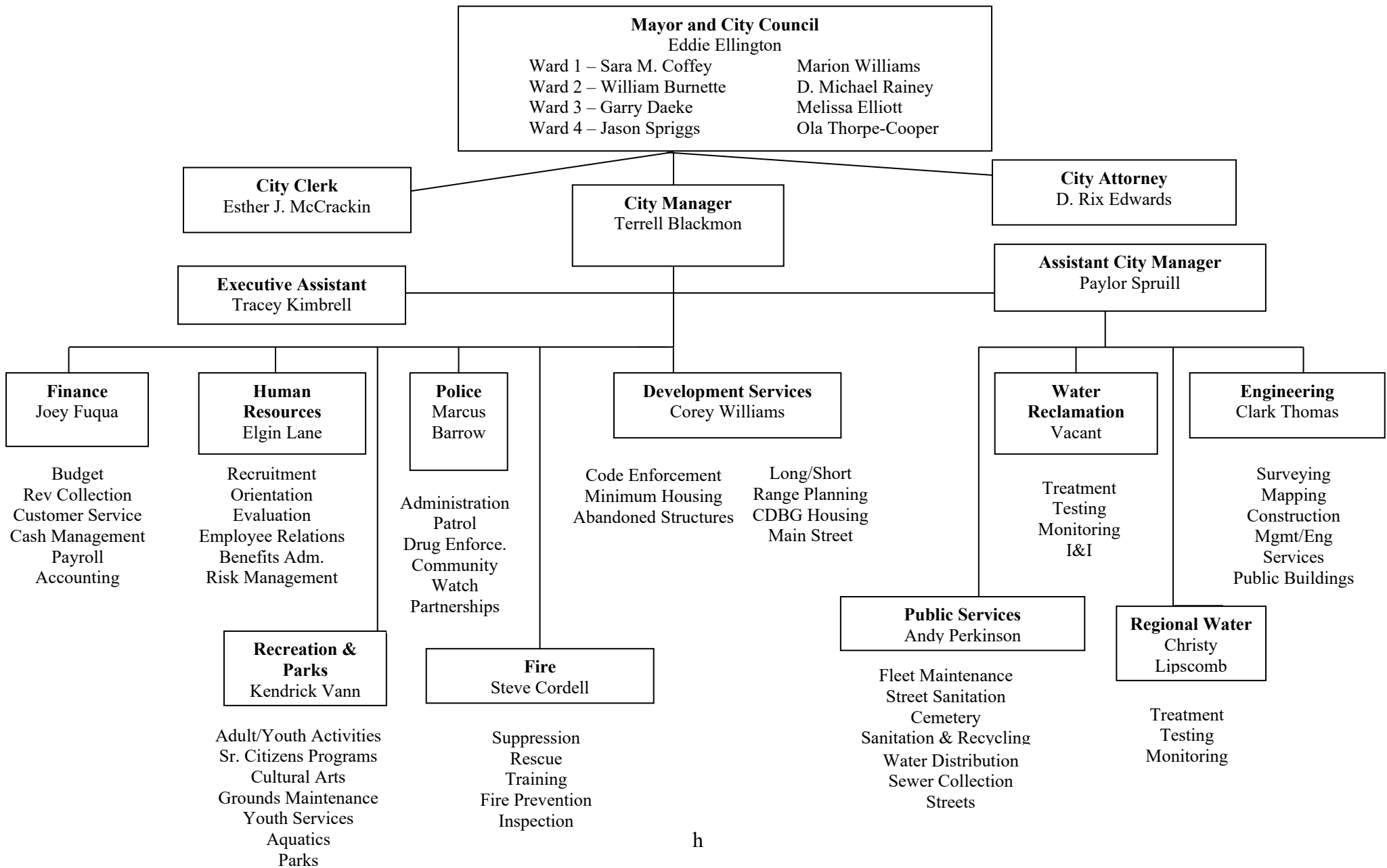
The preparation of this report has been accomplished by the City's Finance Department staff and the independent auditors of Thompson, Price, Scott, Adams, & Co., PA. The contributions of all are invaluable and greatly appreciated.

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

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

Respectfully submitted,  
Terrell Blackmon  
City Manager

**ORGANIZATION CHART**



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

Eddie Ellington  
*Mayor*

### **Members of City Council**

Sara M. Coffey, Mayor *Pro-Tempore*  
Garry D. Daeke  
Jason A. Spriggs  
Melissa Elliott

William Burnette  
D. Michael Rainey  
Ola Thorpe-Cooper  
Marion Williams

### **City Administration**

Terrell Blackmon  
*City Manager*

D. Rix Edwards  
*City Attorney*

Paylor Spruill  
*Assistant City Manager*

Esther J. McCrackin  
*City Clerk*

Joey Fuqua  
*Finance Director*



Government Finance Officers Association

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

Presented to

**City of Henderson  
North Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrill*

Executive Director/CEO

## **Financial Section**



## **INDEPENDENT AUDITORS' REPORT**

To the Henderson City Council  
City of Henderson  
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 City of Henderson, North Carolina, as of and for the year ended June 30, 2020, 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.

### ***Auditors' 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 financial statements are free from 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 auditors' 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Henderson, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance 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, the Local Government Employees' Retirement System Schedules of the City's Proportionate Share of Net Pension Liability and City Contributions, pages 56 and 57, and the Firefighters' and Rescue Squad Workers' Pension Fund schedules of the City's Proportionate Share of the Net Pension Liability on page 58, Schedule of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll - LEOSSA , pages 59 and 60, and the Schedule of Changes in the Total OPEB Liability and Related Ratios, page 61, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 basic financial statements of City of Henderson, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules 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 are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial 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 related 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 by us. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2020 on our consideration of 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 the 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.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
December 21, 2020

**CITY OF HENDERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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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 Stanley City for the fiscal year ended June 30, 2020. 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**

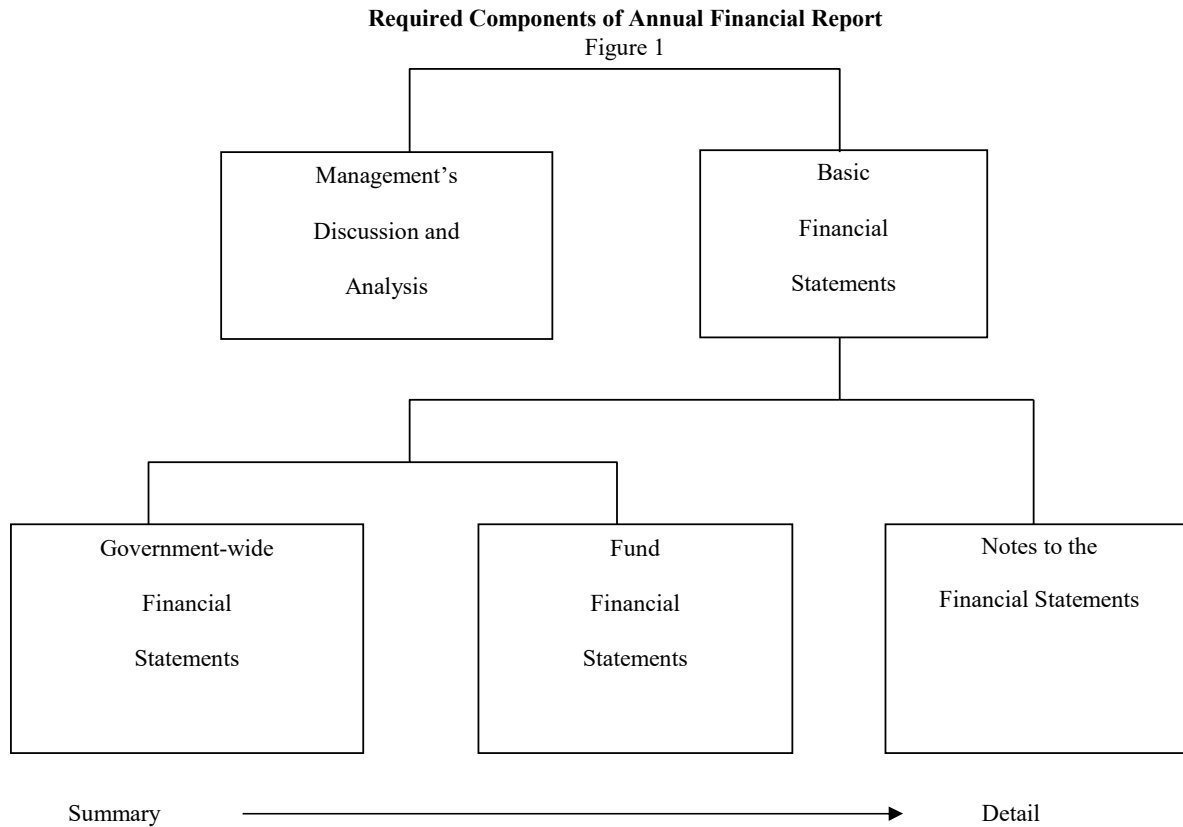
- The assets and deferred outflows of resources of the City of Henderson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$116,357,747 (net position).
- The government's total net position increased by \$3,332,981, primarily due to decreased revenues in the governmental activities, offset by an increase in enterprise funds.
- As of the close of the current fiscal year, City of Henderson's governmental funds reported combined ending fund balances of \$13,454,027 with a net change of \$167,685 in fund balance. Approximately 26.35 percent of this total amount, or \$3,545,676, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,953,332 or 42.79 percent of total general fund expenditures for the fiscal year.
- The City of Henderson's total recorded debt decreased by \$1,677,629 (4.01%) as compared to the prior fiscal year.

**Overview of the Financial Statements**

This discussion and the 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.

**CITY OF HENDERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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### **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 8) 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; and 3) the enterprise 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 nonmajor governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes can also be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the City's pension plans.

### **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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the total of the City's assets and deferred outflows of resources and the 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 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 on 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 General Statutes or the City's budget ordinance. All of the funds of the 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 current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps 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 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 Statement of Activities.

**Notes to the Financial Statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning City of Henderson's progress in funding its obligation to provide pension benefits to its employees.

**CITY OF HENDERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

**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**

|                                       | <b>Governmental Activities</b> |               | <b>Business-type Activities</b> |               | <b>Total</b>   |                |
|---------------------------------------|--------------------------------|---------------|---------------------------------|---------------|----------------|----------------|
|                                       | <b>2020</b>                    | <b>2019</b>   | <b>2020</b>                     | <b>2019</b>   | <b>2020</b>    | <b>2019</b>    |
| <b>Assets</b>                         |                                |               |                                 |               |                |                |
| Current and other assets              | \$ 14,633,056                  | \$ 14,163,979 | \$ 32,156,019                   | \$ 28,852,497 | \$ 46,789,075  | \$ 43,016,476  |
| Capital assets                        | 18,953,096                     | 19,337,166    | 91,706,926                      | 92,446,805    | 110,660,022    | 111,783,971    |
| Total assets                          | 33,586,152                     | 33,501,145    | 123,862,945                     | 121,299,302   | 157,449,097    | 154,800,447    |
| <b>Deferred outflows of resources</b> | 2,103,097                      | 2,322,944     | 614,541                         | 684,928       | 2,717,638      | 3,007,872      |
| <b>Liabilities</b>                    |                                |               |                                 |               |                |                |
| Long-term liabilities outstanding     | 15,367,311                     | 15,415,663    | 22,846,946                      | 23,532,918    | 38,214,256     | 38,948,581     |
| Other liabilities                     | 1,377,215                      | 1,044,291     | 2,259,395                       | 3,121,245     | 3,636,610      | 4,165,536      |
| Total liabilities                     | 16,744,526                     | 16,459,954    | 25,106,340                      | 26,654,163    | 41,850,866     | 43,114,117     |
| <b>Deferred Inflows of Resources</b>  | 1,482,462                      | 1,272,544     | 475,660                         | 396,892       | 1,958,122      | 1,669,436      |
| <b>Net Position</b>                   |                                |               |                                 |               |                |                |
| Net investment in capital assets      | 16,766,016                     | 17,170,576    | 71,635,319                      | 70,644,140    | 88,401,335     | 87,814,716     |
| Restricted                            | 3,545,676                      | 3,015,547     | -                               | -             | 3,545,676      | 3,015,547      |
| Unrestricted                          | (2,849,431)                    | (2,094,532)   | 27,260,167                      | 24,289,035    | 24,410,736     | 22,194,503     |
| Total net position                    | \$ 17,462,261                  | \$ 18,091,591 | \$ 98,895,486                   | \$ 94,933,175 | \$ 116,357,747 | \$ 113,024,766 |

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 \$116,357,747 as of June 30, 2020. The City's net position increased by \$3,332,981 for the fiscal year ended June 30, 2020. The largest portion (75.97%) 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, \$3,545,676, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,410,736 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.78%. The statewide average in fiscal year 2019 was 99.21%.
- Increased sales tax revenues of approximately \$24,545 due to economic growth in the City.
- Continued low cost of debt due to the City's high bond rating.

**CITY OF HENDERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**City of Henderson Changes in Net Position**

**Figure 3**

|   | Governmental<br>Activities |               | Business-type<br>Activities |               | Total          |                |
|---|----------------------------|---------------|-----------------------------|---------------|----------------|----------------|
|   | 2020                       | 2019          | 2020                        | 2019          | 2020           | 2019           |
| <b>Revenues:</b>  |                            |               |                             |               |                |                |
| Program revenues:   |                            |               |                             |               |                |                |
| Charges for services  | \$ 3,828,181               | \$ 3,754,123  | \$ 18,149,298               | \$ 17,635,017 | \$ 21,977,479  | \$ 21,389,140  |
| Operating grants and contributions                          | 582,120                    | 685,195       | -                           | -             | 582,120        | 685,195        |
| Capital grants and contributions                            | -                          | 133,000       | 1,015                       | 1,959,535     | 1,015          | 2,092,535      |
| General revenues:   |                            |               |                             |               |                |                |
| Property taxes  | 6,483,504                  | 6,348,025     | -                           | -             | 6,483,504      | 6,348,025      |
| Other taxes   | 224,561                    | 226,199       | -                           | -             | 224,561        | 226,199        |
| Grants and contributions<br>restricted to specific programs | 4,389,305                  | 4,385,466     | -                           | -             | 4,389,305      | 4,385,466      |
| Other   | 195,191                    | 392,652       | 347,835                     | 247,829       |                | 640,481        |
| Total revenues  | 15,702,862                 | 15,924,660    | 18,498,148                  | 19,842,381    | 34,201,010     | 35,126,560     |
| <b>Expenses:</b>  |                            |               |                             |               |                |                |
| General government  | 1,853,556                  | 1,749,173     | -                           | -             | 1,853,556      | 1,749,173      |
| Public safety   | 8,190,420                  | 7,329,525     | -                           | -             | 8,190,420      | 7,329,525      |
| Planning and community development                          | 642,813                    | 491,076       | -                           | -             | 642,813        | 491,076        |
| Transportation and other                                    | 1,588,982                  | 1,589,648     | -                           | -             | 1,588,982      | 1,589,648      |
| Environmental protection                                    | 1,205,094                  | 1,063,360     | -                           | -             | 1,205,094      | 1,063,360      |
| Recreation and parks  | 1,664,866                  | 1,715,311     | -                           | -             | 1,664,866      | 1,715,311      |
| Local agencies and shared programs                          | 1,053,584                  | 1,077,482     | -                           | -             | 1,053,584      | 1,077,482      |
| Interest on long-term debt                                  | 58,322                     | 76,958        | -                           | -             | 58,322         | 76,958         |
| Water   | -                          | -             | 7,107,643                   | 6,438,266     | 7,107,643      | 6,438,266      |
| Sewer   | -                          | -             | 4,391,955                   | 4,310,330     | 4,391,955      | 4,310,330      |
| Regional Water System                                       | -                          | -             | 3,110,794                   | 3,022,096     | 3,110,794      | 3,022,096      |
| Total expenses  | 16,257,637                 | 15,092,533    | 14,610,392                  | 13,770,692    | 30,868,029     | 28,863,225     |
| Increase in net position before transfers and special items | (554,775)                  | 832,127       | 3,887,756                   | 6,071,689     | 3,332,981      | 6,263,335      |
| Special Item (see Note VII)                                 | -                          | -             | -                           | (1,531,250)   | -              | (1,531,250)    |
| Transfers   | (74,555)                   | (79,900)      | 74,555                      | 79,900        | -              | -              |
| Increase (decrease) in net position                         | (629,330)                  | 752,227       | 3,962,311                   | 4,620,339     | 3,332,981      | 5,372,566      |
| Net position, beginning                                     | 18,091,591                 | 17,339,364    | 94,933,175                  | 90,312,836    | 113,024,766    | 107,652,200    |
| Restatement   | -                          | -             | -                           | -             | -              | -              |
| Net position, beginning, restated                           | 18,091,591                 | 17,339,364    | 94,933,175                  | 90,312,836    | 113,024,766    | 107,652,200    |
| Net position, ending  | \$ 17,462,261              | \$ 18,091,591 | \$ 98,895,486               | \$ 94,933,175 | \$ 116,357,747 | \$ 113,024,766 |

**Governmental activities.** Governmental activities decreased the City's net position by \$629,330. Key elements of this decrease are as follows:

- Significant increase in Public Safety expenditures.

**Business-type activities.** Business-type activities increased the City of Henderson's net position by \$3,887,756. Key elements of this increase are as follows:

- Conservative spending on the part of business-type fund departments.
- Several ongoing capital projects that are funded by various grants.

**CITY OF HENDERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**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 \$10,049,564, while total fund balance reached \$11,580,441. The City utilizes a more conservative measure for the fund balance than actually required by the Local Government Commission (LGC). The City is only considers unassigned funds as the basis for determining its percentage of fund balance to prior year expenditures. As of June 30, 2020, General Fund unassigned fund balance totaled \$6,953,332, or 42.79% 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, 2020, is 61.84% of the General Fund expenditures for the year then ended.

At June 30, 2020, the governmental funds of City of Henderson reported a combined fund balance of \$13,454,027 with a net increase in fund balance of \$167,685. 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.

Revenues came in under budgeted amounts by \$70,570. This negative variance is primarily due to sales and service revenues being less than budgeted. Expenditures were less than budget by \$972,877 due to conservative management efforts resulting in notable savings in Transportation, Parks & Recreation, and Non- Departmental insurance lines.

The budget was amended during the year primarily to recognize excess revenues in various categories and to recognize grant revenue that was not included in the original adopted budget. The budget amendments in other financing sources and uses were primarily due to transfers to other funds and installment debt issued.

**Proprietary Funds.** The City of Henderson's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund amounted to \$6,296,020 at the end of the fiscal year; the Sewer Fund amounted to \$6,476,925; and the Regional Water System Fund amounted to \$14,487,222. The total change in net position from current year activity was a \$569,667 for the Water Fund, \$726,643 for the Sewer Fund, and \$2,666,001 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, 2020, totals \$110,659,880 (net of accumulated depreciation). These assets include buildings, roads and bridges, machinery and equipment, water and sewer infrastructure, and vehicles.

Major capital asset transactions during the year included:

- Vehicles for the Police Department and Recreation Department
- Improvements to the pool and gym floors
- Crane truck for the sewer fund

**CITY OF HENDERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**CITY OF HENDERSON'S CAPITAL ASSETS  
(net of depreciation)**

**Figure 4**

|                                   | Governmental<br>Activities |               | Business-type<br>Activities |               | Total          |                |
|-----------------------------------|----------------------------|---------------|-----------------------------|---------------|----------------|----------------|
|                                   | 2020                       | 2019          | 2020                        | 2019          | 2020           | 2019           |
| Land                              | \$ 1,681,879               | \$ 1,681,879  | \$ 2,077,368                | \$ 2,077,368  | \$ 3,759,247   | \$ 3,759,247   |
| Buildings and system              | 13,039,869                 | 13,432,307    | 13,246,222                  | 13,851,993    | 26,286,091     | 27,284,300     |
| Improvements other than buildings | 1,311,797                  | 748,101       | 197,246                     | 208,775       | 1,509,043      | 956,876        |
| Distribution Systems              | -                          | -             | 65,935,091                  | 64,864,309    | 65,935,091     | 64,864,309     |
| Equipment & Vehicles              | 1,702,463                  | 1,780,282     | 818,536                     | 1,005,837     | 2,520,999      | 2,786,119      |
| Intangible water rights           | -                          | -             | 3,274,942                   | 3,274,942     | 3,274,942      | 3,274,942      |
| Construction in progress          | 1,217,088                  | 1,694,597     | 6,157,379                   | 7,163,439     | 7,374,467      | 8,858,036      |
| Total                             | \$ 18,953,096              | \$ 19,337,166 | \$ 91,706,784               | \$ 92,446,663 | \$ 110,659,880 | \$ 111,783,829 |

Additional information on the City's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2020, the City of Henderson had \$22,258,544 of installment debt. The installment debt consists of notes payable and revolving loans, and is backed by security interest in the property for which it was issued.

**CITY OF HENDERSON'S OUTSTANDING DEBT**

**Figure 5**

|                                    | Governmental<br>Activities |               | Business-type<br>Activities |               | Total         |               |
|------------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|                                    | 2020                       | 2019          | 2020                        | 2019          | 2020          | 2019          |
| Direct Placement Installment Loans | \$ 2,187,080               | \$ 2,166,590  | \$ 20,071,464               | \$ 20,815,523 | \$ 22,258,544 | \$ 22,982,113 |
| Capital Leases                     | -                          | -             | -                           | -             | -             | -             |
| Revenue bonds (private placement)  | -                          | -             | -                           | 987,000       | -             | 987,000       |
| Compensated Absences               | 601,209                    | 517,129       | 171,942                     | 136,828       | 773,151       | 653,957       |
| OPEB                               | 9,191,464                  | 9,619,086     | 3,138,020                   | 3,284,014     | 12,329,484    | 12,903,100    |
| Pension Related Debt-LGERS         | 2,665,652                  | 2,315,996     | 902,298                     | 783,943       | 3,567,950     | 3,099,939     |
| Pension Related Debt- LEOSSA       | 1,277,165                  | 1,257,814     | -                           | -             | 1,277,165     | 1,257,814     |
| Total                              | \$ 15,922,570              | \$ 15,876,615 | \$ 24,283,724               | \$ 26,007,308 | \$ 40,206,294 | \$ 41,883,923 |

**CITY OF HENDERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**City of Henderson's Outstanding Debt**

The City of Henderson's total recorded debt decreased by \$1,677,629 (4.01%) as compared to the prior fiscal year. This change represents the net result of several significant factors:

- Net change in long-term debt activities resulted in a net decrease of \$1,710,569.
- Compensated absences, OPEB, Pension Related debt resulted in a net increase of \$32,940.

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 Corporations 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 the City of Henderson is \$70,636,020.

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

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

The following key economic indicators reflect the growth and prosperity 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 6.9%, which represents an increase from the prior year estimate of 5.8%.

**Budget Highlights for Fiscal Year Ending June 30, 2021**

**Governmental Activities.** Property tax revenue is the single largest source of revenue for the General Fund. Some 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 requested or 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 six years. This is expected to continue based on strong retail sales.

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, improving levels of pay with the City completing phase IV of a municipal pay study, and program expansion in a couple of areas.

**Business-Type Activities.** Sewer rates and regional water system rates remained unchanged for fiscal year 2021.

**CITY OF HENDERSON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**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, Terrell Blackmon, 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.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HENDERSON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|  | Primary Government      |                          |                       |
|--|-------------------------|--------------------------|-----------------------|
|  | Governmental Activities | Business-type Activities | Total                 |
| <b>Assets</b>                                    |                         |                          |                       |
| Current assets                                   |                         |                          |                       |
| Cash and cash investments                        | \$ 11,192,172           | \$ 30,338,762            | \$ 41,530,934         |
| Property taxes receivable, net                   | 335,275                 | -                        | 335,275               |
| Accrued interest receivable on taxes             | 28,323                  | -                        | 28,323                |
| Accounts receivable, net                         | 272,938                 | 1,530,165                | 1,803,103             |
| Due from other governments                       | 1,242,493               | -                        | 1,242,493             |
| Inventories                                      | -                       | 107,868                  | 107,868               |
| Internal balances                                | -                       | -                        | -                     |
| Restricted cash and cash equivalents             | 1,561,855               | 179,224                  | 1,741,079             |
| Total current assets                             | <u>14,633,056</u>       | <u>32,156,019</u>        | <u>46,789,075</u>     |
| Non-current assets:                              |                         |                          |                       |
| Security deposits                                | -                       | 142                      | 142                   |
| Capital assets:                                  |                         |                          |                       |
| Land, improvements, and construction in progress | 2,898,967               | 11,509,689               | 14,408,656            |
| Other capital assets, net of depreciation        | 16,054,129              | 80,197,095               | 96,251,224            |
| Total capital assets                             | <u>18,953,096</u>       | <u>91,706,784</u>        | <u>110,659,880</u>    |
| Total non-current assets                         | <u>18,953,096</u>       | <u>91,706,926</u>        | <u>110,660,022</u>    |
| Total assets                                     | <u>33,586,152</u>       | <u>123,862,945</u>       | <u>157,449,097</u>    |
| <b>Deferred Outflows of Resources</b>            |                         |                          |                       |
| Pension deferrals                                | 1,712,513               | 533,001                  | 2,245,514             |
| OPEB deferrals                                   | 390,584                 | 81,540                   | 472,124               |
| Total deferred outflows of resources             | <u>2,103,097</u>        | <u>614,541</u>           | <u>2,717,638</u>      |
| <b>Liabilities</b>                               |                         |                          |                       |
| Current Liabilities                              |                         |                          |                       |
| Accounts payable and accrued liabilities         | 789,736                 | 616,431                  | 1,406,167             |
| Accrued interest payable                         | 32,220                  | 26,960                   | 59,180                |
| Current portion of long-term liabilities         | 404,957                 | 1,393,794                | 1,798,751             |
| Current portion of compensated absences          | 150,302                 | 42,986                   | 193,288               |
| Payable from restricted assets                   | -                       | 179,224                  | 179,224               |
| Total current liabilities                        | <u>1,377,215</u>        | <u>2,259,395</u>         | <u>3,636,610</u>      |
| Long-term liabilities                            |                         |                          |                       |
| Total OPEB liability                             | 9,191,464               | 3,138,020                | 12,329,484            |
| Compensated absences                             | 450,907                 | 128,957                  | 579,863               |
| Net pension liability (LGERS)                    | 2,665,652               | 902,298                  | 3,567,950             |
| Total pension liability (LEOSSA)                 | 1,277,165               | -                        | 1,277,165             |
| Notes payable in more than one year              | 1,782,123               | 18,677,671               | 20,459,794            |
| Total long-term liabilities                      | <u>15,367,311</u>       | <u>22,846,946</u>        | <u>38,214,256</u>     |
| Total liabilities                                | <u>16,744,526</u>       | <u>25,106,340</u>        | <u>41,850,866</u>     |
| <b>Deferred Inflows of Resources</b>             |                         |                          |                       |
| Prepaid taxes                                    | 25,695                  | -                        | 25,695                |
| Pension deferrals                                | 111,875                 | 16,506                   | 128,381               |
| OPEB deferrals                                   | 1,344,892               | 459,154                  | 1,804,046             |
| Total deferred outflows of resources             | <u>1,482,462</u>        | <u>475,660</u>           | <u>1,958,122</u>      |
| <b>Net Position</b>                              |                         |                          |                       |
| Net Investment in Capital Assets                 | 16,766,016              | 71,635,319               | 88,401,335            |
| Restricted for:                                  |                         |                          |                       |
| Nonspendable - Perpetual maintenance             | 452,944                 | -                        | 452,944               |
| Stabilization by State Statute                   | 1,530,877               | -                        | 1,530,877             |
| Economic Development                             | -                       | -                        | -                     |
| Streets- Powell Bill                             | 1,475,323               | -                        | 1,475,323             |
| Capital Reserves                                 | 86,532                  | -                        | 86,532                |
| Unrestricted (deficit)                           | (2,849,431)             | 27,260,167               | 24,410,736            |
| Total net position                               | <u>\$ 17,462,261</u>    | <u>\$ 98,895,486</u>     | <u>\$ 116,357,747</u> |

**CITY OF HENDERSON, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

| Functions/Programs   | Expenses      | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                |  |
|--|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|--|
|  |               | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                |  |
|  |               |                      |                                    |                                  | Governmental Activities                           | Business-type Activities | Total          |  |
| Primary government:  |               |                      |                                    |                                  |   |                          |                |  |
| Governmental Activities:                                     |               |                      |                                    |                                  |   |                          |                |  |
| General government   | \$ 1,853,556  | \$ 967,298           | \$ -                               | \$ -                             | \$ (886,258)                                      | \$ -                     | \$ (886,258)   |  |
| Public safety  | 8,190,420     | 33,822               | 144,508                            | -                                | (8,012,090)                                       | -                        | (8,012,090)    |  |
| Planning and community development                           | 642,813       | -                    | -                                  | -                                | (642,813)   | -                        | (642,813)      |  |
| Public Services  | -             |                      |                                    |                                  |   |                          |                |  |
| Transportation and other                                     | 1,588,982     | 7,116                | 426,274                            | -                                | (1,155,592)                                       | -                        | (1,155,592)    |  |
| Environmental protection                                     | 1,205,094     | 1,940,644            | 11,338                             | -                                | 746,888   | -                        | 746,888        |  |
| Recreation and parks   | 1,664,866     | 879,301              | -                                  | -                                | (785,565)   | -                        | (785,565)      |  |
| Local agencies and shared programs                           | 1,053,584     | -                    | -                                  | -                                | (1,053,584)                                       | -                        | (1,053,584)    |  |
| Interest on long-term debt                                   | 58,322        | -                    | -                                  | -                                | (58,322)  | -                        | (58,322)       |  |
| Total governmental activities                                | 16,257,637    | 3,828,181            | 582,120                            | -                                | (11,847,336)                                      | -                        | (11,847,336)   |  |
| Business-type activities:                                    |               |                      |                                    |                                  |   |                          |                |  |
| Water  | 7,107,643     | 7,402,822            | -                                  | -                                | -   | 295,179                  | 295,179        |  |
| Sewer  | 4,391,955     | 5,108,172            | -                                  | 1,015                            | -   | 717,232                  | 717,232        |  |
| Regional Water System  | 3,110,794     | 5,638,304            | -                                  | -                                | -   | 2,527,510                | 2,527,510      |  |
| Total business-type activities                               | 14,610,392    | 18,149,298           | -                                  | 1,015                            | -   | 3,539,921                | 3,539,921      |  |
| Total primary government                                     | \$ 30,868,029 | \$ 21,977,479        | \$ 582,120                         | \$ 1,015                         | (11,847,336)                                      | 3,539,921                | (8,307,415)    |  |
| General revenues:  |               |                      |                                    |                                  |   |                          |                |  |
| Taxes:   |               |                      |                                    |                                  |   |                          |                |  |
| Property taxes, levied for general purpose                   |               |                      |                                    |                                  | 6,483,504   | -                        | 6,483,504      |  |
| Other taxes  |               |                      |                                    |                                  | 224,561   | -                        | 224,561        |  |
| Grants and contributions not restricted to specific programs |               |                      |                                    |                                  | 4,389,305   | -                        | 4,389,305      |  |
| Investment earnings, unrestricted                            |               |                      |                                    |                                  | 147,595   | 272,067                  | 419,662        |  |
| Miscellaneous, unrestricted                                  |               |                      |                                    |                                  | 47,596  | 75,768                   | 123,364        |  |
| Total general revenues not including transfers               |               |                      |                                    |                                  | 11,292,561  | 347,835                  | 11,640,396     |  |
| Transfers  |               |                      |                                    |                                  | (74,555)  | 74,555                   | -              |  |
| Total general revenues, special items, and transfers         |               |                      |                                    |                                  | 11,218,006  | 422,390                  | 11,640,396     |  |
| Change in net position                                       |               |                      |                                    |                                  | (629,330)   | 3,962,311                | 3,332,981      |  |
| Net position-beginning                                       |               |                      |                                    |                                  | 18,091,591  | 94,933,175               | 113,024,766    |  |
| Net position-ending  |               |                      |                                    |                                  | \$ 17,462,261                                     | \$ 98,895,486            | \$ 116,357,747 |  |

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

**CITY OF HENDERSON, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

|   | <b>Major<br/>General Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------------|--|---|
| <b>Assets:</b>  |                               |  |   |
| Cash and cash equivalents   | \$ 9,389,197                  | \$ 1,802,975                               | \$ 11,192,172                           |
| Restricted cash and cash equivalent                                       | 1,475,323                     | 86,532                                     | 1,561,855                               |
| Property tax receivable, net  | 335,275                       | -  | 335,275                                 |
| Accounts receivable, net  | 272,938                       | -  | 272,938                                 |
| Due from other governments  | 1,242,493                     | -  | 1,242,493                               |
| Due from other funds  | 15,446                        | -  | 15,446                                  |
| Total assets  | <u>\$ 12,730,672</u>          | <u>\$ 1,889,507</u>                        | <u>\$ 14,620,179</u>                    |
| <b>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances:</b> |                               |  |   |
| <b>Liabilities:</b>   |                               |  |   |
| Accounts payable and accrued liabilities                                  | \$ 789,261                    | \$ 475                                     | \$ 789,736                              |
| Assurance deposits  | -                             | 15,446                                     | 15,446                                  |
| Total liabilities   | <u>789,261</u>                | <u>15,921</u>                              | <u>805,182</u>                          |
| <b>Deferred inflows of resources:</b>                                     |                               |  |   |
| Property taxes receivable   | 335,275                       | -  | 335,275                                 |
| Prepaid taxes   | 25,695                        | -  | 25,695                                  |
| Total deferred inflows of resources                                       | <u>360,970</u>                | <u>-</u>                                   | <u>360,970</u>                          |
| <b>Fund balances:</b>   |                               |  |   |
| Non-spendable, not in spendable form                                      |                               |  |   |
| Perpetual maintenance   | -                             | 452,944                                    | 452,944                                 |
| Restricted:   |                               |  |   |
| Stabilization by State statue   | 1,530,877                     | -  | 1,530,877                               |
| Streets- Powell Bill  | 1,475,323                     | -  | 1,475,323                               |
| Capital Reserves  | -                             | 86,532                                     | 86,532                                  |
| Committed:  |                               |  |   |
| Public Safety- LEO Pension Contributions                                  | 120,909                       | -  | 120,909                                 |
| Assigned:   |                               |  |   |
| Capital project funds   | -                             | 1,349,556                                  | 1,349,556                               |
| Subsequent year's expenditures  | 1,500,000                     | -  | 1,500,000                               |
| Unassigned:   | 6,953,332                     | (15,446)                                   | 6,937,886                               |
| Total fund balances   | <u>11,580,441</u>             | <u>1,873,586</u>                           | <u>13,454,027</u>                       |
| Total liabilities, deferred inflows of resources,<br>and fund balances    | <u>\$ 12,730,672</u>          | <u>\$ 1,889,507</u>                        | <u>\$ 14,620,179</u>                    |

**CITY OF HENDERSON, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

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

|  |                     |                             |
|--|---------------------|-----------------------------|
| Total Fund Balance - Governmental Funds  |                     | \$ 13,454,027               |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds               |                     |                             |
| Gross capital assets at historical cost  | 45,920,151          |                             |
| Accumulated depreciation   | <u>(26,967,055)</u> |                             |
| Net capital assets   | 18,953,096          | 18,953,096                  |
| Deferred outflows of resources:  |                     |                             |
| Pension related deferral   | 955,903             |                             |
| LEOSSA related deferral  | 113,264             |                             |
| OPEB related deferral  | <u>-</u>            | 1,069,167                   |
| Current year contributions to the pension plan   |                     | 618,737                     |
| Benefit payments for the OPEB plan paid subsequent to the measurement date   |                     | 390,584                     |
| Benefit payments and administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position             |                     | 24,609                      |
| 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   |                     | 28,323                      |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements  |                     |                             |
| Property taxes receivable  |                     | 335,275                     |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.            |                     |                             |
| Net pension liability- LGERS   | (2,665,652)         |                             |
| Total pension liability- LEOSSA  | (1,277,165)         |                             |
| Compensated absences   | (601,209)           |                             |
| Total OPEB liability   | (9,191,464)         |                             |
| Other liabilities due in more than one year  | (2,187,080)         |                             |
| Accrued interest payable   | <u>(32,220)</u>     | (15,954,790)                |
| Deferred inflows of resources:   |                     |                             |
| Pension related deferral   | (48,764)            |                             |
| LEOSSA related deferral  | (63,111)            |                             |
| OPEB related deferral  | <u>(1,344,892)</u>  | (1,456,767)                 |
| Total adjustment   |                     | <u>4,008,234</u>            |
| Net position of governmental activities  |                     | <u><u>\$ 17,462,261</u></u> |

**CITY OF HENDERSON, NORTH CAROLINA**  
**STATEMENT OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | <b>Major</b>                | <b>Nonmajor</b>            | <b>Total</b>                |
|--|-----------------------------|----------------------------|-----------------------------|
|  | <b>General Fund</b>         | <b>Governmental</b>        | <b>Governmental</b>         |
|  | <b>Funds</b>                | <b>Funds</b>               | <b>Funds</b>                |
| <b>Revenues:</b>                       |                             |                            |                             |
| Ad valorem taxes                       | \$ 6,422,540                | \$ -                       | \$ 6,422,540                |
| Other taxes and licenses               | 28,611                      | -                          | 28,611                      |
| Unrestricted intergovernmental         | 4,389,305                   | -                          | 4,389,305                   |
| Restricted intergovernmental           | 449,995                     | 74,241                     | 524,236                     |
| Permits and fees                       | 224,822                     | -                          | 224,822                     |
| Sales and services                     | 3,807,134                   | -                          | 3,807,134                   |
| Investment earnings                    | 141,389                     | 6,206                      | 147,595                     |
| Miscellaneous                          | 93,818                      | 3,838                      | 97,656                      |
| Total revenues                         | <u>15,557,614</u>           | <u>84,285</u>              | <u>15,641,899</u>           |
| <b>Expenditures:</b>                   |                             |                            |                             |
| Current:                               |                             |                            |                             |
| General government                     | 1,445,574                   | -                          | 1,445,574                   |
| Public safety                          | 7,600,196                   | 84,849                     | 7,685,045                   |
| Planning and community development     | 476,211                     | 133,283                    | 609,494                     |
| Public Services:                       |                             |                            |                             |
| Transportation and other               | 1,588,809                   | -                          | 1,588,809                   |
| Environmental Protection               | 1,014,687                   | -                          | 1,014,687                   |
| Recreation and parks                   | 1,531,156                   | -                          | 1,531,156                   |
| Non-departmental:                      |                             |                            |                             |
| Local agencies and shared programs     | 1,053,584                   | -                          | 1,053,584                   |
| General non-departmental               | 431,668                     | -                          | 431,668                     |
| Debt service:                          |                             |                            |                             |
| Principal                              | 331,670                     | -                          | 331,670                     |
| Interest and other charges             | 60,132                      | -                          | 60,132                      |
| Lease purchases                        | -                           | -                          | -                           |
| Total expenditures                     | <u>15,533,687</u>           | <u>218,132</u>             | <u>15,751,819</u>           |
| Revenues over expenditures             | <u>23,927</u>               | <u>(133,847)</u>           | <u>(109,920)</u>            |
| <b>Other Financing Sources (Uses):</b> |                             |                            |                             |
| Long-term debt issued                  | 352,160                     | -                          | 352,160                     |
| Transfers from other funds             | -                           | 993,835                    | 993,835                     |
| Transfers (to) other funds             | (1,068,390)                 | -                          | (1,068,390)                 |
| Total other financing sources and uses | <u>(716,230)</u>            | <u>993,835</u>             | <u>277,605</u>              |
| Net change in fund balance             | (692,303)                   | 859,988                    | 167,685                     |
| <b>Fund Balances:</b>                  |                             |                            |                             |
| Beginning of year - July 1             | <u>12,272,744</u>           | <u>1,013,598</u>           | <u>13,286,342</u>           |
| End of year - June 30                  | \$ <u><u>11,580,441</u></u> | \$ <u><u>1,873,586</u></u> | \$ <u><u>13,454,027</u></u> |

**CITY OF HENDERSON, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

|   |                  |                     |
|---|------------------|---------------------|
| Net changes in fund balances - total governmental funds   |                  | \$ 167,685          |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  |                  |                     |
| Capital outlay expenditures which were capitalized  | 580,739          |                     |
| Depreciation expense  | (964,809)        |                     |
| Gain on disposal of assets during the year  | <u>-</u>         | (384,070)           |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.   |                  | 618,737             |
| Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities   |                  | 24,609              |
| Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.  |                  | 390,584             |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  |                     |
| Change in unavailable revenue for tax revenues  | 64,304           |                     |
| Change in accrued interest on taxes receivable  | <u>(3,340)</u>   | 60,964              |
| 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. |                  |                     |
| Issuance of long-term debt  | (352,160)        |                     |
| Principal payments on long-term debt  | 331,670          |                     |
| Change in accrued interest payable  | <u>1,810</u>     | (18,680)            |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.   |                  |                     |
| Compensated absences  | (84,080)         |                     |
| Pension expense   | (1,156,454)      |                     |
| LEOSSA pension expense  | (38,099)         |                     |
| OPEB expense  | <u>(210,526)</u> | (1,489,159)         |
| Total adjustments   |                  | <u>(797,015)</u>    |
| Total changes in net position of governmental activities  |                  | <u>\$ (629,330)</u> |

**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, 2020**

|  | General Fund       |                   |                      | Variance<br>With Final<br>Positive<br>(Negative) |
|--|--------------------|-------------------|----------------------|--|
|  | Original<br>Budget | Final<br>Budget   | Actual               |  |
| <b>Revenues:</b>                       |                    |                   |                      |  |
| Ad valorem taxes                       | \$ 6,331,630       | \$ 6,331,630      | \$ 6,422,540         | \$ 90,910  |
| Other taxes                            | 27,000             | 27,000            | 28,611               | 1,611  |
| Restricted intergovernmental           | 460,870            | 460,870           | 449,995              | (10,875)   |
| Unrestricted intergovernmental         | 4,241,800          | 4,241,800         | 4,389,305            | 147,505  |
| Permits and fees                       | 232,500            | 230,000           | 224,822              | (5,178)  |
| Sales and services                     | 4,076,634          | 4,078,684         | 3,807,134            | (271,550)  |
| Investment earnings                    | 180,000            | 180,000           | 141,389              | (38,611)   |
| Miscellaneous                          | 624,350            | 78,200            | 93,818               | 15,618   |
| Total revenues                         | <u>16,174,784</u>  | <u>15,628,184</u> | <u>15,557,614</u>    | <u>(70,570)</u>                                  |
| <b>Expenditures:</b>                   |                    |                   |                      |  |
| General government                     | 1,417,890          | 1,493,022         | 1,445,574            | 47,448   |
| Public safety                          | 7,651,080          | 7,751,047         | 7,600,196            | 150,851  |
| Planning and community development     | 515,800            | 521,453           | 476,211              | 45,242   |
| Public Services:                       |                    |                   |                      |  |
| Transportation and other               | 2,320,950          | 1,769,016         | 1,588,809            | 180,207  |
| Environmental protection               | 1,065,100          | 1,046,666         | 1,014,687            | 31,979   |
| Recreation and parks                   | 1,980,300          | 1,767,684         | 1,531,156            | 236,528  |
| Non-departmental:                      |                    |                   |                      |  |
| Local agencies and shared programs     | 1,137,150          | 1,137,150         | 1,053,584            | 83,566   |
| General non-departmental               | 1,047,334          | 559,626           | 431,668              | 127,958  |
| Debt service:                          |                    |                   |                      |  |
| Principal                              | 413,950            | 331,670           | 331,670              | -  |
| Interest and other charges             | 46,950             | 129,230           | 60,132               | 69,098   |
| Total expenditures                     | <u>17,596,504</u>  | <u>16,506,564</u> | <u>15,533,687</u>    | <u>972,877</u>                                   |
| Revenues over (under) expenditures     | <u>(1,421,720)</u> | <u>(878,380)</u>  | <u>23,927</u>        | <u>902,307</u>                                   |
| <b>Other financing sources (uses):</b> |                    |                   |                      |  |
| Installment note proceeds              | 310,000            | 310,000           | 352,160              | 42,160   |
| Transfers from other funds             | -                  | -                 | -                    | -  |
| Transfers (to) other funds             | -                  | (1,068,390)       | (1,068,390)          | -  |
| Appropriated fund balance              | 1,111,720          | 1,636,770         | -                    | (1,636,770)                                      |
| Total other financing sources (uses)   | <u>1,421,720</u>   | <u>878,380</u>    | <u>(716,230)</u>     | <u>(1,594,610)</u>                               |
| Net Change in Fund Balance             | <u>\$ -</u>        | <u>\$ -</u>       | <u>(692,303)</u>     | <u>\$ (692,303)</u>                              |
| <b>Fund balances:</b>                  |                    |                   |                      |  |
| Beginning of year, July 1              |                    |                   | <u>12,272,744</u>    |  |
| End of year, June 30                   |                    |                   | <u>\$ 11,580,441</u> |  |

**CITY OF HENDERSON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

|   | Major Enterprise Funds |                      |                            |                      |
|---|------------------------|----------------------|----------------------------|----------------------|
|   | Water fund             | Sewer Fund           | Regional Water System Fund | Total                |
| <b>Assets:</b>  |                        |                      |                            |                      |
| Current assets:   |                        |                      |                            |                      |
| Cash and cash equivalents                                 | \$ 7,208,374           | \$ 7,869,837         | \$ 15,260,551              | \$ 30,338,762        |
| Accounts receivable (net)                                 |                        |                      |                            |                      |
| Customer receivable (net)- billed                         | 568,159                | 410,444              | 154,374                    | 1,132,977            |
| Customer receivables (net)-unbilled                       | 152,482                | 244,706              | -                          | 397,188              |
| Inventories   | -                      | 10,510               | 97,358                     | 107,868              |
| Restricted cash and cash equivalents                      | 179,224                | -                    | -                          | 179,224              |
| Total current assets                                      | <u>8,108,239</u>       | <u>8,535,497</u>     | <u>15,512,283</u>          | <u>32,156,019</u>    |
| Noncurrent assets:  |                        |                      |                            |                      |
| Security deposits   | 142                    | -                    | -                          | 142                  |
| Capital assets:   |                        |                      |                            |                      |
| Land, non-depreciable assets and construction in progress | 3,666,190              | 729,208              | 7,114,291                  | 11,509,689           |
| Capital assets, net of depreciation                       | 16,877,771             | 43,758,815           | 19,560,509                 | 80,197,095           |
| Total capital assets, net                                 | <u>20,543,961</u>      | <u>44,488,023</u>    | <u>26,674,800</u>          | <u>91,706,784</u>    |
| Total non-current assets                                  | <u>20,544,103</u>      | <u>44,488,023</u>    | <u>26,674,800</u>          | <u>91,706,926</u>    |
| Total assets  | <u>28,652,342</u>      | <u>53,023,520</u>    | <u>42,187,083</u>          | <u>123,862,945</u>   |
| <b>Deferred Outflows of Resources:</b>                    |                        |                      |                            |                      |
| Pension deferrals   | 198,591                | 210,157              | 124,253                    | 533,001              |
| OPEB deferrals  | 18,463                 | 24,790               | 38,287                     | 81,540               |
| Total deferred outflows of resources                      | <u>217,054</u>         | <u>234,947</u>       | <u>162,540</u>             | <u>614,541</u>       |
| <b>Liabilities:</b>                                       |                        |                      |                            |                      |
| Current liabilities:                                      |                        |                      |                            |                      |
| Account payable and accrued liabilities                   | 58,496                 | 442,760              | 115,175                    | 616,431              |
| Accrued interest payable                                  | 5,645                  | 11,319               | 9,996                      | 26,960               |
| Current portion of long-term liabilities                  | 262,568                | 1,011,011            | 120,215                    | 1,393,794            |
| Current portion of compensated absences                   | 16,199                 | 18,905               | 7,882                      | 42,986               |
| Liabilities to be paid from restricted assets:            |                        |                      |                            |                      |
| Customer/ security deposits                               | 179,224                | -                    | -                          | 179,224              |
| Total current liabilities                                 | <u>522,132</u>         | <u>1,483,995</u>     | <u>253,268</u>             | <u>2,259,395</u>     |
| Long-term liabilities                                     |                        |                      |                            |                      |
| Total OPEB liability                                      | 1,202,908              | 1,222,648            | 712,464                    | 3,138,020            |
| Compensated absences                                      | 48,596                 | 56,715               | 23,645                     | 128,957              |
| Net pension liability                                     | 336,188                | 355,767              | 210,343                    | 902,298              |
| Notes payable due in more than one year                   | 2,932,117              | 13,666,567           | 2,078,987                  | 18,677,671           |
| Total long-term liabilities                               | <u>4,519,809</u>       | <u>15,301,697</u>    | <u>3,025,439</u>           | <u>22,846,946</u>    |
| Total liabilities   | <u>5,041,941</u>       | <u>16,785,692</u>    | <u>3,278,707</u>           | <u>25,106,340</u>    |
| <b>Deferred Inflows of Resources:</b>                     |                        |                      |                            |                      |
| Pension Deferrals   | 6,150                  | 6,508                | 3,848                      | 16,506               |
| OPEB Deferrals  | 176,009                | 178,897              | 104,248                    | 459,154              |
| Total deferred inflows of resources                       | <u>182,159</u>         | <u>185,405</u>       | <u>108,096</u>             | <u>475,660</u>       |
| <b>Net Position:</b>                                      |                        |                      |                            |                      |
| Net investment in capital assets                          | 17,349,276             | 29,810,445           | 24,475,598                 | 71,635,319           |
| Unrestricted  | 6,296,020              | 6,476,925            | 14,487,222                 | 27,260,167           |
| Total net position  | <u>\$ 23,645,296</u>   | <u>\$ 36,287,370</u> | <u>\$ 38,962,820</u>       | <u>\$ 98,895,486</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, 2020**

|  | Major Enterprise Funds |                      |                            |                      |
|--|------------------------|----------------------|----------------------------|----------------------|
|  | Water Fund             | Sewer Fund           | Regional Water System Fund | Total                |
| <b>Operating Revenues:</b>                       |                        |                      |                            |                      |
| Charges for services                             | \$ 7,022,209           | \$ 5,095,791         | \$ 5,629,068               | \$ 17,747,068        |
| Tap fees   | 44,598                 | 5,750                | -                          | 50,348               |
| Other  | 336,015                | 6,631                | 9,236                      | 351,882              |
| Total Operating Revenues                         | <u>7,402,822</u>       | <u>5,108,172</u>     | <u>5,638,304</u>           | <u>18,149,298</u>    |
| <b>Operating Expenses:</b>                       |                        |                      |                            |                      |
| Administration and engineering                   | 363,839                | -                    | -                          | 363,839              |
| Public Services administration                   | 103,672                | -                    | -                          | 103,672              |
| Water distribution operations                    | 4,975,030              | -                    | -                          | 4,975,030            |
| Customer service                                 | 562,259                | -                    | -                          | 562,259              |
| Water reclamation facility                       | -                      | 1,922,987            | -                          | 1,922,987            |
| Sewer collection operations                      | -                      | 388,979              | -                          | 388,979              |
| Sewer I & I operations                           | -                      | 213,879              | -                          | 213,879              |
| Regional water plant                             | -                      | -                    | 2,127,643                  | 2,127,643            |
| Non-departmental                                 | 635,444                | 510,665              | 402,219                    | 1,548,328            |
| Depreciation                                     | 433,236                | 1,308,267            | 503,382                    | 2,244,885            |
| Total Operating Expenses                         | <u>7,073,480</u>       | <u>4,344,777</u>     | <u>3,033,244</u>           | <u>14,451,501</u>    |
| Operating income (loss)                          | <u>329,342</u>         | <u>763,395</u>       | <u>2,605,060</u>           | <u>3,697,797</u>     |
| <b>Non-operating Revenues (Expenses)</b>         |                        |                      |                            |                      |
| Investment earnings                              | 61,278                 | 67,524               | 143,265                    | 272,067              |
| Sprint/T-Mobile agreements                       | 75,690                 | -                    | -                          | 75,690               |
| Insurance proceeds                               | 13                     | -                    | -                          | 13                   |
| Gain (loss) from sale of assets                  | -                      | 65                   | -                          | 65                   |
| Licenses (from Reserve Funds)                    | (70)                   | (70)                 | (306)                      | (446)                |
| Interest and other charges                       | (34,093)               | (47,108)             | (77,244)                   | (158,445)            |
| Total Nonoperating Revenues (Expenses)           | <u>102,818</u>         | <u>20,411</u>        | <u>65,715</u>              | <u>188,944</u>       |
| Income (loss) before contributions and transfers | <u>432,160</u>         | <u>783,806</u>       | <u>2,670,775</u>           | <u>3,886,741</u>     |
| <b>Contributions and Transfers</b>               |                        |                      |                            |                      |
| Transfers from other funds                       | 517,170                | 370,500              | -                          | 887,670              |
| Transfers (to) other funds                       | (379,663)              | (428,678)            | (4,774)                    | (813,115)            |
| Capital contributions                            | -                      | 1,015                | -                          | 1,015                |
| Total Contributions and Transfers                | <u>137,507</u>         | <u>(57,163)</u>      | <u>(4,774)</u>             | <u>75,570</u>        |
| Change in Net Position                           | <u>569,667</u>         | <u>726,643</u>       | <u>2,666,001</u>           | <u>3,962,311</u>     |
| <b>Net Position:</b>                             |                        |                      |                            |                      |
| Beginning of Year - July 1                       | <u>23,075,629</u>      | <u>35,560,727</u>    | <u>36,296,819</u>          | <u>94,933,175</u>    |
| End of year - June 30                            | <u>\$ 23,645,296</u>   | <u>\$ 36,287,370</u> | <u>\$ 38,962,820</u>       | <u>\$ 98,895,486</u> |

**CITY OF HENDERSON, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | Major Enterprise Funds |              |                            |               |
|--|------------------------|--------------|----------------------------|---------------|
|  | Water Fund             | Sewer Fund   | Regional Water System Fund | Total         |
| <b>Cash Flows from Operating Activities:</b>                         |                        |              |                            |               |
| Cash received from customers   | \$ 7,124,019           | \$ 5,000,326 | \$ 5,640,391               | \$ 17,764,736 |
| Cash paid for goods and services                                     | (5,238,393)            | (1,724,980)  | (1,801,438)                | (8,764,811)   |
| Cash paid to employees for services                                  | (1,323,327)            | (1,202,586)  | (711,463)                  | (3,237,376)   |
| Net cash provided (used) by operating activities                     | 562,299                | 2,072,760    | 3,127,490                  | 5,762,549     |
| <b>Cash Flows from Non-Capital Financing Activities:</b>             |                        |              |                            |               |
| Sprint/ T-Mobile agreements  | 75,690                 | -            | -                          | 75,690        |
| Insurance proceeds   | 13                     | -            | -                          | 13            |
| Sales tax refund   | -                      | -            | -                          | -             |
| Licenses (from Reserve Funds)  | (70)                   | (70)         | (306)                      | (446)         |
| Transfers from other funds   | 517,170                | 370,500      | -                          | 887,670       |
| Transfers to other funds   | (379,663)              | (428,678)    | (4,774)                    | (813,115)     |
| Net cash provided (used) by noncapital financial activities          | 213,140                | (58,248)     | (5,080)                    | 149,812       |
| <b>Cash Flows from Capital and Related Financing Activities:</b>     |                        |              |                            |               |
| Acquisition and construction of capital assets                       | (814,666)              | (277,002)    | (100,307)                  | (1,191,975)   |
| Financing for acquisition/ construction of capital assets            | 647,480                | 56,100       | -                          | 703,580       |
| Gain on sale   | -                      | 65           | -                          | 65            |
| Principal paid on bond and equipment contracts                       | (1,260,656)            | (1,056,941)  | (117,042)                  | (2,434,639)   |
| Interest paid on bond and equipment contracts                        | (38,210)               | (49,403)     | (77,777)                   | (165,390)     |
| Capital contributions  | -                      | 1,015        | -                          | 1,015         |
| Net cash provided (used) by capital and related financing activities | (1,466,052)            | (1,326,166)  | (295,126)                  | (3,087,344)   |
| <b>Cash Flows from Investing Activities:</b>                         |                        |              |                            |               |
| Interest on investments  | 61,278                 | 67,524       | 143,265                    | 272,067       |
| Net increase (decrease) in cash and cash equivalents                 | (629,335)              | 755,870      | 2,970,549                  | 3,097,084     |
| Cash and cash equivalents, July 1                                    | 8,016,933              | 7,113,967    | 12,290,002                 | 27,420,902    |
| Cash and cash equivalents, June 30                                   | \$ 7,387,598           | \$ 7,869,837 | \$ 15,260,551              | \$ 30,517,986 |

**CITY OF HENDERSON, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | Major Enterprise Funds |                     |                                |                     |
|---|------------------------|---------------------|--------------------------------|---------------------|
|   | Water Fund             | Sewer Fund          | Regional Water<br>System Fnnnd | Total               |
| <b>Reconciliation of Operating Income (Loss) to Net<br/>Cash Provided (Used) by Operating Activities:</b>   |                        |                     |                                |                     |
| Operating income (loss)   | \$ 329,342             | \$ 763,395          | \$ 2,605,060                   | \$ 3,697,797        |
| Adjustments to reconcile operating<br>income (loss) to net cash provided (used)<br>by operating activities: |                        |                     |                                |                     |
| Depreciation  | 433,236                | 1,308,267           | 503,382                        | 2,244,885           |
| Changes in assets and liabilities:  |                        |                     |                                |                     |
| (Increase) decrease in accounts receivable  | (74,055)               | (107,846)           | 2,087                          | (179,814)           |
| (Increase) decrease in inventory  | -                      | 528                 | (27,148)                       | (26,620)            |
| (Increase) decrease in deferred outflows<br>of resources for pensions                                       | 27,123                 | 28,704              | 16,970                         | 72,797              |
| (Increase) decrease in deferred outflows<br>of resources for for OPEB                                       | 3,829                  | (6,409)             | 170                            | (2,410)             |
| Increase (decrease) in accounts<br>payable and accrued liabilities  | 14,676                 | 51,113              | 8,630                          | 74,419              |
| Increase (decrease) in deferred inflows<br>of resources for pensions  | (3,405)                | (3,604)             | (2,131)                        | (9,140)             |
| Increase (decrease) in deferred inflows<br>of resources for OPEB  | 33,698                 | 34,251              | 19,959                         | 87,908              |
| Increase (decrease) in customer deposits  | (204,748)              | -                   | -                              | (204,748)           |
| Increase (decrease) in net pension liability  | 44,099                 | 46,665              | 27,591                         | 118,355             |
| Increase (decrease) in compensated absences   | 14,468                 | 14,579              | 6,067                          | 35,114              |
| Increase (decrease) in net OPEB liability   | (55,964)               | (56,883)            | (33,147)                       | (145,994)           |
| Total adjustments   | 232,957                | 1,309,365           | 522,430                        | 2,064,752           |
| Net cash provided (used) by operating activities  | <u>\$ 562,299</u>      | <u>\$ 2,072,760</u> | <u>\$ 3,127,490</u>            | <u>\$ 5,762,549</u> |

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE I: Summary of Significant Accounting Policies**

The accounting policies of the City of Henderson conform to generally accepted accounting principles as applicable to government. 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. 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. Separate statements for each fund category – governmental and proprietary – 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 nonmajor 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 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 nonmajor 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.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**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, Old Municipal Building, Beckford Drive Widening Project. 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 water-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 for 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 funds for budgetary purposes. The Regional Water Capital Project Fund and Regional Water Reserve Fund are consolidated in this manner.

**C. Measurement Focus, 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. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, 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 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.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**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. Issuance 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 property taxes 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, such as the beer and wine tax, 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. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general 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 is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds (the Fire Districts Fund, and the Emergency Telephone System Fund) and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all other capital project funds and special revenue funds. The enterprise capital project funds are consolidated with the enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed 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 board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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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. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

**3. Restricted Assets**

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

**City of Henderson Restricted Cash**

**Governmental Activities**

General Fund:

|   |                  |                  |
|---|------------------|------------------|
| Powell Bill                               | Streets          | \$ 1,475,323     |
| Capital Reserve General Fund              | Capital Reserves | 70,704           |
| Capital Reserve Economic Development Fund | Capital Reserves | 15,828           |
| Total Governmental Activities             |                  | <u>1,561,855</u> |

**Business-Type Activities**

|                       |                   |                     |
|-----------------------|-------------------|---------------------|
| Water Fund            | Customer Deposits | <u>179,224</u>      |
| Total restricted cash |                   | <u>\$ 1,741,079</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 motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019.

**5. Allowance 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.

**CITY OF HENDERSON, NORTH CAROLINA  
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FOR THE YEAR ENDED JUNE 30, 2020**

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**6. Inventory 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. 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 in excess 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 the 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:

Capital assets of the City are depreciated on a straight-line basis over the following estimated useful lives:

|                                 | <u>Years</u> |
|---------------------------------|--------------|
| Buildings                       | 50           |
| Improvements                    | 25           |
| Water/Sewer distribution system | 75           |
| Vehicles                        | 5            |
| Furniture and equipment         | 10           |
| Computer equipment              | 3            |

**8. 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 expenditures until then. The City has several items that meet the criterion for this category- contributions that are expenses made subsequent to the actuarial measurement date, other pension-related deferrals, and OPEB 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 and OPEB deferrals.

**9. 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 approximated the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

**CITY OF HENDERSON, NORTH CAROLINA  
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FOR THE YEAR ENDED JUNE 30, 2020**

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**10. 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 for 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.

**11. Net Position/Fund Balances**

**Net Position**

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

**Non-Spendable 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.

*Prepaid Items* - portion of fund balance that is not an available resource because it represents the amount of prepaid items, which are not spendable resources.

*Inventories* - portion of fund balance that is not an available resource because it represents the amount of year-end inventories, which are not spendable resources.

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

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Restricted Fund Balance** - This classification includes revenue sources that are restricted to specific purposes externally

*Restricted for Stabilization by State Statute* - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

**Committed Fund Balances** - 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. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

*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.

*Assigned for Subsequent Year's Expenditures* - portion of the fund balance that is appropriated in the next year's budget that is not already classified in the restricted or committed. The governing body approves the appropriations; however, the budget ordinance authorizes the City Manager to reallocate as necessary.

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

**Unassigned Fund Balances** - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

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 YEAR ENDED JUNE 30, 2020**

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**12. Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government 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 and 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE II: Stewardship, Compliance and Accountability**

**1. Noncompliance with North Carolina General Statutes**

The City is not in accordance with NC G.S. 159-25(a)(4) which requires the finance officer to receive and deposit all moneys accruing to the local government or public authority, or supervise the receipt and deposit of money by other duly authorized officers or employees. The Henderson Water Reclamation Facility Director was able to missappropriate cash by reciepting revenues to a bank account not maintained by the City.

**NOTE III: Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposit 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 the unit's name. 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 mane 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 name. 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 escrow agent. Because of the inability to measure the exact amounts of collateral pledge for the City under the Pooling Method, the potential exists for uncollateralization. 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 but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financials institutions and to monitor them for compliance. 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, 2020 the City's deposits had a carrying amount of \$10,392,730 and a bank balance of \$10,874,512. 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, 2020, the City had petty cash of \$2,140.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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2. Investments

At June 30, 2020, the City's investment balances were as follows:

| Investments by Type                                   | Valuation<br>Measurement<br>Method | Book Value at<br>6/30/20 | Maturity | Rating           |
|---|------------------------------------|--------------------------|----------|------------------|
| NC Capital Management<br>Trust - Government Portfolio | Fair Value -<br>Level 1            | \$ 32,877,143            | N/A      | AAA <sub>m</sub> |

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

3. Receivables

- a. Due from other governments for the year ended June 30, 2020 consists of the following:

|                            |                     |
|----------------------------|---------------------|
| General Fund:              |                     |
| Tax collection remittances | \$ 107,972          |
| State shared revenues:     |                     |
| Local option sales tax     | 571,027             |
| Other                      | 363,147             |
| Sales tax refund           | 200,347             |
| Total                      | <u>\$ 1,242,493</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, 2020, are net of the following allowances for doubtful accounts:

|                           |                   |
|---------------------------|-------------------|
| General Fund:             |                   |
| Property taxes receivable | <u>\$ 146,700</u> |
| Water Fund:               |                   |
| Customer receivables      | <u>\$ 79,708</u>  |
| Sewer Fund:               |                   |
| Customer receivables      | <u>\$ 163,363</u> |

**CITY OF HENDERSON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**4 Capital Assets**

**Primary Government**

Capital asset activity for the year ended June 30, 2020, was as follows:

| <u>Governmental Activities:</u>             | Beginning<br>Balances | Increases  | Decreases | Ending<br>Balances |
|---|-----------------------|------------|-----------|--------------------|
| Capital assets not being depreciated:       |                       |            |           |                    |
| Land  | \$ 1,681,879          | \$ -       | \$ -      | \$ 1,681,879       |
| Construction in Progress                    | 1,694,597             | 18,618     | 496,127   | 1,217,088          |
| Total capital assets not being depreciated: | 3,376,476             | 18,618     | 496,127   | 2,898,967          |
| Capital assets being depreciated:           |                       |            |           |                    |
| Building                                    | 17,807,655            | -          | -         | 17,807,655         |
| Other improvements                          | 13,460,244            | 626,428    | -         | 14,086,672         |
| Equipment and vehicles                      | 10,695,037            | 431,820    | -         | 11,126,857         |
| Total capital assets being depreciated:     | 41,962,936            | 1,058,248  | -         | 43,021,184         |
| Less accumulated depreciation for:          |                       |            |           |                    |
| Building                                    | 4,375,348             | 392,438    | -         | 4,767,786          |
| Other improvements                          | 12,712,143            | 62,732     | -         | 12,774,875         |
| Equipment and vehicles                      | 8,914,755             | 509,639    | -         | 9,424,394          |
| Total accumulated depreciation:             | 26,002,246            | \$ 964,809 | \$ -      | 26,967,055         |
| Total capital assets being depreciated, net | 15,960,690            |            |           | 16,054,129         |
| Governmental activity capital assets, net   | \$ 19,337,166         |            |           | \$ 18,953,096      |

Depreciation expenses are charged to functions/ program of the governmental activity capital assets as follows:

|                                    |                   |
|------------------------------------|-------------------|
| General Government                 | \$ 82,188         |
| Public Safety                      | 415,180           |
| Transportation                     | 29,245            |
| Environmental Protection           | 174,634           |
| Planning and community development | 22,056            |
| Recreation and parks               | 241,506           |
| Total Depreciation Expense         | <u>\$ 964,809</u> |

Business-type activities:

**Water Fund**

|   | Beginning<br>Balances | Increases  | Decreases | Ending<br>Balances |
|---|-----------------------|------------|-----------|--------------------|
| Capital assets not being depreciated:       |                       |            |           |                    |
| Land  | \$ 1,710,560          | \$ -       | \$ -      | \$ 1,710,560       |
| Construction in progress                    | 1,211,188             | 799,012    | 54,570    | 1,955,630          |
| Total capital assets not being depreciated: | 2,921,748             | 799,012    | 54,570    | 3,666,190          |
| Capital assets being depreciated:           |                       |            |           |                    |
| Buildings                                   | 1,859,228             | -          | -         | 1,859,228          |
| Distribution system                         | 21,750,270            | 54,570     | -         | 21,804,840         |
| Equipment and vehicles                      | 1,524,689             | 15,654     | -         | 1,540,343          |
| Total capital assets being depreciated :    | 25,134,187            | 70,224     | -         | 25,204,411         |
| Less accumulated depreciation for:          |                       |            |           |                    |
| Buildings                                   | 566,074               | 22,880     | -         | 588,954            |
| Distribution system                         | 6,381,898             | 278,391    | -         | 6,660,289          |
| Equipment and vehicles                      | 945,430               | 131,967    | -         | 1,077,397          |
| Total accumulated depreciation:             | 7,893,402             | \$ 433,238 | \$ -      | 8,326,640          |
| Total capital assets being depreciated, net | 17,240,785            |            |           | 16,877,771         |
| Total Water Fund capital assets, net        | \$ 20,162,533         |            |           | \$ 20,543,961      |

**CITY OF HENDERSON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

| <b>Sewer Fund</b>                                       | Beginning<br>Balances | Increases    | Decreases | Ending<br>Balances |
|---|-----------------------|--------------|-----------|--------------------|
| Capital assets not being depreciated:                   |                       |              |           |                    |
| Land  | \$ 211,136            | \$ -         | \$ -      | \$ 211,136         |
| Construction in progress                                | 1,916,193             | 518,072      | 1,916,193 | 518,072            |
| Total capital assets not being depreciated              | 2,127,329             | 518,072      | 1,916,193 | 729,208            |
| Capital assets being depreciated:                       |                       |              |           |                    |
| Buildings   | 24,197,822            | -            | -         | 24,197,822         |
| Distribution system                                     | 37,571,753            | 1,916,193    | -         | 39,487,946         |
| Equipment and vehicles                                  | 2,639,128             | 71,733       | -         | 2,710,861          |
| Total capital assets being depreciated:                 | 64,408,703            | 1,987,926    | -         | 66,396,629         |
| Less accumulated depreciation for:                      |                       |              |           |                    |
| Buildings   | 14,217,463            | 481,774      | -         | 14,699,237         |
| Distribution system                                     | 4,834,669             | 703,099      | -         | 5,537,768          |
| Equipment and vehicles                                  | 2,277,415             | 123,394      | -         | 2,400,809          |
| Total accumulated depreciation                          | 21,329,547            | \$ 1,308,267 | \$ -      | 22,637,814         |
| Total capital assets being depreciated, net             | 43,079,156            |              |           | 43,758,815         |
| Total Sewer Fund capital assets, net                    | \$ 45,206,485         |              |           | \$ 44,488,023      |
| <b>Regional Water System Fund</b>                       | Beginning<br>Balances | Increases    | Decreases | Ending<br>Balances |
| Capital assets not being depreciated:                   |                       |              |           |                    |
| Land  | \$ 155,672            | \$ -         | \$ -      | \$ 155,672         |
| Water storage rights                                    | 2,375,336             | -            | -         | 2,375,336          |
| Interbasin transfer rights                              | 899,606               | -            | -         | 899,606            |
| Construction in progress                                | 4,036,058             | 100,538      | 452,919   | 3,683,677          |
| Total capital assets not being depreciated:             | 7,466,672             | 100,538      | 452,919   | 7,114,291          |
| Capital assets being depreciated:                       |                       |              |           |                    |
| Buildings   | 6,808,289             | -            | -         | 6,808,289          |
| Improvements  | 239,025               | -            | -         | 239,025            |
| Distribution system                                     | 23,375,105            | 452,919      | -         | 23,828,024         |
| Equipment and vehicles                                  | 846,172               | -            | -         | 846,172            |
| Total capital assets being depreciated :                | 31,268,591            | 452,919      | -         | 31,721,510         |
| Less accumulated depreciation for:                      |                       |              |           |                    |
| Buildings   | 4,229,809             | 101,117      | -         | 4,330,926          |
| Improvements  | 30,250                | 11,529       | -         | 41,779             |
| Distribution system                                     | 6,616,252             | 371,410      | -         | 6,987,662          |
| Equipment and vehicles                                  | 781,307               | 19,327       | -         | 800,634            |
| Total accumulated depreciation:                         | 11,657,618            | \$ 503,383   | \$ -      | 12,161,001         |
| Total capital assets being depreciated, net             | 19,610,973            |              |           | 19,560,509         |
| Total Regional Water capital assets capital assets, net | \$ 27,077,645         |              |           | \$ 26,674,800      |

**CITY OF HENDERSON, NORTH CAROLINA  
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**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.6b, 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 costs, 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 North Carolina Environmental Management Commission. The IBT certificate statutorily increases the allowance of surface water that the 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.

**Construction Commitments**

The government has active construction projects as of June 30, 2020. At year-end, the government's commitments with contracts are as follows:

| <u>Project</u>                | <u>Spent-to-date</u> | <u>Remaining<br/>Commitment</u> |
|-------------------------------|----------------------|---------------------------------|
| Governmental Activities:      |                      |                                 |
| Capital Project Fund- General |                      |                                 |
| Old Municipal Building        | \$ 54,908            | \$ -                            |
| Business-Type Activities:     |                      |                                 |
| Water Fund Capital Projects   |                      |                                 |
| Young Ave. Asbestos Repl.     | \$ 82,551            | \$ 6,143                        |
| Industrial Park Water Ext.    | -                    | -                               |

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**B. Liabilities**

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The City 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement 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.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City 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's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers, and 9.05% 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 were \$828,174 for the year ended June 30, 2020.

*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.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2020, the City reported a liability of \$3,567,950 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability 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, 2019 (measurement date), the City's proportion was 0.13065%, which was a decrease of 0.00002% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$1,547,903. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                               | \$ 610,923                           | \$ -                                |
| Changes in assumptions   | 581,517                              | -                                   |
| Net difference between projected and actual earnings on pension plan investments | 87,027                               | -                                   |
| Changes in proportion and differences between City Contributions and             | -                                    | 65,270                              |
| City contributions subsequent to the measurement date                            | 828,174                              | -                                   |
| Total  | <u>\$ 2,107,641</u>                  | <u>\$ 65,270</u>                    |

\$828,174 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

|            |                     |
|------------|---------------------|
| 2021       | \$ 606,137          |
| 2022       | 178,736             |
| 2023       | 336,952             |
| 2024       | 92,372              |
| 2025       | -                   |
| Thereafter | -                   |
|            | <u>\$ 1,214,197</u> |

*Actuarial Assumptions* . The total pension liability in the December 31, 2018 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 8.10 percent, including inflation and productivity factor         |
| Investment Rate of Return | 7.00 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. 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.

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The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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, 2019 are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate<br/>of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income         | 29.00%                   | 1.4%  |
| Global Equity        | 42.00%                   | 5.3%  |
| Real Estate          | 8.00%                    | 4.3%  |
| Alternatives         | 8.00%                    | 8.9%  |
| Credit               | 7.00%                    | 6.0%  |
| Inflation Protection | <u>6.00%</u>             | 4.0%  |
| Total                | <u>100.00%</u>           |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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.

*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 7.00%, 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 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|   | 1% Decrease<br>(6.00%) | Current<br>Discount Rate | 1% Increase<br>(8.00%) |
|---|------------------------|--------------------------|------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 8,160,553           | \$ 3,567,950             | \$ (249,434)           |

*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.

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

**1. 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation allowance is equal to 0.85% 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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

|   |           |
|---|-----------|
| Retirees receiving benefits   | 10        |
| Terminated plan members entitled<br>to but not yet receiving benefits | 0         |
| Active plan members   | 39        |
| Total   | <u>49</u> |

**2. Summary of Significant Accounting Policies:**

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

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

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |  |
|------------------|--|
| Inflation        | 2.5 percent  |
| Salary increases | 3.50 to 8.10 percent including inflation and productivity factor |
| Discount rate    | 2.98 percent   |

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index.

**Mortality Rate**

**Deaths After Retirement (Healthy):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths Before Retirement:** RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

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**Deaths After Retirement (Beneficiary):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

**Deaths After Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**4. Contributions**

The City is required by article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The City paid \$119,945 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$1,277,165. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$38,099.

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 45,836                            | \$ 22,486                           |
| Changes of assumptions  | 67,428                               | 40,625                              |
| City benefit payments and plan administrative expense made subsequent to the measurement date | 24,609                               | -                                   |
| Total   | <u>\$ 137,873</u>                    | <u>\$ 63,111</u>                    |

\$24,609 reported as deferred outflows of resources related to pensions 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |           |
|------------|-----------|
| 2021       | \$ 11,674 |
| 2022       | 11,674    |
| 2023       | 14,677    |
| 2024       | 8,921     |
| 2025       | 3,207     |
| Thereafter | -         |

*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 3.64 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate.

|                         | 1% Decrease<br>(2.26%) | Discount Rate<br>(3.26%) | 1% Increase<br>(4.26%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 1,360,282           | \$ 1,257,814             | \$ 1,164,930           |

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

|  | <u>2020</u>         |
|--|---------------------|
| Beginning balance  | \$ 1,257,814        |
| Service Cost   | 57,618              |
| Interest on the total pension liability  | 43,601              |
| Changes of benefit terms   | -                   |
| Differences between expected and actual experience in the measurement of the total pension liability | (1,299)             |
| Changes in assumptions or other inputs   | 39,376              |
| Benefit payments   | (119,945)           |
| Other changes  | -                   |
| Ending balance of the total pension liability  | <u>\$ 1,277,165</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, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

***Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions***

Following is information related to the proportionate share and pension expense for all pension plans:

|  | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Pension Expense  | \$ 1,547,903 | \$ 38,099     | \$ 1,586,002 |
| Pension Liability  | 3,567,950    | 1,277,165     | 4,845,115    |
| Proportionate share of the net pension liability   | 0.1307%      | n/a           |              |
| <b>Deferred Outflows of Resources</b>  |              |               |              |
| Differences between expected and actual experience   | 610,923      | 45,836        | 656,759      |
| Changes of assumptions   | 581,517      | 67,428        | 648,945      |
| Net difference between projected and actual earnings on plan investments                             | 87,027       | -             | 87,027       |
| Changes in proportion and differences between contributions and proportionate share of contributions | -            | -             | -            |
| Benefit payments and administrative costs paid subsequent to the measurement date                    | 828,174      | 24,609        | 852,783      |
| <b>Deferred Inflows of Resources</b>   |              |               |              |
| Differences between expected and actual experience   | -            | 22,486        | 22,486       |
| Changes of Assumptions   | -            | 40,625        | 40,625       |
| Net difference between projected and actual earnings on plan investments                             | -            | -             | -            |
| Changes in proportion and differences between contributions and proportionate share of contributions | 65,270       | -             | 65,270       |

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**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*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, 2020 were \$155,758, which consisted of \$118,448 from the City and \$37,310 from the law enforcement officers. Members of this plan immediately vest and would only forfeit benefits if convicted of a felony and ordered to forfeit by the court.

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

*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 of North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist 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 Rescue Workers Pension Fund is included in the Comprehensive Annual Financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. The 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).

*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 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.

*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. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The City of Henderson's proportionate share of the State's contribution is \$8,861.

*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.

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

At June 30, 2020, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$17,566. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$9,248 and revenue of \$9,248 for support provided by the State. At June 30, 2020, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 Percent   |
| Salary Increases          | Not applicable  |
| Investment Rate of Return | 7.00 percent, net of pension plan investment expense, including inflation |

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy refer to the discussion of actuarial assumption for the LGERS plan in Section A. of this note.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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.

*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.

**e. Other Postemployment Benefits**

*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 retire 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 of January 31, 2009, the City will pay health insurance premiums for a maximum of ten years.

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

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

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

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

Employees that are hired after January 31, 2009 shall be entitled to participate in the City's health insurance plan (if any) upon their retirement provided they retire with fifteen (15) or more years continuous full-time employment by the City, and they personally pay 100% of the monthly health insurance premiums then set by the insurer, 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 June 30, 2019, the date of the last actuarial valuation:

|  | General<br>Employees | Law<br>Enforcement<br>Officers |
|--|----------------------|--------------------------------|
| Retirees and dependents receiving benefits                         | 84                   | 10                             |
| Terminated plan members entitled to but not yet receiving benefits | -                    | -                              |
| Active plan members  | 162                  | 39                             |
| Total  | <u>246</u>           | <u>49</u>                      |

**Total OPEB Liability**

The City's total OPEB liability of \$12,329,485 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|                                    |  |
|------------------------------------|--|
| Inflation                          | 2.50 Percent   |
| Salary Increases                   |  |
| General Employees and Firefighters | 3.50 to 7.75 percent   |
| Law Enforcement Officers           | 3.50 to 7.35 percent   |
| Discount Rate                      | 3.50 percent   |
| Healthcare cost trend rates        |  |
| Pre-Medicare                       | 7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026 |
| Medicare                           | 5.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2021 |

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

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**Changes in the Total OPEB Liability**

|  | <b>Total OPEB Liability</b> |
|--|-----------------------------|
| <b>Balance at July 1, 2018</b>                     | \$ 12,903,099               |
| <b>Changes for the year</b>                        |                             |
| Service Cost                                       | 150,983                     |
| Interest   | 492,571                     |
| Changes of benefit terms                           | -                           |
| Differences between expected and actual experience | (657,199)                   |
| Changes in assumptions or other inputs             | (74,142)                    |
| Benefit payments                                   | (485,827)                   |
| <b>Net changes</b>                                 | <u>(573,614)</u>            |
| <b>Balance at June 30, 2019</b>                    | <u><u>\$ 12,329,485</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014, adopted by the LGERS Board.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the discount rate of 3.50 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate.

|                      | 1% Decrease<br>(2.50%) | Discount Rate<br>(3.50%) | 1% Increase<br>(4.50%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 14,365,300          | \$ 12,329,485            | \$ 10,713,766          |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                      | 1% Decrease   | Current       | 1% Increase   |
|----------------------|---------------|---------------|---------------|
| Total OPEB liability | \$ 10,687,802 | \$ 12,329,485 | \$ 14,391,543 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the City recognized OPEB expense of \$231,572. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ -                                 | \$ 600,198                          |
| Changes of assumptions  | -                                    | 1,203,848                           |
| City benefit payments and plan administrative expense made subsequent to the measurement date | 472,124                              | -                                   |
| <b>Total</b>  | <u><u>\$ 472,124</u></u>             | <u><u>\$ 1,804,046</u></u>          |

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\$472,124 reported as deferred outflows of resources related to pensions 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |              |
|------------|--------------|
| 2021       | \$ (385,945) |
| 2022       | (385,945)    |
| 2023       | (385,945)    |
| 2024       | (351,726)    |
| 2025       | (186,448)    |
| Thereafter | (108,037)    |

**f. 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 will be a minimum of \$25,000 and will not exceed \$50,000. 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 participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment 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 established 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**

The City has several deferred outflows of resources. Deferred outflows of resources at year-end is comprised of the following:

| Source   | Amount              |
|--|---------------------|
| Benefit payments made and administrative expenses paid subsequent to the measurement date. |                     |
| LGERS  | \$ 828,174          |
| LEOSSA   | 24,609              |
| OPEB   | 472,124             |
| Differences between expected and actual experience   |                     |
| LGERS  | 610,923             |
| LEOSSA   | 45,836              |
| Changes of assumptions   |                     |
| LGERS  | 581,517             |
| LEOSSA   | 67,428              |
| Net difference between projected and actual  |                     |
| LGERS  | 87,027              |
| Total Deferred outflows  | <u>\$ 2,717,638</u> |

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

Deferred Outflows and Inflows of Resources (continued)

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

|  | Statement of<br>Net Position | General Fund<br>Balance Sheet |
|--|------------------------------|-------------------------------|
| Prepaid taxes (General Fund)   | \$ 25,695                    | \$ 25,695                     |
| Property Taxes Receivable (General Fund)   | -                            | 335,275                       |
| Changes of assumptions   |                              |                               |
| LGERS  | -                            | -                             |
| LEOSSA   | 40,625                       | -                             |
| OPEB   | 1,203,848                    | -                             |
| Differences between expected and actual experience   |                              |                               |
| LGERS  | -                            | -                             |
| LEOSSA   | 22,486                       | -                             |
| OPEB   | 600,198                      | -                             |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions |                              |                               |
| LGERS  | 65,270                       | -                             |
| LEOSSA   | -                            | -                             |
| Total  | <u>\$ 1,958,122</u>          | <u>\$ 360,970</u>             |

**4 Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, destruction of assets; errors and omissions; injuries to employees; and natural disaster. 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 worker's 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, Judgment, and Contingent Liabilities**

At June 30, 2020 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.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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During the year, City officials determined that the Henderson Water Reclamation Facility Director was receipting revenues to a separate bank account that was not maintained by the City. The exact amount of the loss has not been identified as of the report date. The City anticipates receiving some of these funds back through litigation, but an amount has not yet been determined.

**6 Long-Term Obligations**

**a. Installment Purchase Agreements and Revolving Loans**

At June 30, 2020 the City of Henderson had a legal debt margin of \$70,636,020.

Installment Purchases at June 30, 2019 are comprised of the following:

**Serviced by the General Fund:**

\$266,427 (portion of \$671,075) 2018 direct placement installment purchase agreement 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. Upon default interest rate will be increased by 2.000 percentage points and will continue to accrue at the increased rate until judgment is settled. Loan is collateralized by the vehicles and equipment. \$ 54,189

\$34,754 2016 direct installment purchase agreement with Benchmark Community Bank due in five annual installments of \$7,376 including interest at 2.15% for the purchase of a vehicle. Upon default the loan may be declared immediately due and payable. The vehicle purchased is used as collateral against the loan. 7,178

\$474,000, 2019 direct borrowing agreement with USDA, due in twenty annual installments of \$32,602 including interest at 3.25% for the purchase of a fire truck. The fire truck is held as collateral against the debt. 456,803

\$287,965 (portion of \$431,698) 2018 direct placement installment purchase agreement payable to First Citizens Bank, due in five annual installments of \$91,245 including interest at 1.94% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the General Fund totals \$61,134. Upon default the bank may declare all outstanding principal and interest immediately payable, or the City can surrender the vehicles and equipment (held as collateral). 175,297

\$600,718 (portion of \$1,004,320) 2018 direct placement installment purchase agreement with Touchstone Bank, due in four annual payments of \$219,509 including interest at 2.99% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the General Fund totals \$131,523. The vehicles and equipment are held as collateral for the loan. Upon default the interest rate will increase 2.00 percentage points and accrue until judgment is settled. 487,212

\$830,000 2017 direct borrowing agreement with Branch Banking & Trust Co. for the old municipal building renovation project. Repayment of the loan is scheduled for 10 years with interest at 2.42%. Upon default the remaining principal and accrued interest is due immediately. 654,241

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Installment purchases (continued)**

\$352,160 direct borrowing agreement with Benchmark Com Bank for the purchase of police cars, fire equipment, a recreation truck, and sanitation equipment. Repayment of the loan is scheduled for 5 annual payments of \$74,729 including interest at 2.25%, with the final payment due on August 15, 2024. Upon an event of default, the loan and indebtedness may, at lender's sole option, be declared immediately due and payable. Lender may apply the City's bank accounts and any other property held by the lender against the indebtedness.

352,160

**Total Governmental Activities**

\$ 2,187,080

**Serviced by the Water Fund:**

\$174,696, 2000 direct borrowing agreement with 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%. Upon default the entire outstanding principal and interest balance are payable immediately.

\$ 133,471

\$293,928, 2013 direct borrowing agreement (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. The entire outstanding principal and interest balance is payable immediately upon default.

205,749

\$1,831,483 2014 direct borrowing agreement (revolving loan) payable to the North Carolina Department of Environmental 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. The total principal and outstanding interest may be payable immediately if the City does not met the requirements set out in the promissory note.

1,373,612

\$143,733 (portion of \$431,698) 2018 direct placement agreement with First Citizens Bank, due in five annual installments of \$91,245 including interest at 1.94% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the Water Fund totals \$30,111. Upon default the bank may declare all outstanding principal and interest immediately payable, or the City can surrender the vehicles and equipment held as collateral).

88,151

\$214,690 (portion of \$1,004,320) 2018 direct placement agreement with Touchstone Bank, due in four annual payments of \$219,509 including interest at 2.99% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the Water Fund totals \$46,033. The vehicles and equipment are held as collateral for the loan. Upon default the interest rate will increase 2.00 percentage points and accrue until judgment is settled.

174,963

\$968,618 2015 direct borrowing agreement (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. Upon default all outstanding principal and interest is due immediately.

1,218,738

**Total Installment Purchase Agreements - Water Fund**

\$ 3,194,684

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Serviced by the Sewer Fund:**

|   |                      |
|---|----------------------|
| \$494,391 2013 direct borrowing agreement (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. Upon default all outstanding principal and accrued interest is due immediately.   | \$ 321,354           |
| \$16,115,000 2014 direct borrowing agreement (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 installments of \$805,750, with zero interest. Repayment began during the prior fiscal year in accordance with this schedule. Upon default all outstanding principal and accrued interest is due immediately.  | 12,086,250           |
| \$798,296, 2015 direct borrowing agreement (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. Upon default any outstanding principal and accrued interest is due immediately. | 610,255              |
| \$340,080 (portion of \$671,075 2016) direct placement agreement 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. Upon default interest rate will be increased by 2.000 percentage points and will continue to accrue at the increased rate until judgment is settled. Loan is collateralized by the vehicles and equipment.  | 4,804                |
| \$188,912 (portion of \$1,004,320) 2018 direct placement agreement with Touchstone Bank, due in four annual payments of \$219,509 including interest at 2.99% for the purchase of vehicles and equipment. The portion of annual payments to be serviced by the Sewer Fund totals \$41,649. The vehicles and equipment are held as collateral for the loan. Upon default the interest rate will increase 2.00 percentage points and accrue until judgment is settled.  | 152,969              |
| \$1,800,000 2014 direct borrowing agreement (revolving loan) payable to the North Carolina Department of Environment and Natural Resources for replacement of the Elmwood Cemetery sewer main. Repayment of loan is scheduled for 20 years with interest at 2.00%. Upon default any outstanding principal and accrued interest is due immediately.  | 1,445,846            |
| \$56,100 direct borrowing agreement with Benchmark Com Bank for the purchase of police cars, fire equipment, a recreation truck, and sanitation equipment. Repayment of the loan is scheduled for 5 annual payments of \$12,165 including interest at 2.25%, with the final payment due on August 15, 2024. Upon an event of default, the loan and indebtedness may, at lender's sole option, be declared immediately due and payable. Lender may apply the City's bank accounts and any other property held by the lender against the indebtedness.  | 56,100               |
| Total Installment Purchases - Sewer Fund  | <u>\$ 14,677,578</u> |

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Serviced by the Regional Water Fund:**

\$2,375,336, 2006 direct borrowing agreement 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%. Entire outstanding principal and interest balance is payable immediately upon default. \$ 1,472,738

\$968,618, 2015 direct borrowing agreement (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. Upon default all outstanding principal and accrued interest is due immediately. 726,464

Total Installment Purchases - Regional Water Fund \$ 2,199,202

Total Business-Type Activities \$ 20,071,464

**Total Installment Purchases** **\$ 22,258,544**

Future minimum payments as of June 30, 2020 were as follows:

| <u>Year Ended June 30</u> | <u>Governmental Activities</u> |                   | <u>Business-Type Activities</u> |                     |
|---------------------------|--------------------------------|-------------------|---------------------------------|---------------------|
|                           | <u>Principal</u>               | <u>Interest</u>   | <u>Principal</u>                | <u>Interest</u>     |
| 2021                      | \$ 404,957                     | \$ 58,387         | \$ 1,393,795                    | \$ 129,538          |
| 2022                      | 348,930                        | 48,118            | 1,395,398                       | 117,379             |
| 2023                      | 354,583                        | 39,244            | 1,403,477                       | 108,219             |
| 2024                      | 299,946                        | 30,176            | 1,381,223                       | 98,794              |
| 2025                      | 177,280                        | 22,142            | 1,297,361                       | 89,684              |
| 2026-2030                 | 350,370                        | 63,933            | 6,499,554                       | 345,711             |
| 2031-2035                 | 130,408                        | 32,602            | 6,500,328                       | 161,639             |
| 2036-2040                 | 120,606                        | 9,978             | 182,408                         | 1,679               |
| 2041-2045                 | -                              | -                 | 17,920                          | 1,490               |
| Total                     | <u>\$ 2,187,080</u>            | <u>\$ 304,580</u> | <u>\$ 20,071,464</u>            | <u>\$ 1,054,133</u> |

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**d. Changes in General Long-Term Debt**

|   | Balance<br>July 1, 2019 | Increases         | Decreases           | Balance<br>June 30, 2020 | Current<br>Portion  |
|---|-------------------------|-------------------|---------------------|--------------------------|---------------------|
| <b>Governmental Activities:</b>                 |                         |                   |                     |                          |                     |
| Direct Placement & Direct                       |                         |                   |                     |                          |                     |
| Borrowing Installments                          | \$ 2,166,590            | \$ 352,160        | \$ 331,670          | \$ 2,187,080             | \$ 404,957          |
| Net pension liability-LGERS                     | 2,315,996               | 349,656           | -                   | 2,665,652                | -                   |
| Net pension liability-LEOSSA                    | 1,257,814               | 19,351            | -                   | 1,277,165                | -                   |
| Total OPEB liability                            | 9,619,086               | -                 | 427,622             | 9,191,464                | -                   |
| Compensated absences                            | 517,129                 | 84,080            | -                   | 601,209                  | 150,302             |
| Governmental activity<br>long-term liabilities  | <u>\$ 15,876,615</u>    | <u>\$ 805,247</u> | <u>\$ 759,292</u>   | <u>\$ 15,922,570</u>     | <u>\$ 555,259</u>   |
| <b>Business-Type Activities</b>                 |                         |                   |                     |                          |                     |
| Direct Placement & Direct                       |                         |                   |                     |                          |                     |
| Borrowing Installments                          | \$ 20,815,523           | \$ 703,580        | \$ 1,447,639        | \$ 20,071,464            | \$ 1,393,795        |
| Revenue Bond                                    | 987,000                 | -                 | 987,000             | -                        | -                   |
| Net pension liability-LGERS                     | 783,943                 | 118,355           | -                   | 902,298                  | -                   |
| Total OPEB liability                            | 3,284,014               | -                 | 145,994             | 3,138,020                | -                   |
| Compensated absences                            | 136,828                 | 35,114            | -                   | 171,942                  | 42,986              |
| Business-type activity<br>long-term liabilities | <u>\$ 26,007,308</u>    | <u>\$ 857,049</u> | <u>\$ 2,580,633</u> | <u>\$ 24,283,724</u>     | <u>\$ 1,436,781</u> |

Compensated absences, net pension liability and total OPEB liability have typically been liquidated in the General Fund.

**f. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2020 consist of the following:

|  |                  |
|--|------------------|
| Due from Grants Fund to General Fund after receipt of cost reimbursement grant funding | <u>\$ 15,446</u> |
|--|------------------|

Transfers to/from other funds at June 30, 2020 consist of the following:

|  |           |
|--|-----------|
| From the General Fund to the Grants Fund to fund projects.   | \$ 24,125 |
| From the General Fund to Capital Projects Fund to fund projects.   | 546,995   |
| From the General Fund to the Water Fund for debt service.  | 97,270    |
| From the Powell Bill Fund to the Powell Bill Capital Projects Fund to fund projects.                           | 400,000   |
| From the Water Fund to the Capital Projects Fund to fund the website upgrade project.                          | 9,163     |
| From the Sewer Fund to the Capital Projects Fund to fund the website upgrade project.                          | 8,778     |
| From the Regional Water Fund to the Capital Projects Fund to fund the website upgrade project.                 | 4,774     |
| From the Rate Stabilization Fund to the Water Fund for utilization of budgetary reserves.                      | 231,517   |
| From the Water Fund to the Capital Reserve Utilities Fund for contributions to budgetary reserves.             | 5,000     |
| From the Water Fund to the Water Project Fund to fund projects.  | 282,100   |
| Transfer from Rate Stabilization Fund to the Sewer Capital Project Fund for utilization of budgetary reserves. | 370,500   |
| Transfer from Rate Stabilization Fund to the Sewer Fund for utilization of budgetary reserves.                 | 150,000   |
| From the Sewer Fund to the Water Fund to fund part of the debt service payments.                               | 419,900   |

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Transfers (continued)**

|  |                            |
|--|----------------------------|
| From the Rate Stabilization Fund Fund to the Sewer Capital Project Fund for utilization of budgeted reserves for projects.             | 149,430                    |
| From the Sewer Fund to the Capital Reserve Utilities Fund for contributions to budgetary reserves.                                     | 5,000                      |
| From the Regional Water System Capital Project Fund to the Regional Water System Fund to return funds not used for scheduled projects. | 26,381                     |
| From the Regional Water System Fund to the Regional Water System Capital Project Fund to fund projects.                                | 1,657,500                  |
| From the Regional Water System Reserve Fund to the Regional Water Capital Project Fund to provide resources to fund projects.          | 281,400                    |
| Total Transfers  | <u><u>\$ 4,669,833</u></u> |

**D. Fund Balance**

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

|  |               |
|--|---------------|
| Total fund balance - General Fund        | \$ 11,580,441 |
| Less:                                    |               |
| Stabilization by State Statute           | 1,530,877     |
| Streets- Powell Bill                     | 1,475,323     |
| Committed for LEO Pension Contributions  | 120,909       |
| Appropriated fund balance in 2021 budget | 1,500,000     |
| Remaining fund balance                   | 6,953,332     |

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, 2020, the unassigned fund balance is 35.62% of budgeted expenditures for fiscal year 2020-2021. Per the calculation used by the LGC, the City's fund balance available for appropriation is 61.84% of fiscal year 2019-2020 expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase order and contracts that remain unperformed at year-end. There were no encumbrances outstanding at year end for the General Fund.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**NOTE IV: 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. 106A-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 specific levels of investment, staffing and continued operations for required lengths of time. The incentives offered by the City consists 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, 2020, the City abated property taxes totaling \$24,068 under this program.

**NOTE V: Joint Ventures**

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 \$10,086 to the Council during the fiscal year ended June 30, 2020.

**NOTE VI: Jointly Governed Organization**

**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 loaned and facilities is vested with the City of Henderson for the operation of the System, and the System is maintained and operated by the City of Henderson, 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, 2020, the Water Fund of the City of Henderson purchased water from the System totaling \$3,857,890. 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 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, 2020.

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 2020, the City's appropriation to the library totaled \$120,800. Complete financial statements for the Library can be obtained from the Library's office at 205 Breckenridge Street, Henderson, NC 27536.

**CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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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 Oxfords, 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 in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2020.

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, 2020. Complete financial statements can be obtained from the Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance, 6514 Airport Road, Oxford, NC 27565.

**D. Henderson Firemen's Supplemental Retirement System**

The City appoints one member of the Henderson City Council to the five-member local board of trustees for the Henderson Firemen's Supplemental Retirement System. Two members are chosen from the membership of the Henderson Fire department and are elected by a majority vote of the members; the final two members are appointed by the President of the Henderson Board of Fire and Casualty Underwriters. In accordance with state law, the Henderson Firemen's Supplemental Retirement System has established a supplemental retirement fund which is comprised primarily of Firemen's Relief Fund payments received. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the System for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire departments 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, 2020. Financial statements for the System can be obtained from the Henderson Fire Department, 211 Dabney Drive Henderson NC, 27536.

**NOTE VII: 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 monies 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 monies.

**NOTE VIII: Significant Effects of Subsequent Events**

The City has evaluated events and transactions that occurred between June 30, 2020 and December 21, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION**

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This section contains additional information required by generally accepted accounting principals.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension
- Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios

**City of Henderson, North Carolina**  
**Schedule of Proportionate Share of Net Pension Liability (Asset)**  
**Local Government Employees' Retirement System**  
**Last Seven Fiscal Years\***

|  | <b>Local Government Employees' Retirement System</b> |              |              |              |             |              |                |
|--|--|--------------|--------------|--------------|-------------|--------------|----------------|
|  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b> | <b>2015</b>  | <b>2014</b>    |
| Henderson's proportion of the net pension liability (asset) (%)  | 0.13065%   | 0.13067%     | 0.12618%     | 0.12757%     | 0.13300%    | 0.14200%     | 0.14700%       |
| City's proportion of the net pension liability (asset) (\$)  | \$ 3,567,950   | \$ 3,099,939 | \$ 1,927,681 | \$ 2,707,463 | \$ 595,909  | \$ (837,380) | \$ (1,769,504) |
| City's covered payroll   | \$ 8,329,207   | \$ 7,668,988 | \$ 7,339,085 | \$ 7,202,668 | \$7,216,506 | \$7,219,054  | \$ 6,962,920   |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 42.84%   | 40.42%       | 26.27%       | 37.59%       | 8.26%       | -11.60%      | -25.41%        |
| Plan fiduciary net position as a percentage of the total pension liability**                           | 90.86%   | 91.63%       | 94.18%       | 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.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Henderson, North Carolina**  
**Schedule of City Contributions**  
**Local Government Employees' Retirement System**  
**Last Seven Fiscal Years**

|  | <b>Local Government Employees' Retirement System</b> |              |              |              |                |              |              |
|--|--|--------------|--------------|--------------|----------------|--------------|--------------|
|  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b>    | <b>2015</b>  | <b>2014</b>  |
| Contractually required contribution                                  | \$ 828,174   | \$ 669,122   | \$ 597,861   | \$ 555,337   | \$ 497,415     | \$ 513,039   | \$ 514,589   |
| Contributions in relation to the contractually required contribution | 828,174  | 669,122      | 597,861      | 555,337      | 497,489        | 513,039      | 514,589      |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ (74)</u> | <u>\$ -</u>  | <u>\$ -</u>  |
| City's covered payroll   | \$ 8,982,521   | \$ 8,329,207 | \$ 7,668,988 | \$ 7,339,085 | \$ 7,202,668   | \$ 7,216,506 | \$ 7,219,054 |
| Contributions as a percentage of covered payroll                     | 9.22%  | 8.03%        | 7.80%        | 7.57%        | 6.91%          | 7.11%        | 7.13%        |

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Henderson, North Carolina**  
**City of Henderson's Proportionate Share of Net Pension Liability**  
**Required Supplementary Information**  
**Last Six Fiscal Years\***

|   | <b>Firefighters' and Rescue Squad Workers' Pension</b> |              |              |              |              |              |
|---|--|--------------|--------------|--------------|--------------|--------------|
|   | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  |
| Henderson's proportionate share of the net pension liability (%)                                    | 0.0000%  | 0.0000%      | 0.0000%      | 0.0000%      | 0.0000%      | 0.0000%      |
| Henderson's proportionate share of the net pension liability (\$)                                   | \$ -   | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| State's proportionate share of the net pension liability associated with the City of Henderson      | \$ 17,566  | \$ 24,291    | \$ 25,145    | \$ 30,567    | \$ 30,345    | \$ 22,715    |
| Henderson's covered payroll   | \$ 1,579,804   | \$ 1,450,105 | \$ 1,315,016 | \$ 1,255,427 | \$ 1,280,025 | \$ 1,255,676 |
| Henderson's proportionate share of the net pension liability as a percentage of its covered payroll | 1.11%  | 1.68%        | 1.91%        | 2.43%        | 2.37%        | 1.81%        |
| Plan fiduciary net position as a percentage of the total pension liability                          | 92.43%   | 89.69%       | 89.35%       | 84.94%       | 91.40%       | 93.42%       |

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

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Henderson, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2020**

|  | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| Beginning balance  | \$ 1,257,814        | \$ 1,266,437        | \$ 1,246,080        | \$ 1,267,027        |
| Service Cost   | 57,618              | 58,735              | 55,769              | 62,229              |
| Interest on the total pension liability  | 43,601              | 37,966              | 45,966              | 43,508              |
| Changes of benefit terms   | -                   | -                   | -                   | -                   |
| Differences between expected and actual<br>experience in the measurement of the total<br>pension liability | (1,299)             | 72,564              | (45,053)            | -                   |
| Changes of assumptions or other inputs   | 39,376              | (47,947)            | 74,159              | (30,030)            |
| Benefit payments   | (119,945)           | (129,941)           | (110,484)           | (96,654)            |
| Other Changes  | -                   | -                   | -                   | -                   |
| Ending balance of the total pension liability  | <u>\$ 1,277,165</u> | <u>\$ 1,257,814</u> | <u>\$ 1,266,437</u> | <u>\$ 1,246,080</u> |

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

**City of Henderson, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2020**

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|   | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|--------------|--------------|
| Total pension liability                                       | \$ 1,277,165 | \$ 1,257,814 | \$ 1,266,437 | \$ 1,246,080 |
| Covered payroll   | \$ 2,059,381 | \$ 1,963,239 | \$ 2,129,524 | \$ 2,232,177 |
| Total pension liability as a<br>percentage of covered payroll | 62.02%       | 64.07%       | 59.47%       | 55.82%       |

Notes to the schedules:

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

**City of Henderson, North Carolina**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**June 30, 2020**

| <b>Total OPEB Liability</b>                                    | <b>2020</b>          | <b>2019</b>          | <b>2018</b>          |
|--|----------------------|----------------------|----------------------|
| Service cost   | \$ 150,983           | \$ 160,816           | \$ 183,350           |
| Interest   | 492,571              | 469,778              | 429,342              |
| Changes of benefit terms                                       | -                    | -                    | -                    |
| Differences between expected and actual experience             | (657,199)            | (41,882)             | (12,097)             |
| Changes of assumptions   | (74,142)             | (652,280)            | (1,214,580)          |
| Benefit payments   | (485,827)            | (454,717)            | (453,627)            |
| <b>Net change in total OPEB liability</b>                      | <b>(573,614)</b>     | <b>(518,285)</b>     | <b>(1,067,612)</b>   |
| <b>Total OPEB liability - beginning</b>                        | <b>12,903,099</b>    | <b>13,421,384</b>    | <b>14,488,996</b>    |
| <b>Total OPEB liability - ending</b>                           | <b>\$ 12,329,485</b> | <b>\$ 12,903,099</b> | <b>\$ 13,421,384</b> |
| <br><b>Covered payroll</b>                                     | <br>\$ 8,155,623     | <br>\$ 6,614,376     | <br>\$ 6,614,376     |
| <b>Total OPEB liability as a percentage of covered payroll</b> | <b>151.18%</b>       | <b>195.08%</b>       | <b>202.91%</b>       |

**Notes to Schedule**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period

| <b>Fiscal Year</b> | <b>Rate</b> |
|--------------------|-------------|
| 2020               | 3.50%       |
| 2019               | 3.89%       |
| 2018               | 3.18%       |

## **GENERAL FUND**

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The General Fund accounts for resources traditionally associated with government that are not required legally, or by sound management, to be accounted for in other funds. The following schedule provides a detailed result of the General Fund's budgetary and actual revenues and expenditures.

City of Henderson, North Carolina  
General Fund

Schedule B-1  
(continued)

Statement of Revenues and Expenditures - Budget and Actual  
For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019

|   | 2020      |              | Variance<br>Positive<br>(Negative) | 2019<br>Actual |
|---|-----------|--------------|------------------------------------|----------------|
|   | Budget    | Actual       |                                    |                |
| <b>Revenues</b>                               |           |              |                                    |                |
| Ad valorem Taxes                              |           |              |                                    |                |
| Current year                                  | \$ -      | \$ 5,599,439 | \$ 5,599,439                       | \$ 5,534,765   |
| Prior years                                   | 5,703,130 | 172,291      | (5,530,839)                        | 127,438        |
| DMV motor vehicle tax collections             | 585,000   | 605,109      | 20,109                             | 597,924        |
| Penalties and interest                        | 43,500    | 45,701       | 2,201                              | 37,217         |
| Total   | 6,331,630 | 6,422,540    | 90,910                             | 6,297,344      |
| Other Taxes and Licenses                      |           |              |                                    |                |
| Privilege licenses                            | -         | 921          | 921                                | 1,153          |
| Vehicle rental tax                            | 27,000    | 27,690       | 690                                | 29,271         |
| Total   | 27,000    | 28,611       | 1,611                              | 30,424         |
| Unrestricted Intergovernmental Revenues       |           |              |                                    |                |
| Vance County ABC-5 %                          | 1,800     | 2,223        | 423                                | 4,141          |
| Utilities sales distributions (Franchise tax) | 1,010,000 | 961,360      | (48,640)                           | 1,021,621      |
| Local option sales tax                        | 3,152,000 | 3,306,317    | 154,317                            | 3,281,772      |
| ABC net revenues                              | 13,000    | 54,967       | 41,967                             | 12,929         |
| Beer and wine tax                             | 65,000    | 64,438       | (562)                              | 65,002         |
| Total   | 4,241,800 | 4,389,305    | 147,505                            | 4,385,465      |
| Restricted Intergovernmental Revenues         |           |              |                                    |                |
| State Street Aid grant                        | 431,370   | 426,274      | (5,096)                            | 431,377        |
| DOT mowing/snow contract                      | 11,500    | 6,906        | (4,594)                            | 23,193         |
| Solid waste disposal tax                      | 10,000    | 11,338       | 1,338                              | 11,177         |
| Bullet Proof Vest Grant                       | 8,000     | 8,734        | 734                                | 2,643          |
| FEMA Reimbursement                            | -         | -            | -                                  | 52,830         |
| Department of Homeland Security               | -         | (3,257)      | (3,257)                            | 3,257          |
| Total   | 460,870   | 449,995      | (10,875)                           | 524,477        |
| Permits and Fees                              |           |              |                                    |                |
| Auto tags                                     | 195,000   | 195,950      | 950                                | 195,775        |
| Fire inspection fees and permits              | 35,000    | 28,552       | (6,448)                            | 42,688         |
| Misc Permits                                  | -         | 320          | 320                                | -              |
| Total   | 230,000   | 224,822      | (5,178)                            | 238,463        |
| Sales and Services                            |           |              |                                    |                |
| Recreation                                    | 60,000    | 18,052       | (41,948)                           | 56,062         |
| Refuse collections                            | 2,005,000 | 1,923,887    | (81,113)                           | 1,844,347      |
| Misc. refuse collections                      | 750       | 900          | 150                                | 1,400          |
| Leaf bags                                     | 1,250     | 853          | (397)                              | 1,168          |
| Debt setoff-refuse collections                | 200       | 1,094        | 894                                | 1,460          |
| Bad debt recovery                             | 2,000     | 2,743        | 743                                | 3,807          |
| Cemetery interment                            | 8,000     | 19,891       | 11,891                             | 10,500         |
| Aquatics Center                               | 78,000    | 37,879       | (40,121)                           | 80,266         |
| Rentals                                       | 2,000     | 695          | (1,305)                            | 2,222          |
| Demolition and lot cleaning                   | 1,000     | 11,167       | 10,167                             | 28,990         |
| County Contracts                              | 949,980   | 822,675      | (127,305)                          | 722,380        |
| Zoning and reclassification                   | 25,000    | 21,794       | (3,206)                            | 25,017         |
| Administrative Support - Proprietary Funds    | 945,504   | 945,504      | -                                  | 914,810        |
| Total   | 4,078,684 | 3,807,134    | (271,550)                          | 3,692,429      |

**City of Henderson, North Carolina  
General Fund**

Schedule B-1  
(continued)

**Statement of Revenues and Expenditures - Budget and Actual  
For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|  | <b>2020</b>       |                   | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2019<br/>Actual</b> |
|--|-------------------|-------------------|---|------------------------|
|  | <b>Budget</b>     | <b>Actual</b>     |   |                        |
| Interest on investments                  |                   |                   |   |                        |
| General Fund                             | 180,000           | 130,244           | (49,756)                                    | 212,040                |
| Powell Bill                              | -                 | 11,145            | 11,145                                      | 20,506                 |
| Total                                    | <u>180,000</u>    | <u>141,389</u>    | <u>(38,611)</u>                             | <u>232,546</u>         |
| Miscellaneous                            |                   |                   |   |                        |
| Parking violations                       | 1,800             | 2,318             | 518   | 2,073                  |
| Civil penalties                          | -                 | -                 | -   | -                      |
| Drug tax/Forfeitures                     | 15,000            | 35,762            | 20,762                                      | 48,634                 |
| Court fees and charges                   | 2,000             | 1,732             | (268)                                       | 1,764                  |
| Fire code violations                     | 2,500             | 900               | (1,600)                                     | 2,400                  |
| Verizon water tower agreement            | 28,300            | 29,028            | 728   | 28,188                 |
| Public safety donations                  | -                 | -                 | -   | (2,711)                |
| Recreation donations                     | -                 | -                 | -   | -                      |
| Garage sales                             | 0                 | 0                 | -   | 0                      |
| Miscellaneous other                      | 20,600            | 22,536            | 1,936                                       | 132,153                |
| Insurance proceeds                       | -                 | 635               | 635   | (2,106)                |
| Sale of assets                           | 8,000             | 907               | (7,093)                                     | 9,792                  |
| Total                                    | <u>78,200</u>     | <u>93,818</u>     | <u>15,618</u>                               | <u>220,187</u>         |
| Total Revenues                           | <u>15,628,184</u> | <u>15,557,614</u> | <u>(70,570)</u>                             | <u>15,621,335</u>      |
| <b>Expenditures</b>                      |                   |                   |   |                        |
| General Government:                      |                   |                   |   |                        |
| Governing Body                           |                   |                   |   |                        |
| Legislative                              |                   |                   |   |                        |
| Governing Body                           | 215,709           | 210,049           | 5,660                                       | 194,030                |
| City Attorney                            | 81,050            | 76,764            | 4,286                                       | 59,014                 |
| Total                                    | <u>296,759</u>    | <u>286,813</u>    | <u>9,946</u>                                | <u>253,044</u>         |
| Administration                           |                   |                   |   |                        |
| Administration                           | 374,467           | 368,379           | 6,088                                       | 299,363                |
| Human Resources                          | 237,918           | 232,609           | 5,309                                       | 219,751                |
| Finance                                  | 463,698           | 457,481           | 6,217                                       | 432,879                |
| Information Services                     | 120,180           | 100,292           | 19,888                                      | 40,280                 |
| Total                                    | <u>1,196,263</u>  | <u>1,158,761</u>  | <u>37,502</u>                               | <u>992,273</u>         |
| Total General Government                 | <u>1,493,022</u>  | <u>1,445,574</u>  | <u>47,448</u>                               | <u>1,245,317</u>       |
| Public safety:                           |                   |                   |   |                        |
| Police                                   | 4,763,561         | 4,712,249         | 51,312                                      | 4,430,949              |
| Police-asset forfeiture                  | 45,000            | 30,448            | 14,552                                      | 27,907                 |
| Fire department                          | 2,942,486         | 2,857,499         | 84,987                                      | 2,632,903              |
| Total Public Safety                      | <u>7,751,047</u>  | <u>7,600,196</u>  | <u>150,851</u>                              | <u>7,091,759</u>       |
| Planning and community development       |                   |                   |   |                        |
| Main Street-downtown development         | 86,436            | 81,849            | 4,587                                       | 26,912                 |
| Development Services                     | 435,017           | 394,362           | 40,655                                      | 344,727                |
| Total Planning and community development | <u>521,453</u>    | <u>476,211</u>    | <u>45,242</u>                               | <u>371,639</u>         |

**City of Henderson, North Carolina  
General Fund**

Schedule B-1  
(continued)

**Statement of Revenues and Expenditures - Budget and Actual  
For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|  | <b>2020</b>   |               | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2019<br/>Actual</b> |
|--|---------------|---------------|---|------------------------|
|  | <b>Budget</b> | <b>Actual</b> |   |                        |
| Public Services                              |               |               |   |                        |
| Transportation - Street maintenance          | 1,221,925     | 1,067,623     | 154,302                                     | 1,286,621              |
| Environmental protection- Sanitation         | 1,046,666     | 1,014,687     | 31,979                                      | 1,078,345              |
| Other public services                        |               |               |   |                        |
| Public buildings                             | 74,600        | 64,166        | 10,434                                      | 62,059                 |
| Administration - public works                | 178,111       | 160,311       | 17,800                                      | 153,162                |
| City Garage                                  | 188,980       | 201,919       | (12,939)                                    | 234,946                |
| Cemetery                                     | 105,400       | 94,790        | 10,610                                      | 87,400                 |
| Total Other public services                  | 547,091       | 521,186       | 25,905                                      | 537,567                |
| Total Public services                        | 2,815,682     | 2,603,496     | 212,186                                     | 2,902,533              |
| Recreation and parks                         |               |               |   |                        |
| Recreation Services                          | 999,770       | 847,076       | 152,694                                     | 921,976                |
| Youth Services                               | 573,064       | 510,084       | 62,980                                      | 400,609                |
| Aycock Aquatics Center                       | 194,850       | 173,996       | 20,854                                      | 172,696                |
| Total Recreation and parks                   | 1,767,684     | 1,531,156     | 236,528                                     | 1,495,281              |
| Non-departmental                             |               |               |   |                        |
| City and County shared programs              |               |               |   |                        |
| Contribution to library                      | 120,800       | 120,800       | -   | 118,440                |
| Other shared programs                        | 983,300       | 899,734       | 83,566                                      | 925,992                |
| Total City and county shared programs        | 1,104,100     | 1,020,534     | 83,566                                      | 1,044,432              |
| Local Agencies                               |               |               |   |                        |
| Contribution to airport                      | 28,750        | 28,750        | -   | 28,750                 |
| Other local agencies                         | 4,300         | 4,300         | -   | 4,300                  |
| Total  | 33,050        | 33,050        | -   | 33,050                 |
| General Non-departmental                     |               |               |   |                        |
| Group insurance-retiree                      | 410,670       | 390,584       | 20,086                                      | 410,169                |
| Unemployment costs                           | 2,208         | 2,208         | -   | 6,174                  |
| Economic development incentive               | 84,375        | 24,068        | 60,307                                      | 24,379                 |
| Licenses/Permits/Fees                        | 14,873        | 14,808        | 65  | 1,320                  |
| Bad debt                                     | 10,000        | -             | 10,000                                      | -                      |
| Reserve- other                               | 37,500        | -             | 37,500                                      | -                      |
| Total General non-departmental               | 559,626       | 431,668       | 127,958                                     | 442,042                |
| Total Non-departmental                       | 1,696,776     | 1,485,252     | 211,524                                     | 1,519,524              |
| Debt service:                                |               |               |   |                        |
| Principal retirement                         | 331,670       | 331,670       | -   | 525,500                |
| Interest and other charges                   | 129,230       | 60,132        | 69,098                                      | 39,141                 |
| Total debt service                           | 460,900       | 391,802       | 69,098                                      | 564,641                |
| Total expenditures                           | 16,506,564    | 15,533,687    | 972,877                                     | 15,190,694             |
| Excess of revenues over (under) expenditures | (878,380)     | 23,927        | 902,307                                     | 430,641                |

City of Henderson, North Carolina  
General Fund

Schedule B-1  
(continued)

**Statement of Revenues and Expenditures - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|  | 2020               |                      | Variance<br>Positive<br>(Negative) | 2019<br>Actual       |
|--|--------------------|----------------------|------------------------------------|----------------------|
|  | Budget             | Actual               |                                    |                      |
| Other financing sources (uses):  |                    |                      |                                    |                      |
| Issuance of installment notes  | 310,000            | 352,160              | 42,160                             | 600,718              |
| Transfers from other funds:  |                    |                      |                                    |                      |
| Capital Project Funds- Powell Bill   | 431,370            | 391,754              | (39,616)                           | 494,186              |
| Capital Project Funds- Old Municipal Bldg Fund                                   | -                  | -                    | -                                  | -                    |
| Enterprise Fund- Water Fund  | -                  | -                    | -                                  | 17,300               |
| Enterprise Fund- Sewer Fund  | -                  | -                    | -                                  | -                    |
| Enterprise Fund Regional Water System Fund                                       | -                  | -                    | -                                  | -                    |
| Special Revenue -Grants Fund   | -                  | -                    | -                                  | -                    |
| Transfers (to) other funds:  |                    |                      |                                    |                      |
| Special Revenue -Grants Fund   | (24,125)           | (24,125)             | -                                  | (565)                |
| Capital Projects- General Fund   | (546,995)          | (546,995)            | -                                  | (373,215)            |
| Enterprise Fund- Water Fund  | (97,270)           | (97,270)             | -                                  | (97,200)             |
| Powell Bill  | (431,370)          | (391,754)            | 39,616                             | (494,186)            |
| CIP - Powell Bill  | (400,000)          | (400,000)            | -                                  | (190,500)            |
| Total other financing sources (uses)   | <u>(758,390)</u>   | <u>(716,230)</u>     | <u>42,160</u>                      | <u>(43,462)</u>      |
| Excess of revenues and other sources over<br>(under) expenditures and other uses | <u>(1,636,770)</u> | <u>(692,303)</u>     | <u>944,467</u>                     | <u>387,179</u>       |
| Fund balance appropriated  | <u>1,636,770</u>   | <u>-</u>             | <u>(1,636,770)</u>                 | <u>-</u>             |
| Net change in fund balance   | <u>\$ -</u>        | <u>(692,303)</u>     | <u>\$ (692,303)</u>                | <u>387,179</u>       |
| <b>Fund balance- Beginning</b>   |                    | <u>12,272,744</u>    |                                    | <u>11,885,565</u>    |
| <b>Fund balance- Ending</b>  |                    | <u>\$ 11,580,441</u> |                                    | <u>\$ 12,272,744</u> |

## **NONMAJOR GOVERNMENTAL FUNDS**

Nonmajor Funds account for the proceeds of special revenue sources that are legally restricted to the expenditure for specific purposes. The financial information for Nonmajor Funds is found on Exhibits 3 and 4 in aggregate.

**City of Henderson, North Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2020, with Comparative Totals for June 30, 2019**

|   | Special<br>Revenue Fund | Capital Project Funds         |   |                                     | Permanent<br>Fund   | Total Nonmajor<br>Governmental Funds |                     |
|---|-------------------------|-------------------------------|---|-------------------------------------|---------------------|--------------------------------------|---------------------|
|   | Grants Fund             | Capital<br>Reserve<br>General | Capital<br>Reserve<br>Economic<br>Development | Capital<br>Projects<br>General Fund | Elmwood<br>Cemetery | June 30, 2020                        | June 30, 2019       |
| <b>Assets:</b>  |                         |                               |   |                                     |                     |                                      |                     |
| Current Assets:   |                         |                               |   |                                     |                     |                                      |                     |
| Cash and cash equivalents   | \$ -                    | \$ -                          | \$ -  | \$ 1,350,031                        | \$ 452,944          | \$ 1,802,975                         | \$ 933,977          |
| Restricted Cash   | -                       | 70,704                        | 15,828  | -                                   | -                   | 86,532                               | 86,283              |
| Accounts receivable   | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Due from other governments  | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Due from General Fund   | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Total assets  | <u>\$ -</u>             | <u>\$ 70,704</u>              | <u>\$ 15,828</u>                              | <u>\$ 1,350,031</u>                 | <u>\$ 452,944</u>   | <u>\$ 1,889,507</u>                  | <u>\$ 1,020,260</u> |
| <b>Liabilities, Deferred Inflows of Resources, and<br/>Fund Balances:</b> |                         |                               |   |                                     |                     |                                      |                     |
| <b>Liabilities:</b>   |                         |                               |   |                                     |                     |                                      |                     |
| Interfund payables  | \$ -                    | \$ -                          | \$ -  | \$ -                                | \$ -                | \$ -                                 | \$ -                |
| Accounts payable  | -                       | -                             | -   | 475                                 | -                   | 475                                  | 474                 |
| Due to General Fund   | 15,446                  | -                             | -   | -                                   | -                   | 15,446                               | 6,188               |
| Total liabilities   | <u>15,446</u>           | <u>-</u>                      | <u>-</u>                                      | <u>475</u>                          | <u>-</u>            | <u>15,921</u>                        | <u>6,662</u>        |
| <b>Fund Balances:</b>   |                         |                               |   |                                     |                     |                                      |                     |
| Non Spendable   |                         |                               |   |                                     |                     |                                      |                     |
| Perpetual maintenance   | -                       | -                             | -   | -                                   | 452,944             | 452,944                              | 447,398             |
| Restricted:   |                         |                               |   |                                     |                     |                                      |                     |
| Streets - Powell Bil  | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Public Safety   | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Planning and community development  | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Recreation and parks  | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Capital Reserve   | -                       | 70,704                        | 15,828  | -                                   | -                   | 86,532                               | 86,283              |
| Assigned  | -                       | -                             | -   | 1,349,556                           | -                   | 1,349,556                            | 486,105             |
| Unassigned  | (15,446)                | -                             | -   | -                                   | -                   | (15,446)                             | (6,188)             |
| Total fund balances   | <u>(15,446)</u>         | <u>70,704</u>                 | <u>15,828</u>                                 | <u>1,349,556</u>                    | <u>452,944</u>      | <u>1,873,586</u>                     | <u>1,013,598</u>    |
| Total liabilities and fund balances                                       | <u>\$ -</u>             | <u>\$ 70,704</u>              | <u>\$ 15,828</u>                              | <u>\$ 1,350,031</u>                 | <u>\$ 452,944</u>   | <u>\$ 1,889,507</u>                  | <u>\$ 1,020,260</u> |

**City of Henderson, North Carolina**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2020, with comparative totals for June 30, 2019**

|   | Special<br>Revenue Fund | Capital Projects Funds        |   |                                     | Project<br>Fund     | Total Nonmajor<br>Governmental Funds |                     |
|---|-------------------------|-------------------------------|---|-------------------------------------|---------------------|--------------------------------------|---------------------|
|   | Grant Funds             | Capital<br>Reserve<br>General | Capital<br>Reserve<br>Economic<br>Development | Capital<br>Projects<br>General Fund | Elmwood<br>Cemetery | June 30, 2020                        | June 30, 2019       |
| <b>Revenues:</b>  |                         |                               |   |                                     |                     |                                      |                     |
| Restricted intergovernmental  | \$ 74,241               | \$ -                          | \$ -  | \$ -                                | \$ -                | \$ 74,241                            | \$ 240,088          |
| Other revenues  | -                       | -                             | -   | 3,838                               | -                   | 3,838                                | 2,706               |
| Investment earnings   | -                       | 249                           | -   | 411                                 | 5,546               | 6,206                                | 9,852               |
| Total revenues  | <u>74,241</u>           | <u>249</u>                    | <u>-</u>                                      | <u>4,249</u>                        | <u>5,546</u>        | <u>84,285</u>                        | <u>252,646</u>      |
| <b>Expenditures:</b>  |                         |                               |   |                                     |                     |                                      |                     |
| Public Safety   | 84,849                  | -                             | -   | -                                   | -                   | 84,849                               | 657,690             |
| Planning and community development  | 22,775                  | -                             | -   | 110,508                             | -                   | 133,283                              | 438,961             |
| Public Services   | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Recreation and parks  | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Total expenditures  | <u>107,624</u>          | <u>-</u>                      | <u>-</u>                                      | <u>110,508</u>                      | <u>-</u>            | <u>218,132</u>                       | <u>1,096,651</u>    |
| Revenues over (under) expenditures  | <u>(33,383)</u>         | <u>249</u>                    | <u>-</u>                                      | <u>(106,259)</u>                    | <u>5,546</u>        | <u>(133,847)</u>                     | <u>(844,005)</u>    |
| <b>Other Financing Sources (Uses):</b>                                      |                         |                               |   |                                     |                     |                                      |                     |
| Long-term debt issued   | -                       | -                             | -   | -                                   | -                   | -                                    | 597,399             |
| Transfers- in   |                         |                               |   |                                     |                     |                                      |                     |
| General Fund  | 24,125                  | -                             | -   | 946,995                             | -                   | 971,120                              | 564,280             |
| Enterprise Funds  | -                       | -                             | -   | 22,715                              | -                   | 22,715                               | -                   |
| Transfers-out   |                         |                               |   |                                     |                     |                                      |                     |
| General Fund  | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Capital Res. Utilities  | -                       | -                             | -   | -                                   | -                   | -                                    | -                   |
| Total other financing sources (uses)  | <u>24,125</u>           | <u>-</u>                      | <u>-</u>                                      | <u>969,710</u>                      | <u>-</u>            | <u>993,835</u>                       | <u>1,161,679</u>    |
| Excess of revenues and other financing<br>sources over (under) expenditures | <u>(9,258)</u>          | <u>249</u>                    | <u>-</u>                                      | <u>863,451</u>                      | <u>5,546</u>        | <u>859,988</u>                       | <u>317,674</u>      |
| <b>Fund Balances:</b>   |                         |                               |   |                                     |                     |                                      |                     |
| Fund Balance- July 1  | <u>(6,188)</u>          | <u>70,455</u>                 | <u>15,828</u>                                 | <u>486,105</u>                      | <u>447,398</u>      | <u>1,013,598</u>                     | <u>695,924</u>      |
| Fund Balance- June 30   | <u>\$ (15,446)</u>      | <u>\$ 70,704</u>              | <u>\$ 15,828</u>                              | <u>\$ 1,349,556</u>                 | <u>\$ 452,944</u>   | <u>\$ 1,873,586</u>                  | <u>\$ 1,013,598</u> |

**City of Henderson, North Carolina**  
**Special Revenue Fund- Grants Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|  |                          | Actual      |                           |        |                  |                                    |  |
|--|--------------------------|-------------|---------------------------|--------|------------------|------------------------------------|--|
|  |                          |             | Current Year              |        |                  |                                    |  |
|  | Project<br>Authorization | Prior Years | Revenues/<br>Expenditures | Closed | Total to<br>Date | Variance<br>Positive<br>(Negative) |  |
| <b>REVENUES</b>                          |                          |             |                           |        |                  |                                    |  |
| Restricted Intergovernmental:            |                          |             |                           |        |                  |                                    |  |
| BJA Grant 2017                           |                          |             |                           |        |                  |                                    |  |
| Bureau of Justice Grant                  | \$ 19,590                | \$ 19,590   | \$ -                      | \$ -   | \$ 19,590        | \$ -                               |  |
| BJA Grant 2018                           |                          |             |                           |        |                  |                                    |  |
| Bureau of Justice Grant                  | 17,752                   | 17,752      | -                         | -      | 17,752           | -                                  |  |
| BJA Grant 2019                           |                          |             |                           |        |                  |                                    |  |
| Bureau of Justice Grant                  | 15,778                   | -           | 15,778                    | -      | 15,778           | -                                  |  |
| Governor's Crime Commission Grant 2017   | 24,000                   | 16,370      | 7,627                     | -      | 23,997           | (3)                                |  |
| COVID Grant                              | 50,836                   | -           | 50,836                    | -      | 50,836           | -                                  |  |
| Project Safe Neighborhoods               | 45,507                   | -           | -                         | -      | -                | (45,507)                           |  |
| Building Reuse Grant                     | 312,500                  | -           | -                         | -      | -                | (312,500)                          |  |
| Technical Assistance Grant               |                          |             |                           |        |                  |                                    |  |
| NC Dept. of Env. Quality Grant           | 125,000                  | 60,613      | -                         | -      | 60,613           | (64,387)                           |  |
| Total revenues                           | 610,963                  | 114,325     | 74,241                    | -      | 188,566          | (422,397)                          |  |
| <b>Expenditures:</b>                     |                          |             |                           |        |                  |                                    |  |
| Public Safety:                           |                          |             |                           |        |                  |                                    |  |
| BJA Grant 2017                           |                          |             |                           |        |                  |                                    |  |
| Capital Outlay                           | 11,754                   | 11,754      | -                         | -      | 11,754           | -                                  |  |
| Vance County Sheriff's                   | 7,836                    | 7,836       | -                         | -      | 7,836            | -                                  |  |
| BJA Grant 2018                           |                          |             |                           |        |                  |                                    |  |
| Capital Outlay                           | 10,651                   | -           | 10,651                    | -      | 10,651           | -                                  |  |
| Vance County Sheriff's                   | 7,101                    | 7,100       | -                         | -      | 7,100            | 1                                  |  |
| BJA Grant 2019                           |                          |             |                           |        |                  |                                    |  |
| Capital Outlay                           | 9,467                    | -           | 9,467                     | -      | 9,467            | -                                  |  |
| Vance County Sheriff's                   | 6,311                    | -           | 6,311                     | -      | 6,311            | -                                  |  |
| COVID Grant                              |                          |             |                           |        |                  |                                    |  |
| Supplies                                 | 11,027                   | -           | 11,027                    | -      | 11,027           | -                                  |  |
| Capital Outlay                           | 39,809                   | -           | 29,458                    | -      | 29,458           | 10,351                             |  |
| Project Safe Neighborhoods               |                          |             |                           |        |                  |                                    |  |
| Salaries and Benefits                    | 23,607                   | -           | -                         | -      | -                | -                                  |  |
| Capital Outlay                           | 21,900                   | -           | 17,935                    | -      | 17,935           | -                                  |  |
| Governor's Crime Commission Grant 2017   |                          |             |                           |        |                  |                                    |  |
| Capital Outlay                           | 24,000                   | 24,000      | -                         | -      | 24,000           | -                                  |  |
| Total Public Safety                      | 173,463                  | 50,690      | 84,849                    | -      | 135,539          | 10,352                             |  |
| Planning and community development:      |                          |             |                           |        |                  |                                    |  |
| Technical Assistance Grant               |                          |             |                           |        |                  |                                    |  |
| Software                                 | 3,000                    | -           | -                         | -      | -                | 3,000                              |  |
| Engineering                              | 128,250                  | 76,073      | 3,400                     | -      | 79,473           | 48,777                             |  |
| Building Reuse Grant                     |                          |             |                           |        |                  |                                    |  |
| Grant Match                              | 15,625                   | -           | 15,625                    | -      | 15,625           | -                                  |  |
| Legal/Admin                              | 1,000                    | -           | -                         | -      | -                | 1,000                              |  |
| Grant Administration                     | 7,500                    | -           | 3,750                     | -      | 3,750            | 3,750                              |  |
| Construction                             | 312,500                  | -           | -                         | -      | -                | 312,500                            |  |
| Total Planning and community development | 467,875                  | 76,073      | 22,775                    | -      | 98,848           | 369,027                            |  |
| Total expenditures                       | 641,338                  | 126,763     | 107,624                   | -      | 234,387          | 379,379                            |  |
| Revenues over (under) expenditures       | (30,375)                 | (12,438)    | (33,383)                  | -      | (45,821)         | (43,018)                           |  |

**Other Financing Sources (Uses):**

Transfer (to) from General Fund

|                            |        |   |        |   |        |   |
|----------------------------|--------|---|--------|---|--------|---|
| Building Reuse Grant Match | 24,125 | - | 24,125 | - | 24,125 | - |
|----------------------------|--------|---|--------|---|--------|---|

Transfer from Sewer Fund:

|                            |              |              |          |          |              |          |
|----------------------------|--------------|--------------|----------|----------|--------------|----------|
| Technical Assistance Grant | <u>6,250</u> | <u>6,250</u> | <u>-</u> | <u>-</u> | <u>6,250</u> | <u>-</u> |
|----------------------------|--------------|--------------|----------|----------|--------------|----------|

Total other financing sources (uses)

|  |               |              |               |          |               |          |
|--|---------------|--------------|---------------|----------|---------------|----------|
|  | <u>30,375</u> | <u>6,250</u> | <u>24,125</u> | <u>-</u> | <u>30,375</u> | <u>-</u> |
|--|---------------|--------------|---------------|----------|---------------|----------|

Revenues and other financing sources (uses) over  
(under) expenditures and other financing uses

|  |             |                   |                |             |                    |                    |
|--|-------------|-------------------|----------------|-------------|--------------------|--------------------|
|  | <u>\$ -</u> | <u>\$ (6,188)</u> | <u>(9,258)</u> | <u>\$ -</u> | <u>\$ (15,446)</u> | <u>\$ (43,018)</u> |
|--|-------------|-------------------|----------------|-------------|--------------------|--------------------|

Fund Balance -Beginning

(6,188)

Fund Balance- Ending

\$ (15,446)

**City of Henderson, North Carolina**  
**Capital Project Fund-Capital Reserve Fund-General**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2020, with comparative Totals for the Fiscal Year Ended June 30, 2019**

|   | <b>2020</b>   |                  |   |                    |
|---|---------------|------------------|---|--------------------|
|   | <u>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> | <u>2019 Actual</u> |
| <b>Revenues:</b>  |               |                  |   |                    |
| Environmental protection  | \$ -          | \$ -             | \$ -  | \$ -               |
| Investment earnings   | -             | 249              | 249   | 397                |
|   | <u>-</u>      | <u>249</u>       | <u>249</u>                                  | <u>397</u>         |
| Total Revenues  | -             | 249              | 249   | 397                |
| <b>Other Financing Sources (Uses):</b>                                      |               |                  |   |                    |
| Transfer (to) from other funds  | -             | -                | -   | -                  |
|   | <u>-</u>      | <u>-</u>         | <u>-</u>                                    | <u>-</u>           |
| Total other financing sources   | -             | -                | -   | -                  |
| Excess of revenues and other financing sources<br>over (under) expenditures | <u>\$ -</u>   | <u>249</u>       | <u>\$ 249</u>                               | <u>397</u>         |
| Fund Balance- Beginning   |               | <u>70,455</u>    |   | <u>70,058</u>      |
| Fund Balance- Ending  |               | <u>\$ 70,704</u> |   | <u>\$ 70,455</u>   |

**City of Henderson, North Carolina**  
**Capital Project Fund-Capital Reserve Fund-Economic Development**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year ended June 30, 2019**

|  | 2020     |           | Variance               |             |
|--|----------|-----------|------------------------|-------------|
|  | Budget   | Actual    | Positive<br>(Negative) | 2019 Actual |
| <b>Revenues</b>  |          |           |                        |             |
| Investment Earnings  | \$ -     | \$ -      | \$ -                   | \$ -        |
| Total Revenues   | -        | -         | -                      | -           |
| <b>Expenditures:</b>   |          |           |                        |             |
| Planning and community development<br>Capital Reserve  | 16,440   | -         | 16,440                 | -           |
| Total Expenditures   | 16,440   | -         | 16,440                 | -           |
| Revenues over (under) expenditures   | (16,440) | -         | 16,440                 | -           |
| <b>Other Financing Sources (Uses):</b>   |          |           |                        |             |
| Fund balance appropriated  | 16,440   | -         | (16,440)               | -           |
| Total other financing sources (uses)   | 16,440   | -         | (16,440)               | -           |
| Revenues and other financing sources (uses)<br>over (under) expenditures and other financing<br>uses | \$ -     | -         | \$ -                   | -           |
| Fund Balance- Beginning  |          | 15,828    |                        | 15,828      |
| Fund Balance-Ending  |          | \$ 15,828 |                        | \$ 15,828   |

**City of Henderson, North Carolina**  
**Capital Project Fund-General**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|  |                          | Actual       |                           |           |               |                                   |
|--|--------------------------|--------------|---------------------------|-----------|---------------|-----------------------------------|
|  |                          | Current Year |                           |           |               |                                   |
|  | Project<br>Authorization | Prior Years  | Revenues/<br>Expenditures | Closed    | Total to Date | Variance<br>Postive<br>(Negative) |
| <b>Revenues:</b>                           |                          |              |                           |           |               |                                   |
| Beckford Drive Widening Project:           |                          |              |                           |           |               |                                   |
| Restricted intergovernmental<br>SAFETEA-LU | \$ 825,000               | \$ 171,427   | \$ -                      | \$ -      | \$ 171,427    | \$ (653,573)                      |
| Fire Truck Grant                           |                          |              |                           |           |               |                                   |
| USDA Grant for Fire Truck                  | 133,000                  | 133,000      | -                         | (133,000) | -             | (133,000)                         |
| NC Sales Tax Refund                        | -                        | 1,284        | 2,338                     | -         | 3,622         | 3,622                             |
| Donation                                   | -                        | 1,500        | 1,500                     | -         | 3,000         | 3,000                             |
| Investment income                          | -                        | 1,171        | 411                       | -         | 1,582         | 1,582                             |
| Total Revenues                             | 958,000                  | 308,382      | 4,249                     | (133,000) | 179,631       | (778,369)                         |
| <b>Expenditures:</b>                       |                          |              |                           |           |               |                                   |
| Planning and community development :       |                          |              |                           |           |               |                                   |
| Beckford Drive Widening Project:           |                          |              |                           |           |               |                                   |
| Contingency                                | 48,197                   | -            | -                         | -         | -             | 48,197                            |
| Administration                             | 19,518                   | 19,518       | -                         | -         | 19,518        | -                                 |
| Construction                               | 688,200                  | -            | -                         | -         | -             | 688,200                           |
| Engineering                                | 234,535                  | 234,535      | -                         | -         | 234,535       | -                                 |
| Right of Way                               | 14,400                   | 14,228       | -                         | -         | 14,228        | 172                               |
| Stream Mitigation                          | 26,400                   | 26,381       | -                         | -         | 26,381        | 19                                |
| Total Beckford Drive Widening Project      | 1,031,250                | 294,662      | -                         | -         | 294,662       | 736,588                           |
| Outdoor Pavilion and Market                |                          |              |                           |           |               |                                   |
| Legal/Admin                                | 1,927                    | 1,820        | 107                       | -         | 1,927         | -                                 |
| Construction                               | 184,893                  | 335          | -                         | -         | 335           | 184,558                           |
| Landscape Design                           | 14,680                   | 11,545       | 1,200                     | -         | 12,745        | 1,935                             |
| Contingency                                | 18,500                   | -            | -                         | -         | -             | 18,500                            |
| Total Outdoor Pavilion and Market          | 220,000                  | 13,700       | 1,307                     | -         | 15,007        | 204,993                           |
| Tennis Court Resurfacing                   |                          |              |                           |           |               |                                   |
| Contingency                                | 8,700                    | -            | -                         | -         | -             | 8,700                             |
| Legal/Admin                                | 1,500                    | -            | -                         | -         | -             | 1,500                             |
| Construction                               | 164,800                  | -            | -                         | -         | -             | 164,800                           |
| Total Tennis Court Resurfacing             | 175,000                  | -            | -                         | -         | -             | 175,000                           |
| Henderson Redevelopment                    |                          |              |                           |           |               |                                   |
| Land                                       | 34,000                   | 34,000       | -                         | -         | 34,000        | -                                 |
| Contracted Services                        | 38,640                   | 38,040       | 174                       | -         | 38,214        | 426                               |
| Legal / Admin                              | 2,165                    | 2,164        | -                         | -         | 2,164         | 1                                 |
| Total Henderson Redevelopment              | 74,805                   | 74,204       | 174                       | -         | 74,378        | 427                               |
| Fire Pumper Truck                          |                          |              |                           |           |               |                                   |
| Fire Truck                                 | 607,000                  | 607,000      | -                         | (607,000) | -             | 607,000                           |
| Downtown Improvements                      |                          |              |                           |           |               |                                   |
| Contracted Services                        | 30,300                   | 19,993       | 10,305                    | -         | 30,298        | 2                                 |
| Website Upgrade                            |                          |              |                           |           |               |                                   |
| Contracted Services                        | 82,500                   | -            | 4,500                     | -         | 4,500         | 78,000                            |
| HVAC Project                               | 129,860                  | -            | -                         | -         | -             | 129,860                           |
| Storm Water Utility                        |                          |              |                           |           |               |                                   |
| Engineering                                | 35,500                   | 29,063       | 6,437                     | (35,500)  | -             | 35,500                            |
| UNC SOG Technical Assistance               |                          |              |                           |           |               |                                   |
| Contracted Services                        | 127,550                  | -            | 38,475                    | -         | 38,475        | 89,075                            |

(continued)

(continued)

**City of Henderson, North Carolina**  
**Capital Project Fund-General**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|   | Project<br>Authorization | Prior Years       | Actual<br>Current Year    |             | Total to Date       | Variance<br>Positive<br>(Negative) |
|---|--------------------------|-------------------|---------------------------|-------------|---------------------|------------------------------------|
|   |                          |                   | Revenues/<br>Expenditures | Closed      |                     |                                    |
| Water Fountain<br>Construction  | 50,000                   | -                 | 16,977                    | -           | 16,977              | 33,023                             |
| MS4 Stormwater Program<br>Engineering   | 47,410                   | -                 | 32,173                    | -           | 32,173              | 15,237                             |
| Street Resurfacing<br>Resurfacing   | 590,500                  | 496,127           | -                         | (496,127)   | -                   | 590,500                            |
| Old Municipal Building Project  |                          |                   |                           |             |                     |                                    |
| Legal/Admin   | 11,655                   | 11,655            | -                         | -           | 11,655              | -                                  |
| Engineering   | 54,908                   | 54,908            | -                         | -           | 54,908              | -                                  |
| Construction  | 749,317                  | 749,141           | -                         | -           | 749,141             | 176                                |
| Reserve   | 14,120                   | 200               | 160                       | -           | 360                 | 13,760                             |
| Total Old Municipal Building Project  | 830,000                  | 815,904           | 160                       | -           | 816,064             | 13,936                             |
| Total Expenditures  | 4,031,675                | 2,350,653         | 110,508                   | (1,138,627) | 1,322,534           | 2,709,141                          |
| Revenues over (under) expenditures  | (3,073,675)              | (2,042,271)       | (106,259)                 | 1,005,627   | (1,142,903)         | 1,930,772                          |
| <b>Other Financing Sources (Uses):</b>  |                          |                   |                           |             |                     |                                    |
| USDA Loan Proceeds - Firetruck  | 474,000                  | 474,000           | -                         | (474,000)   | -                   | (474,000)                          |
| Loan Proceeds from Old Municipal Building   | 830,000                  | 820,241           | -                         | -           | 820,241             | (9,759)                            |
| Transfer (to) from General Fund   |                          |                   |                           |             |                     |                                    |
| Beckford Drive Widening Project   | 206,250                  | 206,250           | -                         | -           | 206,250             | -                                  |
| Outdoor Pavilion and Market   | 220,000                  | 220,000           | -                         | -           | 220,000             | -                                  |
| Henderson Redevelopment   | 74,805                   | 74,805            | -                         | -           | 74,805              | -                                  |
| Downtown Improvements   | 30,300                   | 20,000            | 10,300                    | -           | 30,300              | -                                  |
| Website Upgrade   | 59,785                   | 5,500             | 54,285                    | -           | 59,785              | -                                  |
| Storm Water Utility   | 35,500                   | 35,500            | -                         | (35,500)    | -                   | (35,500)                           |
| MS4 Stormwater Program  | 47,410                   | 47,410            | -                         | -           | 47,410              | -                                  |
| Police HVAC Project   | 129,860                  | -                 | 129,860                   | -           | 129,860             | -                                  |
| Tennis Court Resurfacing  | 175,000                  | -                 | 175,000                   | -           | 175,000             | -                                  |
| UNC SOG Technical Assistance  | 127,550                  | -                 | 127,550                   | -           | 127,550             | -                                  |
| Water Fountain  | 50,000                   | -                 | 50,000                    | -           | 50,000              | -                                  |
| Powell Bill   | -                        | 400,000           | -                         | (400,000)   | -                   | -                                  |
| Powell Bill CIP   | 490,500                  | 90,500            | 400,000                   | -           | 490,500             | -                                  |
| Powell Bill CIP   | -                        | -                 | 3,873                     | -           | 3,873               | 3,873                              |
| Powell Bill CIP   | -                        | -                 | (3,873)                   | 3,873       | -                   | -                                  |
| Powell Bill   | 100,000                  | 100,000           | -                         | (100,000)   | -                   | (100,000)                          |
| Transfer (to) from Water Fund   |                          |                   |                           |             |                     |                                    |
| Website Upgrade   | 9,163                    | -                 | 9,163                     | -           | 9,163               | -                                  |
| Transfer (to) from Sewer Fund   |                          |                   |                           |             |                     |                                    |
| Website Upgrade   | 8,778                    | -                 | 8,778                     | -           | 8,778               | -                                  |
| Transfer (to) from Regional Water Fund  |                          |                   |                           |             |                     |                                    |
| Website Upgrade   | 4,774                    | -                 | 4,774                     | -           | 4,774               | -                                  |
| Total other financing sources (uses)  | 3,073,675                | 2,494,206         | 969,710                   | (1,005,627) | 2,458,289           | (615,386)                          |
| <b>Excess of revenues and other financing<br/>sources over (under) expenditures</b> | <u>\$ -</u>              | <u>\$ 451,935</u> | <u>863,451</u>            | <u>\$ -</u> | <u>\$ 1,315,386</u> | <u>\$ 1,315,386</u>                |
| Fund Balance-Beginning  |                          |                   | 486,105                   |             |                     |                                    |
| Fund Balance- Ending  |                          |                   | <u>\$ 1,349,556</u>       |             |                     |                                    |

**City of Henderson, North Carolina**  
**Permanent Fund- Elmwood Cemetery**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For Fiscal Year ended June 30, 2020, with Comparative Totals for Fiscal Year Ended June 30, 2019**

|  | 2020        |                   | Variance               |                   |
|--|-------------|-------------------|------------------------|-------------------|
|  | Budget      | Actual            | Positive<br>(Negative) | 2019 Actual       |
| <b>Revenues:</b>   |             |                   |                        |                   |
| Investment earnings  | \$ -        | \$ 5,546          | \$ 5,546               | \$ 8,833          |
| <b>Expenditures:</b>   |             |                   |                        |                   |
| Public Services  | -           | -                 | -                      | -                 |
| Revenues over (under) expenditures   | -           | 5,546             | 5,546                  | 8,833             |
| <b>Other Financing Sources (Uses):</b>   |             |                   |                        |                   |
| Transfer (to) General Fund   | -           | -                 | -                      | -                 |
| Revenues and other financing sources<br>(uses) over (under) expenditures and<br>other financing uses | <u>\$ -</u> | <u>5,546</u>      | <u>\$ 5,546</u>        | <u>8,833</u>      |
| Fund Balance - Beginning   |             | <u>447,398</u>    |                        | <u>438,565</u>    |
| Fund Balance- Ending   |             | <u>\$ 452,944</u> |                        | <u>\$ 447,398</u> |

City of Henderson, North Carolina  
Water FundSchedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019

|                                | 2020         |              |                                    |              |
|--------------------------------|--------------|--------------|------------------------------------|--------------|
|                                | Budget       | Actual       | Variance<br>Positive<br>(Negative) | 2019 Actual  |
| <b>Revenues</b>                |              |              |                                    |              |
| Operating revenues             |              |              |                                    |              |
| Charges for services           |              |              |                                    |              |
| Water Charges                  | \$ 6,981,750 | \$ 6,766,923 | \$ (214,827)                       | \$ 6,430,581 |
| Debt setoff- water charges     | 1,000        | 3,917        | 2,917                              | 4,788        |
| Sprinklers and hydrants        | 124,000      | 145,361      | 21,361                             | 139,129      |
| Bad debts recovery             | 10,000       | 9,211        | (789)                              | 13,039       |
| Returned check fees            | -            | -            | -                                  | 5,588        |
| Tapping                        | 25,000       | 44,598       | 19,598                             | 28,054       |
| Reconnection                   | 20,000       | 14,518       | (5,482)                            | 21,340       |
| Set up charges                 | 12,000       | 10,170       | (1,830)                            | 11,522       |
| Overpayments utilities         | 7,000        | 5,631        | (1,369)                            | (281)        |
| Past due charges               | 93,000       | 66,478       | (26,522)                           | 89,187       |
| Total                          | 7,273,750    | 7,066,807    | (206,943)                          | 6,742,947    |
| Other operating revenues       |              |              |                                    |              |
| Sale of materials              | 3,500        | 7,937        | 4,437                              | 6,059        |
| Cost Allocation                | 320,670      | 320,670      | -                                  | 320,670      |
| Miscellaneous                  | 8,000        | 7,297        | (703)                              | 7,064        |
| Over-short                     | -            | 111          | 111                                | 19           |
| Total                          | 332,170      | 336,015      | 3,845                              | 333,812      |
| Total operating revenues       | 7,605,920    | 7,402,822    | (203,098)                          | 7,076,759    |
| Non-operating revenues         |              |              |                                    |              |
| Interest on investments        | 40,000       | 41,358       | 1,358                              | 46,102       |
| Insurance proceeds             | -            | 13           | 13                                 | -            |
| T-Mobile Agreement             | 28,680       | 49,802       | 21,122                             | 28,682       |
| Sprint PCS Site Agreement      | 27,000       | 25,888       | (1,112)                            | 23,160       |
| Total non-operating revenues   | 95,680       | 117,061      | 21,381                             | 97,944       |
| Total Revenues                 | 7,701,600    | 7,519,883    | (181,717)                          | 7,174,703    |
| <b>Expenditures:</b>           |              |              |                                    |              |
| Administration and engineering |              |              |                                    |              |
| Salaries and employee benefits | 286,952      | 288,745      | (1,793)                            | 224,497      |
| Supplies                       | 40,400       | 34,474       | 5,926                              | 28,126       |
| Telephone                      | 4,700        | 4,226        | 474                                | 4,035        |
| Insurance                      | 4,200        | 3,937        | 263                                | 3,917        |
| Contracted Services            | 10,900       | 4,864        | 6,036                              | 5,344        |
| Capital Outlay                 | 4,600        | 4,559        | 41                                 | 38,249       |
| Other administration expenses  | 8,796        | 6,536        | 2,260                              | 5,647        |
| Total                          | 360,548      | 347,341      | 13,207                             | 309,815      |
| Public Services administration |              |              |                                    |              |
| Salaries and employee benefits | 98,222       | 88,408       | 9,814                              | 91,943       |
| Supplies                       | 2,100        | 1,309        | 791                                | 986          |
| Telephone                      | 1,600        | 1,014        | 586                                | 1,067        |
| Insurance                      | 1,850        | 1,567        | 283                                | 1,582        |
| Other expenses                 | 6,700        | 3,605        | 3,095                              | 662          |
| Capital Outlay                 | -            | -            | -                                  | 33,387       |
| Total                          | 110,472      | 95,903       | 14,569                             | 129,627      |
| (continued)                    |              |              |                                    |              |

(continued)

City of Henderson, North Carolina  
Water FundSchedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019

|                                    | 2020      |           | Variance               |             |
|------------------------------------|-----------|-----------|------------------------|-------------|
|                                    | Budget    | Actual    | Positive<br>(Negative) | 2019 Actual |
| Water distribution operations      |           |           |                        |             |
| Salaries and employee benefits     | 518,031   | 507,258   | 10,773                 | 418,953     |
| Purchases for resale               | 3,857,890 | 3,857,890 | -                      | 3,669,336   |
| Supplies                           | 64,300    | 40,258    | 24,042                 | 40,238      |
| Telephone                          | 9,000     | 5,797     | 3,203                  | 5,571       |
| Utilities                          | 23,600    | 17,719    | 5,881                  | 16,814      |
| Insurance                          | 21,900    | 15,558    | 6,342                  | 17,924      |
| Contracted services                | 74,910    | 68,457    | 6,453                  | 75,289      |
| Reimbursement- Water               | 28,600    | 20,199    | 8,401                  | 17,396      |
| Maintenance                        | 211,300   | 167,526   | 43,774                 | 125,016     |
| Water Line Repairs                 | 125,000   | 110,423   | 14,577                 | 104,885     |
| Water Meter Replacements           | 80,000    | 74,750    | 5,250                  | 79,553      |
| Water taps                         | 20,000    | 18,262    | 1,738                  | 14,198      |
| Capital Outlay                     | 36,200    | 34,200    | 2,000                  | 135,685     |
| Other expenses                     | 27,050    | 21,372    | 5,678                  | 21,810      |
| Total                              | 5,097,781 | 4,959,669 | 138,112                | 4,742,668   |
| Customer Service                   |           |           |                        |             |
| Salaries and employee benefits     | 434,550   | 420,453   | 14,097                 | 396,030     |
| Supplies                           | 22,300    | 13,042    | 9,258                  | 11,658      |
| Telephone                          | 2,900     | 2,689     | 211                    | 2,508       |
| Insurance                          | 10,600    | 9,799     | 801                    | 12,784      |
| Contracted Services                | 65,581    | 64,860    | 721                    | 53,375      |
| Capital Outlay                     | 2,300     | 690       | 1,610                  | 24,609      |
| Other expenses                     | 34,870    | 23,724    | 11,146                 | 24,994      |
| Total                              | 573,101   | 535,257   | 37,844                 | 525,958     |
| Non-departmental                   |           |           |                        |             |
| Retiree insurance                  | 22,550    | 18,463    | 4,087                  | 21,429      |
| Licenses/Permits/Fees              | 1,200     | 943       | 257                    | 534         |
| Reserve for bad debt               | 20,000    | -         | 20,000                 | -           |
| Cost Allocation to General Fund    | 398,942   | 398,942   | -                      | 385,100     |
| Hardware and Software              | 10,250    | 10,190    | 60                     | -           |
| Other reserve                      | 27,243    | -         | 27,243                 | -           |
| Total                              | 480,185   | 428,538   | 51,647                 | 407,063     |
| Debt Service                       |           |           |                        |             |
| Interest and fees                  | 37,404    | 38,210    | (806)                  | 55,949      |
| Principal                          | 1,263,016 | 1,260,656 | 2,360                  | 1,116,339   |
| Total                              | 1,300,420 | 1,298,866 | 1,554                  | 1,172,288   |
| Total Expenditures                 | 7,922,507 | 7,665,574 | 256,933                | 7,287,419   |
| Revenues over (under) expenditures | (220,907) | (145,691) | (438,650)              | (112,716)   |
| Other Financing Sources (Uses):    |           |           |                        |             |
| Transfer from other funds:         |           |           |                        |             |
| General Fund                       | 97,270    | 97,270    | -                      | 97,200      |
| Sewer Fund                         | 419,900   | 419,900   | -                      | 419,030     |
| Rate Stabilization Fund            | -         | -         | -                      | 100,000     |

(continued)

City of Henderson, North Carolina  
Water FundSchedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019

|  | 2020      |            | Variance               |              |
|--|-----------|------------|------------------------|--------------|
|  | Budget    | Actual     | Positive<br>(Negative) | 2019 Actual  |
| <b>Other Financing Sources (Uses) (continued):</b>                             |           |            |                        |              |
| Transfers (to) other funds:  |           |            |                        |              |
| General Fund Capital Project Fund  | (9,163)   | (9,163)    | -                      | (17,300)     |
| Water Capital Project Fund   | (282,100) | (282,100)  | -                      | (200,000)    |
| Capital Reserve Utilities  | (5,000)   | (5,000)    | -                      | (5,000)      |
| Loan Proceeds  | -         | -          | -                      | 214,690      |
| Total other financing sources (uses)   | 220,907   | 220,907    | -                      | 608,620      |
| <b>Revenues and other sources over expenditures and other uses</b>             |           |            |                        |              |
|  | \$ -      | 75,216     | \$ 995,219             | 495,904      |
| <b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b> |           |            |                        |              |
| Reconciling items:   |           |            |                        |              |
| Debt service- principal  |           | 1,260,656  |                        | 1,116,339    |
| Installment note proceeds  |           | -          |                        | (214,690)    |
| Capital outlay   |           | 15,654     |                        | 214,157      |
| Depreciation   |           | (433,236)  |                        | (449,856)    |
| Increase (decrease) in notes receivable  |           | -          |                        | (1,531,250)  |
| (Increase) decrease in accrued interest payable                                |           | 4,117      |                        | (5,596)      |
| (Increase) decrease in compensated absences                                    |           | (14,468)   |                        | 3,337        |
| (Increase) decrease in net pension liability                                   |           | (44,099)   |                        | (110,455)    |
| (Increase) decrease in OPEB liability  |           | 55,964     |                        | 50,566       |
| Increase (decrease) in deferred outflows of resources - pensions               |           | (27,123)   |                        | 88,877       |
| Increase (decrease) in deferred outflows of resources - OPEB                   |           | (3,829)    |                        | (27,154)     |
| (Increase) Decrease in deferred inflows of resources - pensions                |           | 3,405      |                        | 9,145        |
| (Increase) Decrease in deferred inflows of resources - OPEB                    |           | (33,698)   |                        | (40,206)     |
| Consolidated activity:   |           |            |                        |              |
| Water Capital Project Fund:  |           |            |                        |              |
| Interest on investments  |           | 3          |                        | 6            |
| Sales tax refunds  |           | -          |                        | 2            |
| Repairs and Maintenance  |           | (225,343)  |                        | -            |
| Transfers (to) from Rate Stabilization Fund                                    |           | 231,517    |                        | -            |
| Transfers (to) from Water Fund   |           | 282,100    |                        | 200,000      |
| Capital Reserve Utilities Fund:  |           |            |                        |              |
| Excess of revenues over (under) expenses                                       |           | 180        |                        | 179          |
| Transfers (to) from Water Fund   |           | 5,000      |                        | 5,000        |
| Transfers (to) from Water Capital Project Fund                                 |           | -          |                        | -            |
| Rate Stabilization Fund:   |           |            |                        |              |
| Excess of revenues over (under) expenses                                       |           | 19,668     |                        | 28,884       |
| Transfers (to) from Water Fund   |           | -          |                        | (100,000)    |
| Transfers (to) from Water Capital Project Fund                                 |           | (231,517)  |                        | -            |
| Transfers (to) from Sewer Capital Project                                      |           | (370,500)  |                        | -            |
| Total reconciling items  |           | 494,451    |                        | (762,715)    |
| Change in net position   |           | \$ 569,667 |                        | \$ (266,811) |

**City of Henderson, North Carolina**  
**Water Capital Project Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|   | Project<br>Authorization | Actual      |                           |           |               | Variance<br>Positive<br>(Negative) |
|---|--------------------------|-------------|---------------------------|-----------|---------------|------------------------------------|
|   |                          | Prior Years | Current Year              |           | Total to Date |                                    |
|   |                          |             | Revenues/<br>Expenditures | Closed    |               |                                    |
|   |                          |             |                           |           |               |                                    |
| <b>Revenues:</b>                                    |                          |             |                           |           |               |                                    |
| Investment income                                   |                          |             |                           |           |               |                                    |
| General   | \$ -                     | \$ 256      | \$ 3                      | \$ -      | \$ 259        | \$ 259                             |
| Sales tax refunds                                   |                          |             |                           |           |               |                                    |
| General   | -                        | 4,110       | -                         | -         | 4,110         | 4,110                              |
| Total Revenues                                      | -                        | 4,366       | 3                         | -         | 4,369         | 4,369                              |
|   |                          |             |                           |           |               |                                    |
| <b>Expenditures:</b>                                |                          |             |                           |           |               |                                    |
| Capital Outlay:                                     |                          |             |                           |           |               |                                    |
| Young Ave. Asbestos Replace.                        |                          |             |                           |           |               |                                    |
| Admin. / Closing fee                                | 33,172                   | 33,172      | -                         | -         | 33,172        | -                                  |
| Construction  | 1,893,786                | 989,883     | 785,525                   | -         | 1,775,408     | 118,378                            |
| Legal / Admin                                       | 2,788                    | 1,658       | -                         | -         | 1,658         | 1,130                              |
| Engineering   | 30,000                   | 30,000      | -                         | -         | 30,000        | -                                  |
| Planning & Design                                   | 101,905                  | 101,905     | -                         | -         | 101,905       | -                                  |
| Total   | 2,061,651                | 1,156,618   | 785,525                   | -         | 1,942,143     | 119,508                            |
| Beckford Dr. Loop Waterline                         |                          |             |                           |           |               |                                    |
| Engineering   | 7,000                    | 7,000       | -                         | (7,000)   | -             | 7,000                              |
| Legal / Admin.                                      | 427                      | 427         | -                         | (427)     | -             | 427                                |
| Total   | 7,427                    | 7,427       | -                         | (7,427)   | -             | 7,427                              |
| Raleigh Rd / Dabney Water Main                      |                          |             |                           |           |               |                                    |
| Construction  | 47,050                   | 47,050      | -                         | (47,050)  | -             | 47,050                             |
| Legal / Right of Way                                | 93                       | 93          | -                         | (93)      | -             | 93                                 |
| Total   | 47,143                   | 47,143      | -                         | (47,143)  | -             | 47,143                             |
| Withersravenel Consultation                         |                          |             |                           |           |               |                                    |
| Contingency   | 500                      | -           | -                         | -         | -             | 500                                |
| Legal / Right of Way                                | 1,000                    | -           | 27                        | -         | 27            | 973                                |
| Consultant  | 18,000                   | -           | 13,460                    | -         | 13,460        | 4,540                              |
| Total   | 19,500                   | -           | 13,487                    | -         | 13,487        | 6,013                              |
| Dabney Drive Water Main                             |                          |             |                           |           |               |                                    |
| Engineering   | 2,895                    | -           | 2,895                     | (2,895)   | -             | 2,895                              |
| Construction  | 222,448                  | -           | 222,448                   | (222,448) | -             | 222,448                            |
| Total   | 225,343                  | -           | 225,343                   | (225,343) | -             | 225,343                            |
| Water Standpipe Painting Project                    |                          |             |                           |           |               |                                    |
| Contracted Services                                 | 50,000                   | -           | -                         | -         | -             | 50,000                             |
| Total   | 50,000                   | -           | -                         | -         | -             | 50,000                             |
| Water Project                                       |                          |             |                           |           |               |                                    |
| Construction  | 232,100                  | -           | -                         | -         | -             | 232,100                            |
| Total   | 232,100                  | -           | -                         | -         | -             | 232,100                            |
| Total expenditures                                  | 2,643,164                | 1,211,188   | 1,024,355                 | (279,913) | 1,955,630     | 687,534                            |
| <b>Excess of revenues over (under) expenditures</b> | (2,643,164)              | (1,206,822) | (1,024,352)               | 279,913   | (1,951,261)   | 691,903                            |
| (continued)   |                          |             |                           |           |               |                                    |

(continued)

**City of Henderson, North Carolina**  
**Water Capital Project Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|   | Project<br>Authorization | Actual       |                           |           |               | Variance<br>Positive<br>(Negative) |
|---|--------------------------|--------------|---------------------------|-----------|---------------|------------------------------------|
|   |                          | Prior Years  | Current Year              |           |               |                                    |
|   |                          |              | Revenues/<br>Expenditures | Closed    | Total to Date |                                    |
| Other Financing Sources (uses)                                    |                          |              |                           |           |               |                                    |
| Young Ave. Asbestos Replace.<br>Loan proceeds - DWSRF             | 1,811,840                | 654,186      | 647,480                   | -         | 1,301,666     | (510,174)                          |
| Young Ave. Asbestos Replace.<br>Transfer from CIP Water           | 249,811                  | -            | 249,811                   | -         | 249,811       | -                                  |
| Withersravenel Consultation<br>Transfer from Rate Stabilization   | 19,500                   | -            | 19,500                    | -         | 19,500        | -                                  |
| Dabney Drive Water Main<br>Transfer from Rate Stabilization       | 210,394                  | -            | 210,394                   | (210,394) | -             | (210,394)                          |
| Transfer from CIP Water   | 51,557                   | -            | 51,557                    | (51,557)  | -             | (51,557)                           |
| Transfer to CIP Water   | (36,608)                 |              | (36,608)                  | 36,608    | -             | 36,608                             |
| Water Standpipe Painting Project<br>Transfer from Water Fund      | 50,000                   | -            | 50,000                    | -         | 50,000        | -                                  |
| Water Project<br>Transfer from Water Fund                         | 232,100                  | -            | 232,100                   | -         | 232,100       | -                                  |
| Transfer from Water Project Fund                                  | -                        | -            | 36,608                    | -         | 36,608        | 36,608                             |
| Other Water Projects<br>Transfer from Water Fund                  | -                        | 45,685       | -                         | -         | 45,685        | 45,685                             |
| Beckford Dr. Loop Waterline<br>Transfer from Water Fund           | 6,514                    | 55,615       | (49,101)                  | (6,514)   | -             | (6,514)                            |
| Transfer from Rate Stabilization                                  | -                        | 200,000      | (200,000)                 | -         | -             | -                                  |
| Transfer from CIP Water   | 913                      | -            | 913                       | (913)     | -             | (913)                              |
| Raleigh Rd / Dabney Water Main<br>Transfer from Water Fund        | 98,700                   | 98,700       | -                         | (98,700)  | -             | (98,700)                           |
| Transfer from Rate Stabilization Fund                             | -                        | -            | 1,623                     | (1,623)   | -             | -                                  |
| Transfer to CIP Water   | (51,557)                 | -            | (53,180)                  | 53,180    | -             | 51,557                             |
| Total other financing sources (uses)                              | 2,643,164                | 1,054,186    | 1,161,097                 | (279,913) | 1,935,370     | (707,794)                          |
| Revenues and other financing sources<br>over (under) expenditures | \$ -                     | \$ (152,636) | \$ 136,745                | \$ -      | \$ (15,891)   | \$ (15,891)                        |

**City of Henderson, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|                                | 2020         |              |                                    | 2019 Actual  |
|--------------------------------|--------------|--------------|------------------------------------|--------------|
|                                | Budget       | Actual       | Variance<br>Positive<br>(Negative) |              |
| <b>Revenues</b>                |              |              |                                    |              |
| Operating revenues             |              |              |                                    |              |
| Charges for services           |              |              |                                    |              |
| Sewer Charges                  | \$ 4,630,000 | \$ 4,846,337 | \$ 216,337                         | \$ 4,772,466 |
| Sewer surcharges               | 2,000        | 3,314        | 1,314                              | 2,252        |
| Debt setoff- Sewer charges     | 2,000        | 7,816        | 5,816                              | 9,399        |
| Bad debts recovery             | 9,000        | 17,916       | 8,916                              | 21,570       |
| Tapping                        | 10,000       | 5,750        | (4,250)                            | 7,950        |
| Reconnection                   | 50,000       | 28,733       | (21,267)                           | 47,702       |
| Code violations                | -            | 3,825        | 3,825                              | 805          |
| Set up charges                 | 27,000       | 23,730       | (3,270)                            | 26,884       |
| Fog compliance monitoring      | 6,000        | 9,005        | 3,005                              | 9,360        |
| Past due charges               | 200,000      | 155,115      | (44,885)                           | 202,913      |
| Total                          | 4,936,000    | 5,101,541    | 165,541                            | 5,101,301    |
| Other operating revenues       |              |              |                                    |              |
| Sale of materials              | -            | 695          | 695                                | 195          |
| Miscellaneous                  | -            | 5,936        | 5,936                              | 2,091        |
| Total                          | -            | 6,631        | 6,631                              | 2,286        |
| Total operating revenues       | 4,936,000    | 5,108,172    | 172,172                            | 5,103,587    |
| Non-operating revenues         |              |              |                                    |              |
| Interest on investments        | 70,000       | 54,849       | (15,151)                           | 78,194       |
| Sale of Assets                 | -            | 65           | 65                                 | -            |
| Total non-operating revenues   | 70,000       | 54,914       | (15,086)                           | 78,194       |
| Total Revenues                 | 5,006,000    | 5,163,086    | 157,086                            | 5,181,781    |
| <b>Expenditures:</b>           |              |              |                                    |              |
| Water Reclamation Facility     |              |              |                                    |              |
| Salaries and employee benefits | 816,566      | 814,488      | 2,078                              | 813,445      |
| Supplies                       | 225,813      | 213,748      | 12,065                             | 208,848      |
| Telephone                      | 9,838        | 9,830        | 8                                  | 8,868        |
| Utilities                      | 389,014      | 388,302      | 712                                | 362,645      |
| Insurance                      | 40,076       | 36,925       | 3,151                              | 40,276       |
| Contracted Services            | 221,288      | 220,725      | 563                                | 209,669      |
| Maintenance                    | 195,563      | 160,330      | 35,233                             | 229,164      |
| Capital Outlay                 | 56,100       | 56,079       | 21                                 | 50,271       |
| Other expenses                 | 20,390       | 17,578       | 2,812                              | 15,615       |
| Total                          | 1,974,648    | 1,918,005    | 56,643                             | 1,938,801    |
| Sewer Collection Operations    |              |              |                                    |              |
| Salaries and employee benefits | 236,235      | 228,130      | 8,105                              | 186,875      |
| Supplies                       | 40,100       | 28,281       | 11,819                             | 23,953       |
| Telephone                      | 6,059        | 4,219        | 1,840                              | 4,151        |
| Utilities                      | 21,600       | 14,100       | 7,500                              | 13,556       |
| Insurance                      | 19,300       | 12,316       | 6,984                              | 12,965       |
| Contracted services            | 42,000       | 13,779       | 28,221                             | 17,503       |
| Maintenance                    | 57,600       | 23,269       | 34,331                             | 30,464       |

(continued)

City of Henderson, North Carolina  
Sewer FundSchedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019

|  | 2020        |                   | Variance<br>Positive<br>(Negative) | 2019 Actual       |
|--|-------------|-------------------|------------------------------------|-------------------|
|  | Budget      | Actual            |                                    |                   |
| Sewer Collection Operations (continued)                            |             |                   |                                    |                   |
| Sewer Line Repairs   | 32,000      | 18,153            | 13,847                             | 31,294            |
| Sewer taps   | 6,000       | 1,143             | 4,857                              | 3,251             |
| Capital Outlay   | 36,800      | 36,064            | 736                                | 122,898           |
| Other expenses   | 15,324      | 9,405             | 5,919                              | 8,697             |
| Total  | 513,018     | 388,859           | 124,159                            | 455,607           |
| Sewer I & I Operations   |             |                   |                                    |                   |
| Salaries and employee benefits                                     | 142,552     | 135,178           | 7,374                              | 138,542           |
| Supplies   | 26,200      | 13,769            | 12,431                             | 14,852            |
| Insurance  | 10,400      | 9,371             | 1,029                              | 11,622            |
| Contracted Services  | 28,000      | 25,550            | 2,450                              | 25,653            |
| Maintenance  | 7,300       | 2,760             | 4,540                              | 2,483             |
| Capital Outlay   | 35,200      | 12,700            | 22,500                             | 59,863            |
| Other expenses   | 6,187       | 4,514             | 1,673                              | 3,890             |
| Total  | 255,839     | 203,842           | 51,997                             | 256,905           |
| Non-departmental   |             |                   |                                    |                   |
| Retiree insurance  | 25,938      | 24,790            | 1,148                              | 24,212            |
| Workers' compensation insurance                                    | -           | -                 | -                                  | -                 |
| Licenses/Permits/Fees  | 1,062       | 869               | 193                                | 302               |
| Reserve for bad debt   | 20,000      | -                 | 20,000                             | -                 |
| Cost Allocation to Other Funds                                     | 503,856     | 503,856           | -                                  | 495,430           |
| Other reserve  | 81,465      | -                 | 81,465                             | -                 |
| Hardware and Software  | 10,250      | 10,190            | 60                                 | -                 |
| Total  | 642,571     | 539,705           | 102,866                            | 519,944           |
| Debt Service   |             |                   |                                    |                   |
| Interest and fees  | 53,014      | 49,403            | 3,611                              | 48,360            |
| Principal  | 1,082,962   | 1,056,941         | 26,021                             | 999,983           |
| Total  | 1,135,976   | 1,106,344         | 29,632                             | 1,048,343         |
| Total Expenditures   | 4,522,052   | 4,156,755         | 365,297                            | 4,219,600         |
| Revenues over (under) expenditures                                 | 483,948     | 1,006,331         | (208,211)                          | 962,181           |
| <b>Other Financing Sources (Uses):</b>                             |             |                   |                                    |                   |
| Transfer from (to) other funds:                                    |             |                   |                                    |                   |
| General Fund Capital Project Fund                                  | (8,778)     | (8,778)           | -                                  | -                 |
| Rate Stabilization Fund  | 150,000     | 150,000           | -                                  | -                 |
| Sewer Capital Project Fund   | (256,370)   | (256,370)         | -                                  | (82,000)          |
| Water Fund   | (419,900)   | (419,900)         | -                                  | (419,030)         |
| Capital Reserve Utilities Fund                                     | (5,000)     | (5,000)           | -                                  | (5,000)           |
| Long-Term Debt Issued  | 56,100      | 56,100            | -                                  | (188,912)         |
| Fund Balance appropriated  | -           | -                 | -                                  | -                 |
| Total other financing sources (uses)                               | (483,948)   | (483,948)         | -                                  | (694,942)         |
| <b>Revenues and other sources over expenditures and other uses</b> | <b>\$ -</b> | <b>\$ 522,383</b> | <b>\$ (208,211)</b>                | <b>\$ 267,239</b> |

(continued)

**City of Henderson, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|   | 2020   |             | Variance<br>Positive<br>(Negative) | 2019 Actual |
|---|--------|-------------|------------------------------------|-------------|
|   | Budget | Actual      |                                    |             |
| Reconciliation from budgetary basis (modified accrual) to full accrual: |        |             |                                    |             |
| Reconciling items:  |        |             |                                    |             |
| Debt service- principal   |        | 1,056,941   |                                    | 999,983     |
| Capital outlay  |        | 71,733      |                                    | 212,672     |
| Depreciation  |        | (1,308,267) |                                    | (1,258,708) |
| Long-Term Debt Issued   |        | (56,100)    |                                    | 188,912     |
| Increase (decrease) in inventory  |        | (528)       |                                    | -           |
| (Increase) decrease in accrued interest payable                         |        | 2,295       |                                    | (7,296)     |
| (Increase) decrease in compensated absences                             |        | (14,579)    |                                    | (2,876)     |
| (Increase) decrease in OPEB liability                                   |        | 56,883      |                                    | 51,395      |
| (Increase) decrease in net pension liability                            |        | (46,665)    |                                    | (116,889)   |
| Increase (decrease) in deferred outflows of resources - pensions        |        | (28,704)    |                                    | 94,053      |
| Increase (decrease) in deferred outflows of resources - OPEB            |        | 6,409       |                                    | (31,877)    |
| (Increase) Decrease in deferred inflows of resources - pensions         |        | 3,604       |                                    | 9,678       |
| (Increase) Decrease in deferred inflows of resources - OPEB             |        | (34,251)    |                                    | (40,865)    |
| Consolidated activity:  |        |             |                                    |             |
| Sewer Capital Project Fund:   |        |             |                                    |             |
| Sales tax refunds   |        | -           |                                    | 5,189       |
| Capital contributions received  |        | -           |                                    | 1,798,488   |
| Transfers (to) from Rate Stabilization Fund                             |        | -           |                                    | (60,437)    |
| Transfers (to) from Sewer Fund  |        | 256,370     |                                    | 82,000      |
| Transfers (to) from Rate Stabilization Fund - Sewer                     |        | 149,430     |                                    | 10,000      |
| Transfers (to) from Sewer Capital Reserve - Water                       |        | 370,500     |                                    | (43,342)    |
| Capital Reserve Utilities Fund:   |        |             |                                    |             |
| Excess of revenues over (under) expenses                                |        | 1,647       |                                    | 2,446       |
| Transfers (to) from Sewer Fund  |        | 5,000       |                                    | 5,000       |
| Transfers (to) from Sewer Capital Project Fund                          |        | -           |                                    | 33,342      |
| Rate Stabilization Fund:  |        |             |                                    |             |
| Excess of revenues over (under) expenses                                |        | 11,973      |                                    | 21,683      |
| Transfers (to) from Sewer Fund  |        | (150,000)   |                                    |             |
| Transfers (to) from Sewer Capital Project Fund                          |        | (149,430)   |                                    | 60,437      |
| Total reconciling items   |        | 204,261     |                                    | 2,012,988   |
| Change in net position  | \$     | 726,644     | \$                                 | 2,280,227   |

**City of Henderson, North Carolina**  
**Sewer Capital Project Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|                                 | Actual                   |              |                           |                |               |                                    |
|---------------------------------|--------------------------|--------------|---------------------------|----------------|---------------|------------------------------------|
|                                 | Current Year             |              |                           |                |               |                                    |
|                                 | Project<br>Authorization | Prior Years  | Revenues/<br>Expenditures | Closed         | Total to Date | Variance<br>Positive<br>(Negative) |
| Revenues:                       |                          |              |                           |                |               |                                    |
| Newton Dairy Sewer Extension    |                          |              |                           |                |               |                                    |
| Restricted intergovernmental    |                          |              |                           |                |               |                                    |
| CDBG-Sewer                      | \$ 1,532,400             | \$ 1,532,400 | \$ -                      | \$ (1,532,400) | \$ -          | \$ (1,532,400)                     |
| Total                           | 1,532,400                | 1,532,400    | -                         | (1,532,400)    | -             | (1,532,400)                        |
| Investment Income               | -                        | 16,674       | -                         | -              | 16,674        | 16,674                             |
| Sales tax refunds               | -                        | 30,239       | -                         | -              | 30,239        | 30,239                             |
| Total Revenue                   | 1,532,400                | 1,579,313    | -                         | (1,532,400)    | 46,913        | (1,485,487)                        |
| Expenditures:                   |                          |              |                           |                |               |                                    |
| Capital Outlay:                 |                          |              |                           |                |               |                                    |
| HWRF Demolitions                |                          |              |                           |                |               |                                    |
| Contracted Services             | 317,863                  | -            | 314,999                   | -              | 314,999       | 2,864                              |
| Legal/Admin                     | 5,000                    | -            | 2,742                     | -              | 2,742         | 2,258                              |
| Contingency                     | 28,137                   | -            | -                         | -              | -             | 28,137                             |
| Total                           | 351,000                  | -            | 317,741                   | -              | 317,741       | 33,259                             |
| Newton Dairy Sewer Extension    |                          |              |                           |                |               |                                    |
| Design                          | 109,800                  | 109,800      | -                         | (109,800)      | -             | 109,800                            |
| Grant Administration            | 80,000                   | 80,000       | -                         | (80,000)       | -             | 80,000                             |
| Construction/ Admin             | 1,681,565                | 1,681,565    | -                         | (1,681,565)    | -             | 1,681,565                          |
| Right of Way Easements          | 5,828                    | 5,828        | -                         | (5,828)        | -             | 5,828                              |
| Contingency                     | 39,000                   | 39,000       | -                         | (39,000)       | -             | 39,000                             |
| Total                           | 1,916,193                | 1,916,193    | -                         | (1,916,193)    | -             | 1,916,193                          |
| Martin Creek Pump Generator     |                          |              |                           |                |               |                                    |
| Legal / Admin                   | 5,000                    | -            | -                         | -              | -             | 5,000                              |
| Construction                    | 57,000                   | -            | 56,034                    | -              | 56,034        | 966                                |
| Total                           | 62,000                   | -            | 56,034                    | -              | 56,034        | 5,966                              |
| Withersravenel Consultation     |                          |              |                           |                |               |                                    |
| Consultant                      | 18,000                   | -            | 11,153                    | -              | 11,153        | 6,847                              |
| Legal/Admin                     | 1,000                    | -            | 27                        | -              | 27            | 973                                |
| Contingency                     | 500                      | -            | -                         | -              | -             | 500                                |
| Total                           | 19,500                   | -            | 11,180                    | -              | 11,180        | 8,320                              |
| Capital Outlay                  |                          |              |                           |                |               |                                    |
| Sludge Holding Tanks            | 256,370                  | -            | 118,701                   | -              | 118,701       | 137,669                            |
| Non-Potable Water System        | 149,430                  | -            | 14,416                    | -              | 14,416        | 135,014                            |
| Total                           | 405,800                  | -            | 133,117                   | -              | 133,117       | 272,683                            |
| Total expenditures              | 2,754,493                | 1,916,193    | 518,072                   | (1,916,193)    | 518,072       | 2,236,421                          |
| Excess of revenues over (under) |                          |              |                           |                |               |                                    |
| expenditures                    | (1,222,093)              | (336,880)    | (518,072)                 | 383,793        | (471,159)     | 750,934                            |
|                                 |                          |              |                           |                |               | (continued)                        |

(continued)

**City of Henderson, North Carolina**  
**Sewer Capital Project Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|  | Project<br>Authorization | Actual      |                           |           |               | Variance<br>Positive<br>Positive<br>(Negative) |
|--|--------------------------|-------------|---------------------------|-----------|---------------|--|
|  |                          | Prior Years | Current Year              |           | Total to Date |  |
|  |                          |             | Revenues/<br>Expenditures | Closed    |               |  |
| Other Financing Sources (uses)           |                          |             |                           |           |               |  |
| Newton Dairy Sewer Extension             |                          |             |                           |           |               |  |
| Transfer from (to) 79 Rate Stabilization | 383,793                  | 383,793     | -                         | (383,793) | -             | (383,793)                                      |
| Total                                    | 383,793                  | 383,793     | -                         | (383,793) | -             | (383,793)                                      |
| Martin Creek Pump Generator              |                          |             |                           |           |               |  |
| Transfer from Sewer Fund                 | 62,000                   | 62,000      | -                         | -         | 62,000        | -  |
| Total                                    | 62,000                   | 62,000      | -                         | -         | 62,000        | -  |
| HWRF Demolitions                         |                          |             |                           |           |               |  |
| Transfer from (to) 79 Rate Stabilization | 351,000                  | -           | 351,000                   | -         | 351,000       | -  |
| Total                                    | 351,000                  | -           | 351,000                   | -         | 351,000       | -  |
| Withersravenel Consultation              |                          |             |                           |           |               |  |
| Transfer from (to) 79 Rate Stabilization | 19,500                   | -           | 19,500                    | -         | 19,500        | -  |
| Total                                    | 19,500                   | -           | 19,500                    | -         | 19,500        | -  |
| Sludge Holding Tanks                     |                          |             |                           |           |               |  |
| Transfer from Sewer Fund                 | 256,370                  | -           | 256,370                   | -         | 256,370       | -  |
| Total                                    | 256,370                  | -           | 256,370                   | -         | 256,370       | -  |
| Non-Potable Water System                 |                          |             |                           |           |               |  |
| Transfer from (to) 79 Rate Stabilization | 149,430                  | -           | 149,430                   | -         | 149,430       | -  |
| Total                                    | 149,430                  | -           | 149,430                   | -         | 149,430       | -  |
| Loan discount                            | -                        | 6,506       | -                         | -         | 6,506         | 6,506  |
| Other                                    | -                        | 1,448       | -                         | -         | 1,448         | 1,448  |
| Total other financing sources (uses)     | 1,222,093                | 453,747     | 776,300                   | (383,793) | 846,254       | (375,839)                                      |
| Revenues and other financing sources     |                          |             |                           |           |               |  |
| over (under) expenditures                | \$ -                     | \$ 116,867  | \$ 258,228                | \$ -      | \$ 375,095    | \$ 375,095                                     |

**City of Henderson, North Carolina**  
**Capital Reserve Utilities Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|   |                  | Actual       |                                    |              |
|---|------------------|--------------|------------------------------------|--------------|
|   | Budget           | Actual       | Variance<br>Positive<br>(Negative) | 2019 Actual  |
| <b>Revenues:</b>                                    |                  |              |                                    |              |
| Capital Reserve- Water                              |                  |              |                                    |              |
| Investment earnings                                 | \$ 150           | \$ 240       | \$ 90                              | \$ 205       |
| Capital Reserve- Sewer                              |                  |              |                                    |              |
| Investment earnings                                 | 650              | 692          | 42                                 | 925          |
| Capital usage fee                                   | 500              | 1,015        | 515                                | 1,547        |
| Total Revenue                                       | 1,300            | 1,947        | 647                                | 2,677        |
| <b>Expenditures:</b>                                |                  |              |                                    |              |
| Capital Reserve- Water                              |                  |              |                                    |              |
| Licenses/Permits/Fees                               | 100              | 60           | 40                                 | 26           |
| Reserve   | 4,950            | -            | 4,950                              | -            |
| Capital Reserve- Sewer                              |                  |              |                                    |              |
| Licenses/Permits/Fees                               | 100              | 60           | 40                                 | 26           |
| Reserve   | 179,090          | -            | 179,090                            | -            |
| Total expenditures                                  | 184,240          | 120          | 184,120                            | 52           |
| <b>Excess of revenues over (under) expenditures</b> | <b>(182,940)</b> | <b>1,827</b> | <b>184,767</b>                     | <b>2,625</b> |
| <b>Other Financing Sources (uses)</b>               |                  |              |                                    |              |
| Capital Reserve- Water                              |                  |              |                                    |              |
| Transfer (to) from Water Fund                       | 5,000            | 5,000        | -                                  | 5,000        |
| Transfer (to) from Water Capital Project Fund       | -                | -            | -                                  | 0            |
| Capital Reserve- Sewer                              |                  |              |                                    |              |
| Transfer (to) from Sewer Fund                       | 5,000            | 5,000        | -                                  | 5,000        |
| Transfer (to) from 44 CIP Sewer                     | -                | -            | -                                  | 43,342       |
| Transfer (to) from 44 CIP Sewer                     | -                | -            | -                                  | (10,000)     |
| Fund balance appropriated                           | 172,940          | -            | (172,940)                          | -            |
| Total other financing sources (uses)                | 182,940          | 10,000       | (172,940)                          | 43,342       |
| Revenues over (under) expenditures                  | \$ -             | 11,827       | \$ 11,827                          | 45,967       |
| Fund Balance- Beginning                             |                  | 403,383      |                                    | 357,416      |
| Fund Balance -Ending                                |                  | \$ 415,210   |                                    | \$ 403,383   |

**City of Henderson, North Carolina**  
**Rate Stabilization Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|   |                    | Actual        |                                 |               |
|---|--------------------|---------------|---------------------------------|---------------|
|   | Budget             | Actual        | Variance Positive<br>(Negative) | 2019 Actual   |
| <b>Revenues:</b>                                    |                    |               |                                 |               |
| Rate Stabilization- Water                           |                    |               |                                 |               |
| Investment earnings                                 | \$ 20,500          | \$ 19,678     | \$ (822)                        | \$ 28,889     |
| Rate Stabilization- Sewer                           |                    |               |                                 |               |
| Investment earnings                                 | 20,500             | 11,983        | (8,517)                         | 21,688        |
| Total Revenue                                       | 41,000             | 31,661        | (9,339)                         | 50,577        |
| <b>Expenditures:</b>                                |                    |               |                                 |               |
| Rate Stabilization- Water                           |                    |               |                                 |               |
| Licenses/Permits/Fees                               | 10                 | 10            | -                               | 5             |
| Rate Stabilization Reserve                          | 2,189,533          | -             | 2,189,533                       | -             |
| Rate Stabilization- Sewer                           |                    |               |                                 |               |
| Licenses/Permits/Fees                               | 10                 | 10            | -                               | 5             |
| Total expenditures                                  | 2,189,553          | 20            | 2,189,533                       | 10            |
| <b>Excess of revenues over (under) expenditures</b> | <b>(2,148,553)</b> | <b>31,641</b> | <b>2,180,194</b>                | <b>50,567</b> |
| <b>Other Financing Sources (uses)</b>               |                    |               |                                 |               |
| Rate Stabilization- Water                           |                    |               |                                 |               |
| Transfer (to) from Water Fund                       | -                  | -             | -                               | (100,000)     |
| Transfer (to) from Sewer Capital Project Fund       | (370,500)          | (370,500)     | -                               | -             |
| Transfer (to) from Water Capital Project Fund       | (231,517)          | (231,517)     | -                               | -             |
| Fund balance appropriated                           | 2,520,060          | -             | (2,520,060)                     | -             |
| Rate Stabilization- Sewer                           |                    |               |                                 |               |
| Transfer (to) from Sewer Capital Project Fund       | (149,430)          | (149,430)     | -                               | 60,437        |
| Transfer (to) from Sewer Fund                       | (150,000)          | (150,000)     | -                               | -             |
| Fund balance appropriated                           | 529,940            | -             | (529,940)                       | -             |
| Total other financing sources (uses)                | 2,148,553          | (901,447)     | (3,050,000)                     | (39,563)      |
| Revenues over (under) expenditures                  | \$ -               | (869,806)     | \$ (869,806)                    | 11,004        |
| Fund Balance- Beginning                             |                    | 3,132,206     |                                 | 3,121,202     |
| Fund Balance -Ending                                |                    | \$ 2,262,400  |                                 | \$ 3,132,206  |

**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, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|   | 2020             |                  |                                    | 2019 Actual      |
|---|------------------|------------------|------------------------------------|------------------|
|   | Budget           | Actual           | Variance<br>Positive<br>(Negative) |                  |
| <b>Revenues:</b>                          |                  |                  |                                    |                  |
| Operating Revenues                        |                  |                  |                                    |                  |
| Charges for service                       |                  |                  |                                    |                  |
| Water Charges                             | \$ 5,000,000     | \$ 5,629,068     | \$ 629,068                         | \$ 5,447,261     |
| Other operating revenues                  |                  |                  |                                    |                  |
| Miscellaneous                             | 5,000            | 9,236            | 4,236                              | 7,410            |
| Total operating revenues                  | 5,005,000        | 5,638,304        | 633,304                            | 5,454,671        |
| Non-operating revenues                    |                  |                  |                                    |                  |
| Interest on investment                    | 55,000           | 59,448           | 4,448                              | 65,553           |
| <b>Total revenues</b>                     | <b>5,060,000</b> | <b>5,697,752</b> | <b>637,752</b>                     | <b>5,520,224</b> |
| <b>Expenditures:</b>                      |                  |                  |                                    |                  |
| Regional Water Plant                      |                  |                  |                                    |                  |
| Salaries and employee benefits            | 689,535          | 673,175          | 16,360                             | 648,658          |
| Supplies                                  | 515,246          | 482,111          | 33,135                             | 471,364          |
| Telephone                                 | 6,758            | 5,946            | 812                                | 5,844            |
| Utilities                                 | 416,000          | 394,196          | 21,804                             | 404,090          |
| Insurance                                 | 33,517           | 28,017           | 5,500                              | 31,729           |
| Contracted services                       | 300,000          | 274,728          | 25,272                             | 224,232          |
| Maintenance                               | 338,000          | 231,561          | 106,439                            | 230,477          |
| Capital Outlay                            | 3,112            | 3,101            | 11                                 | -                |
| Other expenses                            | 40,611           | 26,477           | 14,134                             | 27,328           |
| Total                                     | 2,342,779        | 2,119,312        | 223,467                            | 2,043,722        |
| Non-departmental                          |                  |                  |                                    |                  |
| Retiree insurance                         | 40,616           | 38,288           | 2,328                              | 39,753           |
| Cost Allocation to Other Funds            | 363,376          | 363,376          | -                                  | 354,950          |
| Other reserve                             | 65,824           | -                | 65,824                             | -                |
| Bank service charges                      | 954              | 555              | 399                                | 364              |
| Contingency                               | 30,000           | -                | 30,000                             | -                |
| Total                                     | 500,770          | 402,219          | 98,551                             | 395,067          |
| Debt Service                              |                  |                  |                                    |                  |
| Interest and fees                         | 77,796           | 77,777           | 19                                 | 79,559           |
| Principal                                 | 117,042          | 117,042          | -                                  | 300,411          |
| Total                                     | 194,838          | 194,819          | 19                                 | 379,970          |
| <b>Total Expenditures</b>                 | <b>3,038,387</b> | <b>2,716,350</b> | <b>322,037</b>                     | <b>2,818,759</b> |
| <b>Revenues over (under) expenditures</b> | <b>2,021,613</b> | <b>2,981,402</b> | <b>315,715</b>                     | <b>2,701,465</b> |

(continued)

**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, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|  | 2020        |                     | Variance<br>Positive<br>(Negative) | 2019 Actual         |
|--|-------------|---------------------|------------------------------------|---------------------|
|  | Budget      | Actual              |                                    |                     |
| <b>Other Financing Sources (Uses)</b>  |             |                     |                                    |                     |
| Transfer from other funds  |             |                     |                                    |                     |
| Regional Water System Capital Project Fund                                     | 26,381      | 26,381              | -                                  | -                   |
| Transfer (to) other funds:   |             |                     |                                    |                     |
| Capital Project Fund   | (4,774)     | (4,774)             | -                                  | -                   |
| Regional Water System Capital Project Fund                                     | (1,657,500) | (1,657,500)         | -                                  | (750,000)           |
| Regional Water Reserve Fund  | (385,720)   | (385,720)           | -                                  | (844,450)           |
| Fund balance appropriated  | -           | -                   | -                                  | -                   |
| Total other financing sources  | (2,021,613) | (2,021,613)         | -                                  | (1,594,450)         |
| <b>Revenues and other sources over expenditures and other uses</b>             | <u>\$ -</u> | <u>\$ 959,789</u>   | <u>\$ 959,789</u>                  | <u>\$ 1,107,015</u> |
| <b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b> |             |                     |                                    |                     |
| <u>Reconciling items:</u>  |             |                     |                                    |                     |
| Debt service- principal  |             | 117,042             |                                    | 300,411             |
| Capital outlay   |             | -                   |                                    | -                   |
| Depreciation   |             | (503,382)           |                                    | (513,090)           |
| Increase (decrease) in inventory   |             | 27,148              |                                    | -                   |
| Increase (decrease) in deferred outflows of resources - pensions               |             | (16,970)            |                                    | 55,607              |
| Increase (decrease) in deferred outflows of resources - OPEB                   |             | (170)               |                                    | 9,171               |
| (Increase) decrease in accrued interest payable                                |             | 533                 |                                    | 3,423               |
| (Increase) decrease in compensated absences                                    |             | (6,067)             |                                    | (1,605)             |
| (Increase) decrease in OPEB liability  |             | 33,147              |                                    | 29,949              |
| (Increase) decrease in net pension liability                                   |             | (27,591)            |                                    | (69,109)            |
| (Increase) Decrease in deferred inflows of resources - pensions                |             | 2,131               |                                    | 5,721               |
| (Increase) Decrease in deferred inflows of resources - OPEB                    |             | (19,959)            |                                    | (23,814)            |
| Consolidated activity:   |             |                     |                                    |                     |
| Regional Water System Capital Project Fund:                                    |             |                     |                                    |                     |
| Investment earnings  |             | 592                 |                                    | 941                 |
| Transfers (to) from Regional Water System Fund                                 |             | 1,657,500           |                                    | 1,459,571           |
| Transfers (to) from Regional Water System Fund                                 |             | (26,381)            |                                    | -                   |
| Transfers (to) from Regional Water Reserve Fund                                |             | 281,400             |                                    | -                   |
| Regional Water Reserve Fund:   |             |                     |                                    |                     |
| Excess of revenues over (under) expenses                                       |             | 82,919              |                                    | 107,855             |
| Transfers (to) from Regional Water System Fund                                 |             | 385,720             |                                    | 844,450             |
| Transfers (to) from Regional Water Project Fund                                |             | (281,400)           |                                    | (709,571)           |
| Total reconciling items  |             | <u>1,706,212</u>    |                                    | <u>1,499,910</u>    |
| Change in net position   |             | <u>\$ 2,666,001</u> |                                    | <u>\$ 2,606,925</u> |

**City of Henderson, North Carolina**  
**Regional Water System Capital Project Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**From Inception and For the Year Ended June 30, 2020**

|   | Project<br>Authorization | Actual      |                           |           |               | Variance<br>Positive<br>(Negative) |
|---|--------------------------|-------------|---------------------------|-----------|---------------|------------------------------------|
|   |                          | Prior Years | Current Year              |           |               |                                    |
|   |                          |             | Revenues/<br>Expenditures | Closed    | Total to Date |                                    |
| Revenues:   |                          |             |                           |           |               |                                    |
| Restricted Intergovernmental<br>State Reserve Grant - KLRWS I | \$ 3,000,000             | \$ -        | \$ -                      | \$ -      | \$ -          | \$ -                               |
| General   |                          |             |                           |           |               |                                    |
| Investment Income   | -                        | 1,904       | 592                       | -         | 2,496         | 2,496                              |
| Total Revenue   | 3,000,000                | 1,904       | 592                       | -         | 2,496         | 2,496                              |
| Expenditures:   |                          |             |                           |           |               |                                    |
| SCADA System Project  |                          |             |                           |           |               |                                    |
| Engineering   | 48,394                   | 48,394      | -                         | (48,394)  | -             | 48,394                             |
| Legal/ Admin  | 658                      | 658         | -                         | (658)     | -             | 658                                |
| Construction  | 425,288                  | 425,288     | -                         | (425,288) | -             | 425,288                            |
| Sales Tax Refund  | (21,421)                 | (17,635)    | (3,786)                   | 21,421    | -             | (21,421)                           |
| Total   | 452,919                  | 456,705     | (3,786)                   | (452,919) | -             | 452,919                            |
| KLRW Improvement Phase 1                                      |                          |             |                           |           |               |                                    |
| Engineering   | 3,493,500                | 3,470,396   | -                         | -         | 3,470,396     | 23,104                             |
| Contingency   | 907,214                  | -           | -                         | -         | -             | 907,214                            |
| Legal/ Admin  | 50,000                   | 16,900      | 231                       | -         | 17,131        | 32,869                             |
| Construction  | 30,427,886               | -           | -                         | -         | -             | 30,427,886                         |
| SRF Closing Fee   | 697,260                  | -           | -                         | -         | -             | -                                  |
| Total   | 35,575,860               | 3,487,296   | 231                       | -         | 3,487,527     | 31,391,073                         |
| KLRWP Stantec Services  |                          |             |                           |           |               |                                    |
| Professional Services   | 42,875                   | 35,032      | 7,008                     | -         | 42,040        | 835                                |
| Total   | 42,875                   | 35,032      | 7,008                     | -         | 42,040        | 835                                |
| Nutbush Line Tie-In   |                          |             |                           |           |               |                                    |
| Contingency   | 18,700                   | -           | -                         | -         | -             | 18,700                             |
| Engineering   | 122,340                  | 52,350      | 3,500                     | -         | 55,850        | 66,490                             |
| Construction  | 2,138,960                | -           | -                         | -         | -             | 2,138,960                          |
| Permitting  | 30,000                   | -           | -                         | -         | -             | 30,000                             |
| Right of Way  | 90,000                   | -           | -                         | -         | -             | -                                  |
| Total   | 2,400,000                | 52,350      | 3,500                     | -         | 55,850        | 2,254,150                          |
| WSMP Assessment Update  |                          |             |                           |           |               |                                    |
| Engineering   | 36,275                   | 4,675       | 31,600                    | -         | 36,275        | -                                  |
| Total   | 36,275                   | 4,675       | 31,600                    | -         | 36,275        | -                                  |
| High Service Pump   |                          |             |                           |           |               |                                    |
| Engineering   | 281,400                  | -           | 61,985                    | -         | 61,985        | 219,415                            |
| Total   | 281,400                  | -           | 61,985                    | -         | 61,985        | 219,415                            |
| Total expenditures  | 38,789,329               | 4,036,058   | 100,538                   | (452,919) | 3,683,677     | 34,318,392                         |
| Excess of revenues over (under) expenditures                  | (35,789,329)             | (4,034,154) | (99,946)                  | 452,919   | (3,681,181)   | 34,320,888                         |

City of Henderson, North Carolina  
Regional Water System Capital Project Fund  
Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)  
From Inception and For the Year Ended June 30, 2020

|  | Project<br>Authorization | Actual         |                           |           |               | Variance<br>Positive<br>(Negative) |
|--|--------------------------|----------------|---------------------------|-----------|---------------|------------------------------------|
|  |                          | Prior Years    | Current Year              |           |               |                                    |
|  |                          |                | Revenues/<br>Expenditures | Closed    | Total to Date |                                    |
| Other Financing Sources (uses)         |                          |                |                           |           |               |                                    |
| State Revolving Loan - KLRW Interbasin | 31,863,000               | -              | -                         | -         | -             | (31,863,000)                       |
| KLRWP Stantec Services                 |                          |                |                           |           |               |                                    |
| Transfer from Regional Water           | 27,950                   | 27,950         | -                         | -         | 27,950        | -                                  |
| Transfer from CIP SCADA                | 15,000                   | 7,500          | 7,500                     | -         | 15,000        | -                                  |
| Transfer to Other Project              | (75)                     | -              | (75)                      | -         | (75)          | -                                  |
| SCADA System Project                   |                          |                |                           |           |               |                                    |
| Transfer from Regional Water           | 523,000                  | 523,000        | -                         | (523,000) | -             | (523,000)                          |
| Transfer to Regional Water             | (26,381)                 | -              | (26,381)                  | 26,381    | -             | 26,381                             |
| Transfer to KLRWS Project              | (43,700)                 | (23,800)       | (19,900)                  | 43,700    | -             | 43,700                             |
| KLRWS Phase 2                          |                          |                |                           |           |               |                                    |
| Transfer from Regional Water CPF       | 3,289                    | 3,289          | -                         | -         | 3,289         | -                                  |
| 20MGD Expansion Phase 2                |                          |                |                           |           |               |                                    |
| Transfer from Regional Water Res.      | 709,571                  | 709,571        | -                         | -         | 709,571       | -                                  |
| Nutbush Line Tie-In                    |                          |                |                           |           |               |                                    |
| Transfer from Regional Water CPF       | 2,400,000                | 750,000        | 1,650,000                 | -         | 2,400,000     | -                                  |
| WSMP Assessment Update                 |                          |                |                           |           |               |                                    |
| Transfer from SCADA System             | 36,275                   | 16,300         | 19,975                    | -         | 36,275        | -                                  |
| High Service Pump                      |                          |                |                           |           |               |                                    |
| Transfer from Capital Reserve Fund     | 281,400                  | -              | 281,400                   | -         | 281,400       | -                                  |
| Total other financing sources (uses)   | 35,789,329               | 2,013,810      | 1,912,519                 | (452,919) | 3,473,410     | (32,315,919)                       |
| Revenues over (under) expenditures     | \$ -                     | \$ (2,020,344) | \$ 1,812,573              | \$ -      | \$ (207,771)  | \$ 2,004,969                       |

**City of Henderson, North Carolina**  
**Regional Water Reserve Fund**  
**Schedule of Revenues and Expenditures- Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2020, with Comparative Totals for the Fiscal Year Ended June 30, 2019**

|   |                  | <b>Actual</b> |   |                    |
|---|------------------|---------------|---|--------------------|
|   | <b>Budget</b>    | <b>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2019 Actual</b> |
| <b>Revenues:</b>                                    |                  |               |   |                    |
| Investment earnings                                 |                  |               |   |                    |
| Capital Reserve-Regional                            | \$ 6,000         | \$ 5,687      | \$ (313)                                    | \$ 7,387           |
| Capital Reserve- Regional COE                       | 1,800            | 1,530         | (270)                                       | 1,988              |
| Capital Reserve- Regional 20MGD                     | 90,000           | 76,008        | (13,992)                                    | 98,720             |
| Total Revenue                                       | 97,800           | 83,225        | (14,575)                                    | 108,095            |
| <b>Expenditures:</b>                                |                  |               |   |                    |
| Capital Reserve- Regional                           |                  |               |   |                    |
| Licenses/Permits/Fees                               | 500              | 102           | 398   | 80                 |
| Reserve   | 200,000          | -             | 200,000                                     | -                  |
| Capital Reverse- Regional COE                       |                  |               |   |                    |
| Licenses/Permits/Fees                               | 200              | 102           | 98  | 80                 |
| Reserve   | 60,000           | -             | 60,000                                      | -                  |
| Capital Reserve- Regional 20MGD                     |                  |               |   |                    |
| Licenses/Permits/Fees                               | 200              | 102           | 98  | 80                 |
| Total expenditures                                  | 260,900          | 306           | 260,594                                     | 240                |
| <b>Excess of revenues over (under) expenditures</b> | <b>(163,100)</b> | <b>82,919</b> | <b>246,019</b>                              | <b>107,855</b>     |
| <b>Other Financing Sources (uses)</b>               |                  |               |   |                    |
| Transfer (to) from other fund:                      |                  |               |   |                    |
| Regional Water Fund                                 | 385,720          | 385,720       | -   | 844,450            |
| Regional Water Project                              | (281,400)        | (281,400)     | -   | (709,571)          |
| Fund balance appropriated                           | 58,780           | -             | (58,780)                                    | -                  |
| Total other financing sources (uses)                | 163,100          | 104,320       | (58,780)                                    | 134,879            |
| Revenues over (under) expenditures                  | \$ -             | 187,239       | \$ 187,239                                  | 242,734            |
| Fund Balance- Beginning                             |                  | 7,111,463     |   | 6,868,729          |
| Fund Balance -Ending                                |                  | \$ 7,298,702  |   | \$ 7,111,463       |

**City of Henderson, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

Schedule E-1

| <u>Fiscal Year</u>                   | <u>Uncollected<br/>Balance<br/>June 30, 2019</u> | <u>Additions</u>    | <u>Collections<br/>And Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2020</u> |
|--------------------------------------|--|---------------------|------------------------------------|--|
| 2019-2020                            | \$ -   | \$ 6,490,802        | \$ 6,216,967                       | \$ 273,835                                       |
| 2018-2019                            | 202,451  | 90                  | 124,714                            | 77,827   |
| 2017-2018                            | 38,211   | -                   | 19,025                             | 19,186   |
| 2016-2017                            | 22,630   | -                   | 11,485                             | 11,145   |
| 2015-2016                            | 27,402   | -                   | 6,083                              | 21,319   |
| 2014-2015                            | 26,228   | -                   | 5,632                              | 20,596   |
| 2013-2014                            | 26,939   | -                   | 3,929                              | 23,010   |
| 2012-2013                            | 16,916   | -                   | 2,638                              | 14,278   |
| 2011-2012                            | 15,093   | -                   | 747                                | 14,346   |
| 2010-2011                            | 7,740  | -                   | 678                                | 7,062  |
| 2009-2010                            | <u>8,861</u>                                     | <u>-</u>            | <u>8,861</u>                       | <u>-</u>   |
| Totals                               | \$ <u>392,471</u>                                | \$ <u>6,490,892</u> | \$ <u>6,400,759</u>                | 482,604  |
| Less Allowance for Doubtful Accounts |  |                     |                                    | <u>(146,700)</u>                                 |
| Taxes Receivable (Net)               |  |                     |                                    | \$ <u>335,904</u>                                |
| <u>Reconcilement with revenues:</u>  |  |                     |                                    |  |
| Ad valorem taxes - General Fund      |  |                     |                                    | \$ 6,422,540                                     |
| Reconciling items:                   |  |                     |                                    |  |
| Penalties and Interest collected     |  |                     |                                    | (45,701)   |
| Taxes written off                    |  |                     |                                    | 8,861  |
| Releases and adjustments             |  |                     |                                    | <u>15,059</u>                                    |
| Total Collections and Credits        |  |                     |                                    | \$ <u>6,400,759</u>                              |

**City of Henderson, North Carolina**  
**Analysis of Current Tax Levy**  
**City-Wide Levy**  
**June 30, 2020**

|   | City Wide             |       |                     | Total Levy  |                                 |
|---|-----------------------|-------|---------------------|---|---------------------------------|
|   | Property<br>Valuation | Rate  | Total<br>Levy       | Property<br>Excluding<br>Registered<br>Motor Vehicles | Registered<br>Motor<br>Vehicles |
| <b>Original Levy</b>                      |                       |       |                     |   |                                 |
| Property taxed at current year's rate     | \$ 902,322,893        | 0.712 | \$ 6,424,539        | \$ 5,807,011  | \$ 617,528                      |
| Penalties                                 |                       |       | 11,282              | 11,282  | -                               |
| <b>Total</b>                              | <u>902,322,893</u>    |       | <u>6,435,821</u>    | <u>5,818,293</u>                                      | <u>617,528</u>                  |
| <b>Discoveries:</b>                       |                       |       |                     |   |                                 |
| Current year rate                         | 6,590,871             | 0.712 | 46,927              | 46,927  | -                               |
| Prior year taxes                          | 2,991,152             | 0.712 | 21,297              | 21,297  | -                               |
| Prior year taxes                          | 601,452               | 0.620 | 3,729               | 3,729   | -                               |
| <b>Total</b>                              | <u>10,183,474</u>     |       | <u>71,953</u>       | <u>71,953</u>   | <u>-</u>                        |
| <b>Abatement/Non-Discoveries:</b>         |                       |       |                     |   |                                 |
| Current year rate                         | (2,002,709)           | 0.712 | (15,442)            | (15,442)  | -                               |
| Prior year taxes                          | (214,904)             | 0.712 | (1,530)             | (1,530)   | -                               |
| Prior year taxes                          | -                     | 0.620 | -                   | -   | -                               |
| <b>Total</b>                              | <u>(2,217,613)</u>    |       | <u>(16,972)</u>     | <u>(16,972)</u>                                       | <u>-</u>                        |
| Net assessed valuation                    | <u>\$ 910,288,754</u> |       |                     |   |                                 |
| <b>Net Levy</b>                           |                       |       | 6,490,802           | 5,873,274   | 617,528                         |
| Uncollected taxes June 30, 2020           |                       |       | <u>273,835</u>      | <u>273,835</u>  | <u>-</u>                        |
| <b>Current years taxes collected</b>      |                       |       | <u>\$ 6,216,967</u> | <u>\$ 5,599,439</u>                                   | <u>\$ 617,528</u>               |
| <b>Current levy collection percentage</b> |                       |       | <u>95.78%</u>       | <u>95.34%</u>   | <u>100.00%</u>                  |

## STATISTICAL SECTION

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The information presented in this section is provided for additional analysis purposes only and has not been subjected to audit verification as presented.

**Financial Trends** - These tables contain trend information to help the reader understand how the government's financial performance and well-being have been changed over time.

|  |         |
|--|---------|
| Net Position by Component                      | Table 1 |
| Changes in Net Position                        | Table 2 |
| Fund Balances of Governmental Funds            | Table 3 |
| Changes in Fund Balances of Governmental Funds | Table 4 |

**Revenue Capacity** - These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

|   |         |
|---|---------|
| Assessed Value and Estimated Actual Value of Taxable Property | Table 5 |
| Property Tax Rates - Direct and Overlapping Governments       | Table 6 |
| Principal Property Taxpayers                                  | Table 7 |
| Property Tax Levies and Collections                           | Table 8 |

**Debt Capacity** - These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

|   |          |
|---|----------|
| Ratio of Outstanding Debt by Type                   | Table 9  |
| Ratios of General Bonded Debt Outstanding           | Table 10 |
| Direct and Overlapping Governmental Activities Debt | Table 11 |
| Legal Debt Margin Information                       | Table 12 |

**Demographic and Economic Information** - These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

|                                     |          |
|-------------------------------------|----------|
| Demographic and Economic Statistics | Table 13 |
| Principal Employers                 | Table 14 |

**Operating Information** - These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

|  |          |
|--|----------|
| Full-Time Equivalent City Government Employees by Function | Table 15 |
|--|----------|

Table 1

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

|                                 | Fiscal Year           |                       |                       |                       |                       |                      |                      |                      |                      |                      |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                 | 2020                  | 2019                  | 2018 (a)              | 2017 (b)              | 2016                  | 2015 (c)             | 2014 (d)             | 2013                 | 2012 (d)             | 2011                 |
| <b>Governmental Activities</b>  |                       |                       |                       |                       |                       |                      |                      |                      |                      |                      |
| Net investment in               |                       |                       |                       |                       |                       |                      |                      |                      |                      |                      |
| capital assets                  | \$ 17,170,576         | \$ 17,170,576         | \$ 17,133,373         | \$ 17,157,718         | \$ 16,776,372         | \$ 16,387,583        | \$ 16,107,257        | \$ 15,855,575        | \$ 9,099,920         | \$ 14,328,977        |
| Restricted                      | 3,015,547             | 3,015,547             | 2,967,084             | 3,452,122             | 2,842,835             | 2,693,934            | 2,697,355            | 2,544,337            | 3,326,377            | 3,185,989            |
| Unrestricted (deficit)          | (2,094,532)           | (2,094,532)           | (2,761,093)           | 3,147,980             | 3,711,584             | 1,820,143            | 1,026,753            | 461,525              | (374,053)            | (197,470)            |
| Total                           | <u>\$ 18,091,591</u>  | <u>\$ 18,091,591</u>  | <u>\$ 17,339,364</u>  | <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> |
| <b>Business-type Activities</b> |                       |                       |                       |                       |                       |                      |                      |                      |                      |                      |
| Net investment in               |                       |                       |                       |                       |                       |                      |                      |                      |                      |                      |
| capital assets                  | \$ 70,644,140         | \$ 70,644,140         | \$ 65,693,413         | \$ 62,856,096         | \$ 60,567,294         | \$ 57,944,442        | \$ 57,062,814        | \$ 56,461,187        | \$ 54,571,969        | \$ 49,450,831        |
| Restricted                      | -                     | -                     | -                     | -                     | 28,258                | -                    | -                    | -                    | -                    | -                    |
| Unrestricted (deficit)          | 24,289,035            | 24,289,035            | 24,619,423            | 23,964,046            | 20,874,686            | 17,447,859           | 14,528,459           | 19,252,954           | 15,816,368           | 9,049,829            |
| Total                           | <u>\$ 94,933,175</u>  | <u>\$ 94,933,175</u>  | <u>\$ 90,312,836</u>  | <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> |
| <b>Primary Government</b>       |                       |                       |                       |                       |                       |                      |                      |                      |                      |                      |
| Net investment in               |                       |                       |                       |                       |                       |                      |                      |                      |                      |                      |
| capital assets                  | \$ 87,814,716         | \$ 87,814,716         | \$ 82,826,786         | \$ 80,013,814         | \$ 77,343,666         | \$ 74,332,025        | \$ 73,170,071        | \$ 72,316,762        | \$ 63,671,889        | \$ 63,779,808        |
| Restricted                      | 3,015,547             | 3,015,547             | 2,967,084             | 3,452,122             | 2,871,093             | 2,693,934            | 2,697,355            | 2,544,337            | 3,326,377            | 3,185,989            |
| Unrestricted (deficit)          | 22,194,503            | 22,194,503            | 21,858,330            | 27,112,026            | 24,586,270            | 19,268,002           | 15,555,212           | 19,714,479           | 15,442,315           | 8,852,359            |
| Total                           | <u>\$ 113,024,766</u> | <u>\$ 113,024,766</u> | <u>\$ 107,652,200</u> | <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> |

**Notes**

- a: In accordance with GASB Statement 75, fiscal year 2018 includes restatements to recognize net OPEB liability and deferred inflows/outflows of resources.
- b: In accordance with GASB Statement 73, fiscal year 2017 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  |              |              |              |              |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                  | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         |
| <b>Governmental Activities</b>   |              |              |              |              |              |              |              |              |              |              |
| Expenses                         |              |              |              |              |              |              |              |              |              |              |
| General government               | \$ 1,853,556 | \$ 1,749,173 | \$ 1,977,847 | \$ 1,661,484 | \$ 1,496,470 | \$ 1,563,433 | \$ 1,682,775 | \$ 1,722,160 | \$ 2,318,395 | \$ 2,566,627 |
| Public safety                    | 8,190,420    | 7,329,525    | 6,771,008    | 6,623,560    | 6,014,327    | 5,800,755    | 6,343,595    | 6,543,946    | 6,753,177    | 6,798,592    |
| Planning and community dev.      | 642,813      | 491,076      | 447,561      | 443,742      | 326,690      | 254,659      | 376,614      | 362,099      | -            | -            |
| Economic and physical dev.       | -            | -            | -            | -            | -            | -            | -            | -            | 3,556,860    | 444,922      |
| Human Services                   | -            | -            | -            | -            | -            | -            | -            | -            | 264,413      | 302,533      |
| Public services                  |              |              |              |              |              |              |              |              |              |              |
| Transportation and other         | 1,588,982    | 1,589,648    | 1,465,546    | 1,624,605    | 1,510,645    | 1,497,998    | 1,584,661    | 1,451,033    | -            | -            |
| Transportation and utilities     | -            | -            | -            | -            | -            | -            | -            | -            | 1,402,603    | 2,034,973    |
| Environmental protection         | 1,205,094    | 1,063,360    | 973,073      | 904,228      | 836,546      | 822,787      | 884,873      | 830,317      | 969,386      | 900,033      |
| Recreation and parks             | 1,664,866    | 1,715,311    | 1,572,277    | 1,411,642    | 1,385,641    | 1,276,472    | 1,451,755    | 1,497,013    | -            | -            |
| Cultural and recreational        | -            | -            | -            | -            | -            | -            | -            | -            | 2,375,739    | 2,384,515    |
| Local agencies and shared prog.  | 1,053,584    | 1,077,482    | 1,174,955    | 1,026,258    | 975,631      | 1,015,897    | 966,837      | 957,131      | -            | -            |
| Interest on Long-Term Debt       | 58,322       | 76,958       | 28,203       | 61,263       | 81,593       | 108,803      | 141,665      | 170,211      | 209,088      | 242,768      |
| Total                            | 16,257,637   | 15,092,533   | 14,410,470   | 13,756,782   | 12,627,543   | 12,340,804   | 13,432,775   | 13,533,910   | 17,849,661   | 15,674,963   |
| <b>Program Revenues</b>          |              |              |              |              |              |              |              |              |              |              |
| Charges for Services             |              |              |              |              |              |              |              |              |              |              |
| General government               | 967,298      | 939,827      | 26,836       | -            | -            | -            | -            | -            | -            | 306,870      |
| Public safety                    | 33,822       | 48,925       | 38,135       | 206,525      | 128,590      | 131,888      | 164,298      | 105,783      | 112,740      | 449,415      |
| Planning and community dev.      | -            | -            | -            | 32,776       | 34,007       | 29,818       | 24,540       | 13,705       | -            | -            |
| Economic and physical dev.       | -            | -            | -            | -            | -            | -            | -            | -            | 16,115       | 15,212       |
| Public services                  |              |              |              |              |              |              |              |              |              |              |
| Transportation and other         | 7,116        | 23,193       | -            | 9,000        | 7,500        | 14,250       | 16,500       | 8,250        | -            | -            |
| Transportation and utilities     | -            | -            | -            | -            | -            | -            | -            | -            | -            | 437,339      |
| Environmental protection         | 1,940,644    | 1,881,173    | 1,977,138    | 1,933,688    | 1,880,993    | 1,796,749    | 1,944,950    | 1,737,036    | 2,972,890    | 2,936,451    |
| Recreation and parks             | 879,301      | 861,005      | 729,118      | 740,814      | 897,943      | 848,576      | 886,189      | 936,923      | -            | -            |
| Cultural and recreational        | -            | -            | -            | -            | -            | -            | -            | -            | 909,600      | 904,876      |
| Operating Grants and Contrib.    | 582,120      | 685,195      | 463,122      | 488,096      | 504,211      | 478,665      | 535,648      | 478,832      | 586,526      | 718,763      |
| Capital Grants and Contributions | -            | 133,000      | 7,237        | 92,140       | 50,794       | 96,478       | 63,481       | 6,687,820    | 1,385,656    | 332,582      |
| Total                            | 4,410,301    | 4,572,318    | 3,241,586    | 3,503,039    | 3,504,038    | 3,396,424    | 3,635,606    | 9,968,349    | 5,983,527    | 6,101,508    |

Table 2

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

|                                   | Fiscal Year            |                        |                        |                        |                       |                       |                       |                       |                        |                       |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
|                                   | 2020                   | 2019                   | 2018                   | 2017                   | 2016                  | 2015                  | 2014                  | 2013                  | 2012                   | 2011                  |
| Total Governmental Activities     |                        |                        |                        |                        |                       |                       |                       |                       |                        |                       |
| Net Program Expense               | <u>\$ (11,847,336)</u> | <u>\$ (10,520,215)</u> | <u>\$ (11,168,884)</u> | <u>\$ (10,253,743)</u> | <u>\$ (9,123,505)</u> | <u>\$ (8,944,380)</u> | <u>\$ (9,797,169)</u> | <u>\$ (3,565,561)</u> | <u>\$ (11,866,134)</u> | <u>\$ (9,573,455)</u> |
| General Revenues and              |                        |                        |                        |                        |                       |                       |                       |                       |                        |                       |
| Other Changes in Net Position     |                        |                        |                        |                        |                       |                       |                       |                       |                        |                       |
| Taxes:                            |                        |                        |                        |                        |                       |                       |                       |                       |                        |                       |
| Property taxes,                   |                        |                        |                        |                        |                       |                       |                       |                       |                        |                       |
| levied for general purpose        | \$ 6,483,504           | \$ 6,348,025           | \$ 6,339,656           | \$ 6,381,258           | \$ 6,401,674          | \$ 5,969,044          | \$ 6,292,225          | \$ 5,835,556          | \$ 5,188,448           | \$ 5,182,210          |
| Other taxes and licenses          | 224,561                | 226,199                | 227,753                | 28,660                 | 33,455                | 117,026               | 275,929               | 186,542               | 988,795                | 1,077,211             |
| Unrestricted Grants and Contrib.  |                        |                        |                        |                        |                       |                       |                       |                       |                        |                       |
| Local option sales tax            | 3,306,317              | 3,281,772              | 3,020,695              | 3,077,740              | 2,968,469             | 2,770,276             | 2,456,998             | 2,392,890             | 2,150,394              | 2,164,956             |
| Other                             | 1,082,988              | 1,103,694              | 1,089,509              | 1,094,557              | 1,114,339             | 1,110,280             | 918,778               | 899,158               | -                      | -                     |
| Investment earnings, unrestricted | 147,595                | 242,398                | 121,392                | 40,237                 | 23,227                | 6,933                 | 8,858                 | 5,259                 | 10,524                 | 10,777                |
| Sale of capital assets            | -                      | -                      | -                      | 4,668                  | 80,199                | 160                   | 14,842                | -                     | -                      | -                     |
| Miscellaneous, unrestricted       | 47,596                 | 150,254                | 99,273                 | 63,075                 | 79,963                | 210,202               | 63,719                | 163,149               | 204,424                | 150,800               |
| Special items                     | -                      | -                      | -                      | 166,696                | -                     | -                     | -                     | -                     | -                      | -                     |
| Transfers                         | <u>(74,555)</u>        | <u>(79,900)</u>        | <u>774,000</u>         | <u>729,051</u>         | <u>736,200</u>        | <u>736,390</u>        | <u>735,748</u>        | <u>892,200</u>        | <u>(89,222)</u>        | <u>246,637</u>        |
| Total                             | <u>11,218,006</u>      | <u>11,272,442</u>      | <u>11,672,278</u>      | <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>8,453,363</u>       | <u>8,832,591</u>      |
| Total Governmental Activities     |                        |                        |                        |                        |                       |                       |                       |                       |                        |                       |
| Change in Net Position            | <u>\$ (629,330)</u>    | <u>\$ 752,227</u>      | <u>\$ 503,394</u>      | <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>\$ (3,412,771)</u>  | <u>\$ (740,864)</u>   |

Table 2

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

|                                  | Fiscal Year   |               |               |               |               |               |                |               |               |               |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
|                                  | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014           | 2013          | 2012          | 2011          |
| <b>Business-type Activities</b>  |               |               |               |               |               |               |                |               |               |               |
| Expenses                         |               |               |               |               |               |               |                |               |               |               |
| Water, Sewer, and                |               |               |               |               |               |               |                |               |               |               |
| Regional Water System            | \$ 14,610,392 | \$ 13,770,692 | \$ 11,489,277 | \$ 10,969,677 | \$ 10,533,845 | \$ 10,813,134 | \$ 10,968,686  | \$ 10,729,182 | \$ 11,623,998 | \$ 11,080,440 |
| Revenues                         |               |               |               |               |               |               |                |               |               |               |
| Charges for Services             | 18,149,298    | 17,635,017    | 17,021,495    | 16,346,070    | 16,186,908    | 14,999,113    | 14,775,363     | 16,324,276    | 13,541,898    | 12,911,533    |
| Capital Grants and Contributions | 1,015         | 1,959,535     | 817,769       | 414,593       | 867,743       | 448,481       | 383,429        | 308,044       | 1,198,775     | -             |
| Total                            | 18,150,313    | 19,594,552    | 17,839,264    | 16,760,663    | 17,054,651    | 15,447,594    | 15,158,792     | 16,632,320    | 14,740,673    | 12,911,533    |
| Total Business-type Activities   |               |               |               |               |               |               |                |               |               |               |
| Net Program Expenses             | 3,539,921     | 5,823,860     | 6,349,987     | 5,790,986     | 6,520,806     | 4,634,460     | 4,190,106      | 5,903,138     | 3,116,675     | 1,831,093     |
| Other Changes in Net Position    |               |               |               |               |               |               |                |               |               |               |
| Miscellaneous, unrestricted      | 347,835       | 247,829       | 145,552       | 287,969       | 293,331       | 252,236       | 315,044        | 314,866       | 357,728       | 704,649       |
| Extraordinary events             | -             | (1,531,250)   | -             | -             | -             | -             | (8,190,590)    | -             | -             | -             |
| Transfers                        | 74,555        | 79,900        | (774,000)     | (729,051)     | (736,200)     | (736,390)     | (735,748)      | (892,200)     | 89,222        | (246,637)     |
| Total                            | 422,390       | (1,203,521)   | (628,448)     | (441,082)     | (442,869)     | (484,154)     | (8,611,294)    | (577,334)     | 446,950       | 458,012       |
| Total Business-type Activities   |               |               |               |               |               |               |                |               |               |               |
| Change in Net Position           | \$ 3,962,311  | \$ 4,620,339  | \$ 5,721,539  | \$ 5,349,904  | \$ 6,077,937  | \$ 4,150,306  | \$ (4,421,188) | \$ 5,325,804  | \$ 3,563,625  | \$ 2,289,105  |
| <b>Total Primary Government</b>  |               |               |               |               |               |               |                |               |               |               |
| <b>Changes in Net Position</b>   | \$ 3,332,981  | \$ 5,372,566  | \$ 6,224,933  | \$ 6,682,103  | \$ 8,391,958  | \$ 6,126,237  | \$ (3,451,260) | \$ 12,134,997 | \$ 150,854    | \$ 1,548,241  |

**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          |                      |                      |                      |                      |                     |                     |                     |                     |                     |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 | 2015                | 2014                | 2013                | 2012                | 2011 (b)            |
| <b>General Fund</b>                     |                      |                      |                      |                      |                      |                     |                     |                     |                     |                     |
| Restricted                              | \$ 3,006,200         | \$ 2,481,866         | \$ 2,442,470         | \$ 2,930,159         | \$ 2,283,064         | \$ 2,125,038        | \$ 2,129,484        | \$ 1,973,653        | \$ 2,510,980        | \$ 2,454,942        |
| Committed                               | 120,909              | 119,437              | 117,094              | 115,805              | 115,347              | -                   | -                   | -                   | -                   | -                   |
| Assigned                                | 1,500,000            | 1,511,720            | 550,000              | 1,026,191            | 397,616              | 345,000             | 325,000             | 153,000             | 259,600             | 175,008             |
| Unassigned                              | <u>6,953,332</u>     | <u>8,159,721</u>     | <u>8,776,001</u>     | <u>6,775,871</u>     | <u>6,982,870</u>     | <u>5,304,725</u>    | <u>3,676,351</u>    | <u>2,966,287</u>    | <u>2,005,613</u>    | <u>1,983,708</u>    |
| Total General Fund                      | <u>\$ 11,580,441</u> | <u>\$ 12,272,744</u> | <u>\$ 11,885,565</u> | <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> |
| <b>All other Governmental Funds</b>     |                      |                      |                      |                      |                      |                     |                     |                     |                     |                     |
| Nonspendable                            | \$ 452,944           | \$ 447,398           | \$ 438,565           | \$ 433,706           | \$ 431,978           | \$ 431,085          | \$ 431,012          | \$ 430,970          | \$ 430,965          | \$ 430,210          |
| Restricted                              | 86,532               | 86,283               | 88,475               | 88,257               | 127,793              | 137,811             | 136,859             | 139,714             | 81,606              | 96,032              |
| Assigned                                | 1,349,556            | 486,105              | -                    | 390,693              | 167,450              | 186,967             | 170,564             | 158,168             | 302,826             | 204,805             |
| Unassigned                              | <u>(15,446)</u>      | <u>(6,188)</u>       | <u>168,884</u>       | <u>-</u>             | <u>-</u>             | <u>-</u>            | <u>(4,356)</u>      | <u>-</u>            | <u>-</u>            | <u>(27,906)</u>     |
| Total All Other Governmental Funds      | <u>\$ 1,873,586</u>  | <u>\$ 1,013,598</u>  | <u>\$ 695,924</u>    | <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>   |
| <b>Total for All Governmental Funds</b> | <u>\$ 13,454,027</u> | <u>\$ 13,286,342</u> | <u>\$ 12,581,489</u> | <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> |

**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  |              |              |              |              |              |              |              |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         |
| <b>Revenues</b>                |              |              |              |              |              |              |              |              |              |              |
| Ad valorem taxes               | \$ 6,422,540 | \$ 6,297,344 | \$ 6,598,948 | \$ 6,401,148 | \$ 6,319,302 | \$ 6,125,558 | \$ 6,427,962 | \$ 5,752,690 | \$ 5,462,314 | \$ 5,259,600 |
| Other taxes and licenses       | 28,611       | 30,424       | 28,911       | 28,660       | 33,455       | 117,026      | 275,929      | 186,542      | 404,224      | 2,496,141    |
| Unrestricted intergovernmental | 4,389,305    | 4,385,465    | 4,110,204    | 4,172,297    | 4,082,808    | 3,878,056    | 3,375,776    | 3,292,048    | 3,253,999    | 977,123      |
| Restricted intergovernmental   | 524,236      | 764,565      | 470,359      | 556,047      | 511,273      | 574,195      | 589,000      | 464,060      | 1,858,484    | 1,019,041    |
| Permits and fees               | 224,822      | 238,463      | 236,977      | 206,525      | 128,590      | 131,888      | 164,298      | 105,783      | 112,740      | 92,333       |
| Sales and services             | 3,807,134    | 3,692,429    | 2,733,092    | 2,716,278    | 2,807,156    | 2,689,393    | 2,872,179    | 2,695,914    | 3,898,605    | 4,295,878    |
| Investment earnings            | 147,595      | 242,398      | 121,392      | 40,237       | 23,227       | 6,933        | 8,858        | 5,024        | 5,974        | 10,524       |
| Miscellaneous                  | 97,656       | 222,893      | 99,273       | 91,932       | 217,181      | 213,806      | 88,690       | 177,921      | 153,051      | 500,645      |
| Total Revenues                 | 15,641,899   | 15,873,981   | 14,399,156   | 14,213,124   | 14,122,992   | 13,736,855   | 13,802,692   | 12,679,982   | 15,149,391   | 14,651,285   |
| <b>Expenditures</b>            |              |              |              |              |              |              |              |              |              |              |
| General government             | 1,445,574    | 1,245,317    | 1,172,709    | 1,135,559    | 1,047,886    | 1,154,202    | 1,126,489    | 1,181,189    | 1,353,565    | 1,366,911    |
| Public safety                  | 8,024,673    | 7,749,449    | 6,548,431    | 6,371,802    | 5,952,930    | 5,966,824    | 6,173,693    | 5,920,178    | 5,716,570    | 5,874,069    |
| Planning and community dev.    | 628,112      | 810,600      | 1,394,642    | 522,014      | 349,532      | 257,636      | 361,079      | 334,523      | 1,622,634    | 132,148      |
| Economic and physical dev.     | -            | -            | -            | -            | -            | -            | -            | -            | -            | 671,490      |
| Code Compliance                | -            | -            | -            | -            | -            | -            | -            | -            | -            | 170,385      |
| Public services                |              |              |              |              |              |              |              |              |              |              |
| Transportation and other       | 1,655,053    | 1,824,188    | 1,686,812    | 1,588,236    | 1,472,296    | 1,385,926    | 1,451,389    | 1,432,838    | 1,482,282    |              |
| Transportation and utilities   | -            | -            | -            | -            | -            | -            | -            | -            | -            | 1,984,752    |
| Cemetery                       | -            | -            | -            | -            | -            | -            | -            | -            | -            | 69,545       |
| Environmental protection       | 1,014,687    | 1,078,345    | 883,786      | 850,642      | 999,201      | 809,958      | 853,437      | 794,968      | 837,848      | 791,878      |
| Recreation and parks           | 1,687,405    | 1,495,281    | 1,338,781    | 1,319,215    | 1,309,376    | 1,205,754    | 1,299,305    | 1,349,608    | 1,254,367    |              |
| Cultural and recreational      | -            | -            | -            | -            | -            | -            | -            | -            | -            | 1,494,213    |
| Non-departmental               |              |              |              |              |              |              |              |              |              |              |
| Donation to local agencies     | 1,053,584    | 1,077,482    | 1,174,955    | 1,026,258    | 975,631      | 1,015,897    | 966,837      | 957,131      | 983,549      | 664,791      |
| General Non-departmental       | 431,668      | 442,042      | 664,874      | 414,534      | 380,192      | 351,484      | 420,680      | 402,230      | 463,478      | 430,086      |
| Debt Service:                  |              |              |              |              |              |              |              |              |              |              |
| Principal                      | 331,670      | 519,489      | 408,580      | 404,970      | 647,016      | 647,016      | 647,016      | 647,016      | 654,265      | 764,141      |
| Interest                       | 60,132       | 45,152       | 33,655       | 58,008       | 79,043       | 110,412      | 141,781      | 172,782      | 211,659      | 226,004      |
| Lease purchases                | -            | -            | 29,931       | 31,127       | 52,134       | 52,136       | 53,612       | 71,280       | 79,401       | -            |
| Total Expenditures             | 16,332,558   | 16,287,345   | 15,337,156   | 13,722,365   | 13,265,237   | 12,957,245   | 13,495,318   | 13,263,743   | 14,659,618   | 14,640,413   |

Table 4

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

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 |
| Excess (Deficiency) of Revenues Over Expenditures       | \$ (690,659)         | \$ (413,364)         | \$ (938,000)         | \$ 490,759           | \$ 857,755           | \$ 779,610           | \$ 307,374           | \$ (583,761)         | \$ 489,773           | \$ 10,872            |
| <b>Other Financing Sources (Uses)</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Transfer from other funds                               | 993,835              | 1,075,766            | 1,135,533            | 856,850              | 833,300              | 856,382              | 788,072              | 914,707              | 1,391,353            | 298,423              |
| Transfers to other funds                                | (1,068,390)          | (1,155,666)          | (361,533)            | (127,799)            | (97,100)             | (119,992)            | (52,324)             | (14,199)             | (125,257)            | (327,186)            |
| Installment Financing                                   | 352,160              | 1,198,117            | 984,807              | 34,754               | 266,427              | 149,712              | -                    | -                    | -                    | 98,131               |
| Total Other Financing Sources and Uses                  | 277,605              | 1,118,217            | 1,758,807            | 763,805              | 1,002,627            | 886,102              | 735,748              | 900,508              | 1,266,096            | 69,368               |
| Net Change in Fund Balance                              | <u>\$ (413,054)</u>  | <u>\$ 704,853</u>    | <u>\$ 820,807</u>    | <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>\$ 1,755,869</u>  | <u>\$ 80,240</u>     |
| Total Expenditures                                      | \$ 16,332,558        | \$ 16,287,345        | \$ 15,337,156        | \$ 13,722,365        | \$ 13,265,237        | \$ 12,957,245        | \$ 13,495,318        | \$ 13,263,743        | \$ 14,659,618        | \$ 14,640,413        |
| Less: Capital Outlay Expenditures                       | (580,739)            | (1,615,003)          | (1,331,593)          | (482,507)            | (559,883)            | (334,788)            | (214,352)            | (248,376)            | (1,360,687)          | (671,528)            |
| Total Noncapital Expenditures                           | <u>\$ 15,751,819</u> | <u>\$ 14,672,342</u> | <u>\$ 14,005,563</u> | <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> |
| Debt Service as a Percentage of Noncapital Expenditures | 2.49%                | 3.85%                | 3.37%                | 3.73%                | 6.12%                | 6.41%                | 6.34%                | 6.85%                | 7.11%                | 7.09%                |

**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>             |
| 2020                  | \$ 681,988,815       | \$ 227,716,484  | \$ 8,705,279     | \$ 918,410,578        | 0.7120                  |
| 2019                  | 689,199,631          | 210,171,267     | 8,586,086        | 890,784,812           | 0.7120                  |
| 2018                  | 688,543,204          | 210,278,319     | 9,456,738        | 889,364,785           | 0.7120                  |
| 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                  |

Table 6

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

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| <b>Fiscal Year</b>    | <b>City of</b>   |                     |              |  |
|-----------------------|------------------|---------------------|--------------|--|
| <b>Ended June 30,</b> | <b>Henderson</b> | <b>Vance County</b> | <b>Total</b> |  |
| 2020                  | \$ 0.7120        | \$ 0.8900           | \$ 1.6020    |  |
| 2019                  | 0.7120           | 0.8900              | 1.6020       |  |
| 2018                  | 0.7120           | 0.8900              | 1.6020       |  |
| 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       |  |

**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.

| <b>Fiscal Year</b>    | <b><u>Components of the Total Direct Rate</u></b> |                                   |    | <b>Total Direct Rate</b> |
|-----------------------|---|-----------------------------------|----|--------------------------|
|                       | <b><u>General Fund</u></b>                        | <b><u>Public Library Fund</u></b> |    |                          |
| <b>Ended June 30,</b> |   |                                   |    |                          |
| 2020                  | \$ 0.7120   | \$ -                              | \$ | 0.7120                   |
| 2019                  | 0.7120  | -                                 |    | 0.7120                   |
| 2018                  | 0.7120  | -                                 |    | 0.7120                   |
| 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                   |

Table 7

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

| Taxpayer                        | 2020                      |      |   | 2010                      |      |   |
|---------------------------------|---------------------------|------|---|---------------------------|------|---|
|                                 | Taxable Assessed<br>Value | Rank | Percentage of<br>Total Taxable<br>Assessed<br>Value | Taxable Assessed<br>Value | Rank | Percentage of<br>Total Taxable<br>Assessed<br>Value |
|                                 |                           |      |   |                           |      |   |
| DLP Maria Parham Medical Center | \$ 82,461,960             | 1    | 9.06%   |                           |      |   |
| Duke Energy Progress Inc.       | 18,702,832                | 2    | 2.05%   | \$ 16,448,888             | 2    | 1.81%   |
| Wal-Mart Real Estate Bus. Trust | 12,800,505                | 3    | 1.41%   | 12,710,085                | 4    | 1.40%   |
| Vescom America Real Estate      | 11,593,631                | 4    | 1.27%   |                           |      |   |
| W & W Properties & Rentals LLC  | 10,191,787                | 5    | 1.12%   | 8,490,256                 | 5    | 0.94%   |
| Rosemyr Corporation             | 10,039,900                | 6    | 1.10%   | 7,511,111                 | 7    | 0.83%   |
| Libby Henderson Enterprises LLC | 9,877,235                 | 7    | 1.09%   |                           |      |   |
| Ruin Creek Properties           | 8,889,612                 | 8    | 0.98%   |                           |      |   |
| Pacific Coast Feather Co.       | 5,944,400                 | 9    | 0.65%   | 13,250,085                | 3    | 1.46%   |
| Henderson Investors             | 5,646,340                 | 10   | 0.62%   | 8,267,008                 | 6    | 0.91%   |
| Carolina Telephone              |                           |      |   | 17,572,820                | 1    | 1.94%   |
| Crawford Properties             |                           |      |   | 5,600,170                 | 10   | 0.62%   |
| Lowe's of Henderson             |                           |      |   | 5,881,538                 | 9    | 0.65%   |
| Henderson Country Club Inc.     |                           |      |   | 6,080,683                 | 8    | 0.67%   |
|                                 | <u>\$ 176,148,202</u>     |      | <u>19.35%</u>                                       | <u>\$ 101,812,644</u>     |      | <u>11.23%</u>                                       |

**Note:**

Above taxable assessed valuations are as of January 1, 2017 and 2008 respectively, and the associated tax levies were due in the fiscal year ended June 30, 2018 and 2009 respectively.

**Source:**

Vance County Tax Office and 2009 City of Henderson CAFR.

Table 8

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

| Fiscal Year<br>Ended June<br>30, | Tax<br>Year | Collected within the Levy<br>Year |              |                       | Collections in<br>Subsequent<br>Years | Total Collections to Date   |                       |
|----------------------------------|-------------|-----------------------------------|--------------|-----------------------|---------------------------------------|-----------------------------|-----------------------|
|                                  |             | Net Levy                          | Amount       | Percentage of<br>Levy |                                       | Current Year<br>Collections | Percentage of<br>Levy |
| 2020                             | 2019        | \$ 6,490,802                      | \$ 6,216,967 | 95.78%                | \$ -                                  | \$ 6,216,967                | 95.78%                |
| 2019                             | 2018        | 6,342,063                         | 6,139,612    | 96.81%                | 124,714                               | 6,264,326                   | 98.77%                |
| 2018                             | 2017        | 6,332,224                         | 6,178,351    | 97.57%                | 134,707                               | 6,313,058                   | 99.70%                |
| 2017                             | 2016        | 6,338,532                         | 6,109,077    | 96.38%                | 218,310                               | 6,327,387                   | 99.82%                |
| 2016                             | 2015        | 6,333,277                         | 5,998,880    | 94.72%                | 313,078                               | 6,311,958                   | 99.66%                |
| 2015                             | 2014        | 6,080,830                         | 5,886,243    | 96.80%                | 173,991                               | 6,060,234                   | 99.66%                |
| 2014                             | 2013        | 6,251,938                         | 5,994,983    | 95.89%                | 233,945                               | 6,228,928                   | 99.63%                |
| 2013                             | 2012        | 5,803,718                         | 5,431,700    | 93.59%                | 357,740                               | 5,789,440                   | 99.74%                |
| 2012                             | 2011        | 5,320,777                         | 4,994,613    | 93.87%                | 311,818                               | 5,306,431                   | 99.73%                |
| 2011                             | 2010        | 5,152,510                         | 4,817,597    | 93.50%                | 327,851                               | 5,145,448                   | 99.86%                |

Table 9

**CITY OF HENDERSON, NORTH CAROLINA**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

| Fiscal Year<br>Ended June 30, | Governmental Activities |               | Business-type Activities |                |               |                           | Total Primary<br>Government | Percentage                  | City     | Debt Per<br>Capita |
|-------------------------------|-------------------------|---------------|--------------------------|----------------|---------------|---------------------------|-----------------------------|-----------------------------|----------|--------------------|
|                               | Capital Leases          | Notes Payable | Revenue Bonds            | Capital Leases | Notes Payable | of Personal<br>Income (1) |                             | Population<br>Estimated (2) |          |                    |
| 2020                          | \$ -                    | \$ 2,187,080  | \$ -                     | \$ -           | \$ 20,071,464 | \$ 22,258,544             | 4.00%                       | 14,911                      | \$ 1,493 |                    |
| 2019                          | -                       | 2,166,590     | 987,000                  | -              | 20,815,523    | 23,969,113                | 4.56%                       | 14,965                      | 1,602    |                    |
| 2018                          | 30,523                  | 1,457,438     | 1,953,000                | -              | 21,399,913    | 24,840,874                | 4.08%                       | 17,289                      | 1,437    |                    |
| 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    |                    |

**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**

---

| <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>Obligation Debt</b> | <b>Property</b> | <b>Debt Per Capita</b> |
| 2020                  | \$ -                   | 0.000%          | \$ -                   |
| 2019                  | -                      | 0.000%          | -                      |
| 2018                  | -                      | 0.000%          | -                      |
| 2017                  | -                      | 0.000%          | -                      |
| 2016                  | -                      | 0.000%          | -                      |
| 2015                  | -                      | 0.000%          | -                      |
| 2014                  | -                      | 0.000%          | -                      |
| 2013                  | -                      | 0.000%          | -                      |
| 2012                  | -                      | 0.000%          | -                      |
| 2011                  | -                      | 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**

---

| <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>Bonded Debt</b> | <b>Vance County</b>  | <b>Vance County</b>  |
| 2020                  | \$ -               | 0.000%               | \$ -                 |
| 2019                  | -                  | 0.000%               | -                    |
| 2018                  | -                  | 0.000%               | -                    |
| 2017                  | -                  | 0.000%               | -                    |
| 2016                  | -                  | 0.000%               | -                    |
| 2015                  | -                  | 0.000%               | -                    |
| 2014                  | -                  | 0.000%               | -                    |
| 2013                  | -                  | 0.000%               | -                    |
| 2012                  | -                  | 0.000%               | -                    |
| 2011                  | -                  | 0.000%               | -                    |

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

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed Value \$ 910,288,754

Debt Limit - Eight Percent (8%) of Assessed Value 72,823,100

Amount of Debt Applicable to Debt Limit

Installment financing agreements \$ 22,258,544

Revenue Bond -

Total Debt \$ 22,258,544

Less - Statutory Deductions (20,071,464) 2,187,080

Legal Debt Margin \$ 70,636,020

|  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt Limit   | \$ 72,823,100        | \$ 71,262,785        | \$ 71,149,183        | \$ 71,368,276        | \$ 81,351,152        | \$ 78,373,264        | \$ 80,689,068        | \$ 79,191,708        | \$ 72,504,878        | \$ 70,461,665        |
| Total Net Debt   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Applicable to Limit                                      | <u>(2,187,080)</u>   | <u>(2,166,590)</u>   | <u>(1,487,961)</u>   | <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>   |
| Legal Debt Margin  | <u>\$ 70,636,020</u> | <u>\$ 69,096,195</u> | <u>\$ 69,661,222</u> | <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> |
| Total Net Debt   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Applicable to the Limit as<br>a Percentage of Debt Limit | 3.00%                | 3.04%                | 2.09%                | 1.32%                | 1.65%                | 2.26%                | 2.87%                | 3.81%                | 5.15%                | 6.34%                |

Table 13

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

| <b>Fiscal Year</b> |                      | <b>(Vance<br/>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>     |
| 2020               | 14,911               | \$ 37,282                     | \$ 555,911,902  | 6.90%               | 17,440             | 5,271                |
| 2019               | 14,965               | 35,105                        | 525,346,325     | 5.80%               | 17,301             | 5,515                |
| 2018               | 17,289               | 35,246                        | 609,368,094     | 5.40%               | 17,198             | 5,901                |
| 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                |

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

Table 14

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

| <b>Employer</b>                   | <b>2019</b>                 |             | <b>2011</b>                 |             |
|-----------------------------------|-----------------------------|-------------|-----------------------------|-------------|
|                                   | <b>Employment<br/>Range</b> | <b>Rank</b> | <b>Employment<br/>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          |                             |             |
| Genco Distribution System         |                             |             |                             |             |
| City of Henderson                 |                             |             | 250-499                     | 5           |
| M. R. Williams                    |                             |             | 100-249                     | 6           |
| Valeria North America             |                             |             | 250-499                     | 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<br/>10-11</b> | <b>FY<br/>11-12</b> | <b>FY<br/>12-13</b> | <b>FY<br/>13-14</b> | <b>FY<br/>14-15</b> | <b>FY<br/>15-16</b> | <b>FY<br/>16-17</b> | <b>FY<br/>17-18</b> | <b>FY<br/>18-19</b> | <b>FY<br/>19-20</b> |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General government                    | 21                  | 18                  | 13                  | 12                  | 13                  | 15                  | 1                   | 21                  | 15                  | 13                  |
| Public safety                         | 105                 | 95                  | 95                  | 95                  | 94                  | 95                  | 85                  | 95                  | 94                  | 94                  |
| Transportation and utilities          | 20                  | 20                  | 19                  | 18                  | 18                  | 18                  | 18                  | 18                  | 17                  | 16                  |
| Environmental protection              | 8                   | 5                   | 5                   | 5                   | 5                   | 5                   | 5                   | 5                   | 5                   | 5                   |
| Cultural and recreation               | 15                  | 15                  | 17                  | 15                  | 14                  | 12                  | 12                  | 14                  | 15                  | 15                  |
| Code compliance                       | 2                   | 2                   | 2                   | 2                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Planning and community<br>development | 2                   | 3                   | 3                   | 3                   | -                   | -                   | -                   | -                   | 1                   | 1                   |
| Development services                  | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>4</u>            | <u>3</u>            | <u>4</u>            | <u>4</u>            | <u>5</u>            | <u>5</u>            |
|                                       | 173                 | 158                 | 154                 | 150                 | 148                 | 148                 | 125                 | 157                 | 152                 | 149                 |
| Water Fund                            |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Engineering                           | 3                   | 3                   | 4                   | 4                   | 4                   | 4                   | 3                   | 4                   | 4                   | 4                   |
| Customer Service                      | -                   | -                   | 10                  | 10                  | 10                  | 10                  | 9                   | 10                  | 9                   | 10                  |
| Water distribution                    | <u>15</u>           | <u>15</u>           | <u>10</u>           | <u>10</u>           | <u>11</u>           | <u>11</u>           | <u>12</u>           | <u>10</u>           | <u>10</u>           | <u>8</u>            |
|                                       | 18                  | 18                  | 24                  | 24                  | 25                  | 25                  | 24                  | 24                  | 23                  | 22                  |
| Sewer Fund                            |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Water reclamation facility            | 21                  | 21                  | 21                  | 21                  | 21                  | 20                  | 15                  | 16                  | 14                  | 15                  |
| Sewer Collection                      | 5                   | 5                   | 5                   | 5                   | 5                   | 3                   | 4                   | 5                   | 5                   | 4                   |
| Sewer Collection I&I                  | <u>3</u>            | <u>3</u>            | <u>3</u>            | <u>3</u>            | <u>3</u>            | <u>3</u>            | <u>3</u>            | <u>3</u>            | <u>3</u>            | <u>3</u>            |
|                                       | 29                  | 29                  | 29                  | 29                  | 29                  | 26                  | 22                  | 24                  | 22                  | 22                  |
| Regional Water System Fund            | 11                  | 11                  | 12                  | 13                  | 13                  | 13                  | 12                  | 13                  | 10                  | 13                  |
|                                       | <u>231</u>          | <u>216</u>          | <u>219</u>          | <u>216</u>          | <u>215</u>          | <u>212</u>          | <u>183</u>          | <u>218</u>          | <u>207</u>          | <u>206</u>          |

## **Compliance Section**

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***Thompson, Price, Scott, Adams & Co, P.A.***

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Whiteville, NC 28472  
Telephone (910) 642-2109  
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**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

**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***

**Independent Auditors' Report**

To the Honorable Mayor  
And Members of the City Council  
City of Henderson, North Carolina

We have audited, in accordance with the 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, 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, 2020, and the related notes to the financial statements, which collectively comprises the City of Henderson's basic financial statements, and have issued our report thereon dated December 21, 2020.

**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 opinions 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 functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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 the internal control was for the limited purpose 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs [2020-001] that we consider to be a material weaknesses.

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*  
Page 2

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*.

City of Henderson's Reponse to Finding

The City of Henderson's response to the finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the City'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.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
December 21, 2020



**Thompson, Price, Scott, Adams & Co, P.A.**

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**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**

**Independent Auditors' Report**

To the Honorable Mayor  
And Members of the City Council  
Henderson, North Carolina

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

We have audited the City of Henderson, North Carolina'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 City of Henderson's major federal programs for the year ended June 30, 2020. 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 federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 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 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 City of Henderson's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Henderson complied, in all material respects, with the types of 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, 2020.

## Report on Internal Control Over Compliance

Management of 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 of compliance, we considered City of Henderson's internal control over compliance with the types of requirements that could have a direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program 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 type of compliance requirement of a federal program that is less severe than 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 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 weakness 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
December 21, 2020

**CITY OF HENDERSON, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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Section I. Summary of Auditor's Results

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Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:  
Unmodified

Internal control over financial reporting:

- |  |                   |                            |
|--|-------------------|----------------------------|
| • Material Weakness(es) identified?    | <u>  X  </u> yes  | <u>      </u> no           |
| • Significant Deficiency(s) identified | <u>      </u> yes | <u>  X  </u> none reported |

Noncompliance material to financial statements noted?

|                   |                 |
|-------------------|-----------------|
| <u>      </u> yes | <u>  X  </u> no |
|-------------------|-----------------|

Federal Awards

Internal control over major federal programs:

- |  |                   |                            |
|--|-------------------|----------------------------|
| • Material Weakness(es) identified?    | <u>      </u> yes | <u>  X  </u> no            |
| • Significant Deficiency(s) identified | <u>      </u> yes | <u>  X  </u> none reported |

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

Any audit findings disclosed that are required to be reported in accordance with 2 DVR 200.516(a)?

|                   |                 |
|-------------------|-----------------|
| <u>      </u> yes | <u>  X  </u> no |
|-------------------|-----------------|

Identification of major federal programs:

CFDA #  
66.468

Program Name  
Capitalization Grants for Drinking Water State Revolving Funds

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

|            |
|------------|
| \$ 750,000 |
|------------|

Auditee qualified as low-risk auditee?

|                   |                 |
|-------------------|-----------------|
| <u>      </u> yes | <u>  X  </u> no |
|-------------------|-----------------|

**CITY OF HENDERSON, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

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Section II. Financial Statement Findings

---

**Finding: 2020-001**

**INADEQUATE DESIGN OF INTERNAL CONTROL OVER REVENUE SOURCES  
MATERIAL WEAKNESS**

|                                 |  |
|---------------------------------|--|
| Criteria:                       | AU-C 260 requires communication of certain matters related to internal control over financial reporting.   |
| Condition:                      | During the year, City officials determined that the Henderson Water Reclamation Facility Director was receipting revenues to a separate bank account that was not maintained by the City. The exact amount of the loss has not been identified as of the report date.  |
| Effect:                         | The City lost a significant amount of revenues as a result of the lack of oversight over the wastewater treatment plant collections.   |
| Cause:                          | The City did not have adequate controls in place over receipting of revenues that would have prevented this from occurring.  |
| Recommendation:                 | The City needs to review current internal control policies and strengthen these policies to prevent this from happening in the future.   |
| Views of responsible Officials: | Management agrees with this finding. Internal controls will be reviewed and procedures will be implemented to prevent or deter this from happening in the future. The City of Henderson prides itself in being a fiscally responsible municipality that has zero tolerance for fraud, waste and abuse of City resources. As part of our ongoing efforts, the City of Henderson is implementing a Fraud, Waste and Abuse Program that will provide a confidential hotline for City employees, contractors, citizens and other interested parties to report fraud, waste and abuse affecting valuable City resources. We take our responsibility to monitor the City's resources and assets seriously and we will continue to work vigilantly towards eliminating fraud, waste and abuse of resources here at the City of Henderson. |

---

Section III. Federal Award Findings and Questioned Costs

---

None Reported.



# City of Henderson

*Office of the Finance Director*

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## **CITY OF HENDERSON, NORTH CAROLINA**

Corrective Action Plan

For the Year Ended June 30, 2020

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### Section II - Financial Statement Findings

---

Name of Contact Person: Joseph Fuqua, Finance Director

Corrective Action: The City will review current internal control policies and strengthen these policies that will prevent or deter the missappropriation of assets in the future. The City of Henderson prides itself in being a fiscally responsible municipality that has zero tolerance for fraud, waste and abuse of City resources. As part of our ongoing efforts, the City of Henderson is implementing a Fraud, Waste and Abuse Program that will provide a confidential hotline for City employees, contractors, citizens and other interested parties to report fraud, waste and abuse affecting valuable City resources. We take our responsibility to monitor the City's resources and assets seriously and we will continue to work vigilantly towards eliminating fraud, waste and abuse of resources here at the City of Henderson.

Proposed Completion Date: Immediately

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### Section III - Federal Award Findings and Question Costs

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None Reported.

**CITY OF HENDERSON, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2020

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Finding :        2019-01

Status:         Corrected

**CITY OF HENDERSON, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2020**

| Grantor/Pass-through<br>Grantor/Program Title<br>1(a)          | Federal<br>CFDA<br>Number<br>1(a)(b) | State/<br>Pass-through<br>Grantor's<br>Number<br>1(c) | Fed. (Direct &<br>Pass-through)<br>Expenditures<br>1(c),2 | State<br>Expenditures<br>1(d) | Pass-through<br>to<br>subrecipients<br>1(e) | Local<br>Expenditures<br>1(d) |
|--|--------------------------------------|---|---|-------------------------------|---|-------------------------------|
| <b>Federal Grants:</b>   |                                      |   |   |                               |   |                               |
| <b>Cash Programs:</b>  |                                      |   |   |                               |   |                               |
| <u>U.S. Department of Justice</u>                              |                                      |   |   |                               |   |                               |
| Coronavirus Emergency Supplemental Funding Program             | 16.034                               | 2020-VD-BX-0627                                       | 40,485  | -                             | -   | -                             |
| <u>Passed-through N.C. Department of Public Safety</u>         |                                      |   |   |                               |   |                               |
| Edward Byrne Memorial Justice Assistance Grant Program         | 16.738                               | 2018-DJ-BX-0678                                       | \$ 10,651   | \$ -                          | \$ -  | \$ -                          |
| Edward Byrne Memorial Justice Assistance Grant Program         | 16.738                               |   | 15,778  | -                             | 6,311                                       | -                             |
| Bullet Proof Vest  | 16.607                               |   | 8,734   |                               |   |                               |
| Project Safe Neighborhood                                      | 16.609                               |   | 17,935  | -                             | -   | -                             |
| <b>Noncash Programs:</b>                                       |                                      |   |   |                               |   |                               |
| <u>U.S. Environmental Protection Agency</u>                    |                                      |   |   |                               |   |                               |
| <u>Passed-through N.C. Department of Environmental Quality</u> |                                      |   |   |                               |   |                               |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468                               | WIF-1911  | 976,805   | -                             | -   | -                             |
| Total Federal Awards   |                                      |   | <u>\$ 1,070,388</u>                                       | <u>\$ -</u>                   | <u>\$ 6,311</u>                             | <u>\$ -</u>                   |
| <b>State Grants:</b>   |                                      |   |   |                               |   |                               |
| <b>Cash Assistance:</b>  |                                      |   |   |                               |   |                               |
| <u>N.C. Department of Transportation:</u>                      |                                      |   |   |                               |   |                               |
| Powell Bill  |                                      |   | \$ -  | \$ 391,754                    | \$ -  | \$ -                          |
| <u>N.C. Department of Environment Quality</u>                  |                                      |   |   |                               |   |                               |
| Technical Assistance Grant                                     |                                      |   | -   | 3,400                         | -   | -                             |
| Total State Awards   |                                      |   | <u>-</u>  | <u>395,154</u>                | <u>-</u>                                    | <u>-</u>                      |
| Total Federal and State Awards                                 |                                      |   | <u>\$ 1,070,388</u>                                       | <u>\$ 395,154</u>             | <u>\$ 6,311</u>                             | <u>\$ -</u>                   |

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

**Note 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, 2020. 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 net position, or cash flows of the City of Henderson.

**Note 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

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

**Note 4: Loans Outstanding**

City of Henderson had the following loan balances outstanding at June 30, 2020 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2020 consist of:

| Program Title  | CFDA<br>Number | Pass-through<br>Grantor's<br>Number | Amount<br>Outstanding |
|--|----------------|-------------------------------------|-----------------------|
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468         | WIF-1911                            | 1,218,738             |