

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OF HENDERSON  
HENDERSON, NORTH CAROLINA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by the City of Henderson Finance Department

Finance Director  
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## Introductory Section

January 27, 2011

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) to the City of Henderson, for the fiscal year ended June 30, 2010. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Phillips, Dorsey, Thomas, Waters & Brafford, P.A. and their unqualified opinion is included in the general financial statements. However, this report is presented by the City, who is responsible for the accuracy of the data as well as the completeness and fairness of its presentation, including all disclosures. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in four (4) principal sections: Introductory, Financial, Statistical and Compliance Sections. The Introductory Section contains this letter of transmittal and provides a brief overview of the objectives of the report, the operations and organization of the City, a list of principal officials and a copy of the Certificate of Achievement for Excellence in Financial Reporting. The Financial Section includes the independent auditor's report, combined financial statements, notes to the financial statements and more detailed individual fund statements and schedules. Also included directly behind the auditor's report is a Management's Discussion and Analysis (MD&A) letter which gives a quick overview of the City's overall financial condition. Unlike the transmittal letter, the MD&A is audited. Readers should refer to the MD&A as an additional tool to better analyze the financial condition of the City. The auditor's report, combined statements, and the notes are often issued separately for securities offerings or widespread distribution and are frequently referred to as "liftable" financial statements. The Statistical Section includes selected financial and economic data designed to provide a more complete understanding of the City. Many tables in this section present financial data for the past ten (10) years. Finally, the Compliance Section includes the independent certified public accountants' report on internal control and compliance with laws and regulations. All schedules and exhibits necessary to satisfy the requirements of the Single Audit regulations are also included in this section.

**REPORTING ENTITY AND SERVICES**

This report includes all the funds of the City and incorporates all activities which 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.

**THE CITY**

The City of Henderson, founded by the William Reavis family in 1811 with the construction of a store and residence, followed in 1840 by the Raleigh and Gaston Railroad Company establishing a depot here, the City was incorporated by an act of the General Assembly in 1841. Henderson encompasses approximately 10 square miles within its corporate limits and is the county seat of Vance County (the “County”). Located in the North Central Piedmont Region of the State, the City is located on the southeastern tip on Kerr Lake. The towns of Kittrell and Middleburg are the only other incorporated municipalities within the County. Henderson is the largest city within the five county regions consisting of Franklin, Granville, Person, Vance and Warren counties, respectively. As a prominent “gateway” into North Carolina from the North, the City is in close proximity to major metropolitan areas:

Raleigh	50 minutes, 45 miles
Durham	45 minutes, 40 miles
Greensboro	90 minutes, 90 miles
Research Triangle Park (RTP)	45 minutes, 45 miles

The North Central Piedmont climate is relatively mild with moderate winters and warm summers. The annual mean temperature of the City is 59.7 degrees F with temperatures averaging 42 degrees F in January and 78.3 F in June. The average annual precipitation is 47.67 inches, including an average snowfall of 2.5 inches and the City is at an elevation of approximately 509 feet above sea level.

**Population**

The United States Department of Commerce, Bureau of the Census, has recorded the population of the City to be as follows:

<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
13,896	13,522	15,761	16,095	16,315	16,273	15,777

## Income

Per capita income data for the County and the State are presented in the following table:

Year	City	County	State	United States
1997	\$18,729	\$19,007	\$24,188	\$25,874
1998	\$19,524	\$19,341	\$25,454	\$27,322
1999	\$20,177	\$20,177	\$25,560	\$27,939
2000	\$20,991	\$20,759	\$27,068	\$29,845
2001	\$21,441	\$21,513	\$27,493	\$30,575
2002	\$21,374	\$21,880	\$27,640	\$30,804
2003	\$21,549	\$21,596	\$28,071	\$31,472
2004	\$22,607	\$21,993	\$29,246	\$32,937
2005	\$23,887	\$23,331	\$31,027	\$34,495
2006	\$25,033	\$24,537	\$32,234	\$36,276
2007	\$26,730	\$19,775	\$33,663	\$38,564
2008	n/a	\$20,121	\$35,344	\$40,208
2009	n/a	\$19,451	\$30,660	\$39,138

Source for City, State, and US: United States Department of Commerce, Bureau of Economic Analysis. – Data not available for City, 2008 and 2009.

Source for County: Vance County Economic Development Commission

## ***GOVERNMENT STRUCTURE***

The City has utilized a Council-Manager form of government since 1966. The Council is nonpartisan and is comprised of the Mayor and eight (8) Council Members (four holding at large seats and four holding ward seats each for a two-year term), who are responsible for the legislative affairs of the City by way of establishing certain City policies, enacting Ordinances and adopting the annual budget. The Mayor and City Council members serve 4-year terms on a staggered basis, the City Council members have an equal vote and the Mayor presides over twice monthly regular meetings and casts a vote only in the case of a tie. The City is a “full service” community and operates in the areas of public safety, public utilities (water, wastewater treatment as well as distribution and collection systems), public works, planning, community development, code compliance, finance, recreation and parks and other associated activities.

In addition, the Council appoints representatives to various statutory and advisory board/commissions and appoints the City Manager, City Attorney and City Clerk. The City Manager, as Chief Administrative Officer, coordinates and directs as necessary the

daily operations of the City through Department Directors, other Staff members and employees.

### ***ECONOMIC CONDITIONS AND OUTLOOK***

The City is home to nearly 1000 businesses, including approximately 12 manufacturers, 240 retailers and 250 service businesses. Six major banks and several credit unions are also located within the area. Major manufacturing products include home furnishings, filters, glass, pet food, sleeping bags and tents, manufactured homes and lumber. Four major distribution facilities exist in the area, along with several smaller ones. The City's location, in the heart of the County, halfway between New York and Florida, makes the City an excellent location for manufacturing and distribution.

Economic development activities are managed principally by the Henderson-Vance County Economic Development Commission (EDC) and are structured to take advantage of the many assets offered by the City and the County. The economic development program is supported by a strong system of utilities and infrastructure from various entities including the City (water, wastewater and municipal transportation network), the County, (solid waste disposal, including a solid waste transfer station), Progress Energy (electric power), PSNC Energy (natural gas), Century link Communications (telecommunications) and Time Warner (telecommunication and cable service). In addition, both the City and County strive to maintain strong and effective relationships with the State's Department of Transportation relative to major highways and thoroughfares, bridges, aviation services (for the Henderson/Vance/Oxford/Granville Airport) and other components of a comprehensive transportation network, including rail lines and a pedestrian/bikeway.

Over 30 viable industrial sites are available in the City and the County, ranging in size from five acres to over 250 acres. In addition, the Henderson-Vance Industrial Park contains over 200 acres, with some undeveloped acreage still available. Furthermore, a second major industrial park area (targeted for hi-tech enterprises, Triangle North Corporate Park), Interstate 85/Poplar Creek Road, has completed construction on the initial building which is occupied by ACS, a health care call center. This new park's location, across from Vance Granville Community College and the Corporate Express distribution facility, is expected soon to capitalize on the proximity to RTP via the Interstate Highway System. Economic development opportunities are further enhanced due to the County's eligibility for several programs and initiatives intended to improve the competitiveness of the City and County in the area, including the "jobs tax credit", building renovation funds" and eligibility for industry revenue bond financing, as well as the recertified "Henderson Economic Development Zone" (#13) through the State Department of Commerce. The Region "K" Council of Governments, with main offices in the City, also serves as the "Lead Regional Organization" in administering several economic development programs for the five-county region, including the County and the City. In addition, other initiatives (such as the Kerr Tar Hub) is a bold multi-county collaboration to create a technology center that will serve as a magnet for business investment in the Region K area of Franklin, Granville, Person, Vance and Warren

Counties in North Carolina. Furthermore, special initiatives are underway through the Duke Endowment Fund and Maria Parham Medical Center to explore similar economic development opportunities.

While the City and County are currently struggling through difficult economic times, along with the State generally and much of the country, the local economy in both the City and the County has robust retail sales, noteworthy construction activity and a continuing diversity in the employment base. Over the past several years, the City has continued to secure its position as the “hub” for this five-county region of the State for general commerce, business activity, retail trade, banking, education and other activities.

The following tables provide the most current published data regarding the local economy:

## EMPLOYMENT

### Labor Force Statistics for the County\*.

	2004	2005	2006	2007	2008	2009	2010
Civilian Labor Force	19,012	18,496	18,839	19,357	20,310	19,867	19,313
Total Employment	17,109	17,097	17,276	18,003	18,310	17,287	17,106
Total Unemployment	1,903	1,399	1,563	1,354	2,000	2,580	2,207
Rate of Unemployment	10.00%	7.60%	8.30%	6.99%	9.85%	12.99%	11.40%
Industry Employment by Place of Work							
Total All Industries	16,146	15,805	15,719	16,483	16,396	15,127	15,267
Goods Producing	3,581	2,795	2,134	2,822	2,731	2,334	2,435
Construction & Mining	851	895	898	916	822	648	464
Manufacturing	2,731	1,900	1,876	1,906	1,909	1,686	1,824
Service Producing	9,446	13,010	12,986	10,552	10,471	9,715	9,857
Transportation, Comm., Trade and Pub. Utilities	3,861	3,858	3,952	3,886	3,796	3,438	3,439
Finance, Insurance and Real Estate	448	455	466	461	433	410	383
Service and Miscellaneous- <sup>1</sup>	4,267	3,267	2,713	6,205	6,242	5,867	6,181
Government	3,120	5,430	5,639	3,111	3,194	3,078	2,975

\*Separate data for the City is not available.

<sup>1</sup>-Include services, except domestic, agricultural services and forestry.

Source: North Carolina Employment Security Commission. Reflects most recent data available.

The following table lists several of the businesses or institutions (with 100 or more Employees) in the City and the County as of April 2010:

<b>Company</b>	<b>Approximate Number of Employees</b>	<b>Product</b>
Vance County Schools	1,200	Public Education
Variety Stores, Inc. (Rose's Stores)*	782	Discount Variety Office/Dist.
Maria Parham Medical Center	750	Health Care
Wal-Mart Distribution Center*	460	Distribution
Vance County	345	Government
Vance-Granville Community College	300	Education
Corporate Express A Staples Company*	290	Retail Office Supplies
Saint-Gobain Containers	284	Glass containers
Affiliated Computer Systems	420	Business Process Outsourcing (Healthcare)
City of Henderson	239	Government
Pacific-Coast Feather Co.	623	Quilts, Comforters
M.R. Williams*	225	Wholesale Food Prod.
P & G Pet Care	163	Pet Food
Optimum Lighting	110	Manufacturing
HandCrafted Homes	145	Modular Homes
Clayton Homes	135	Manufactured Homes

*\*Operates distribution center in Vance County* Source: Vance County Economic Development Commission

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the County\* as follows:

	2003	2004	2005	2006	2007	2008	2009	2010
January	10.8	10.5	9.4	7.3	6.9	7.8	12.9	14.2
February	10.8	10.3	10.1	7.8	6.6	7.8	14.3	14.3
March	9.3	9.8	8.8	7.4	6	7.5	13.8	13.1
April	10.5	9.6	8.3	7.2	6.2	7.8	13.1	12.2
May	10.9	10.1	8.7	7.6	6.5	8.1	13.5	12
June	12.3	10.5	8.9	8.2	7.1	8.4	14.4	12.3
July	11.4	10.3	9	8.2	7.3	9.3	14.1	12.5
August	11.9	9.5	8.5	7.9	6.9	10.3	13.3	12.1
September	10.9	8.9	8.3	7.2	6.2	9.7	13	11.6
October	10.7	9.1	7.9	6.9	6.4	10	n/a	11.4
November	10.4	8.8	7.6	7.1	6.9	11.2	n/a	12.4
December	9.6	8.9	7.1	6.7	7.1	11.5	n/a	n/a

\* Separate data for the City is not available.

The average annual unemployment rates for the County, the State and the United States are presented in the following table:

<u>YEAR</u>	<u>COUNTY<sup>1</sup></u>	<u>STATE</u>	<u>UNITED STATES</u>
1998	7.1	3.5	4.5
1999	7.2	3.2	4.2
2000	6.9	3.6	4.0
2001	9.2	5.5	4.7
2002	10.0	6.7	5.8
2003	10.8	6.5	6.0
2004	9.7	5.5	5.5
2005	8.5	5.2	5.1
2006	7.5	4.8	4.6
2007	6.7	4.7	4.6
2008	9.2	6.3	5.8
2009	13.1	10.6	9.3

Source for County and State, North Employment Security Commission  
 Source for United States, U.S. Department of Labor

<sup>1</sup> Separate data for the City is not available.

A review of recent construction activities in the private sector within the last few years, or those currently underway, in the Henderson community (including some in the County) are significant. Several specific highlights include:

- Dabney Exchange Shopping Center has been developed and continues to expand on Dabney Drive at US 158 By-Pass. Businesses locating there include Rite Aid Drug, Ruby Tuesday, Smithfield's Food, Chick-fil-A, Advance Auto, US Cellular, Dabney Drive Car Wash, Kelly Rentals, and Verizon.
- Carolina Country Snacks, located in the Henderson-Vance Industrial Park, has expanded its operation.
- Vescom America, a vinyl wall covering and upholstery manufacturer, has located in Vance County from New York.

The availability of accommodations in the motel/hotel sector has resulted in an aggregate of almost 800 rooms during the past few years with the construction of several facilities, including Holiday Inn Express, Sleep In, Comfort Inn, Hampton Inn and Jameson Inn. The total receipts flowing to the County for the room and occupancy tax (first enacted in 1989) have grown accordingly and help provide resources for the expanding tourism development program managed by the Vance County Tourism Office.

**Schools/Education.** A consolidated County public school system includes ten elementary schools, two middle schools, two high schools and one secondary school serving as an alternative learning center for students experiencing difficulty in the normal school setting. The City has no financing responsibility for any part of the County school system, although the City and a number of City employees frequently partner with the schools in activities and programs from individual student mentoring to the shared use of school and City/County recreational facilities.

The school system's two middle schools (Eaton-Johnson and Henderson Middle) have completed extensive renovations and one new High school (Southern Vance) and four elementary schools (Zeb Vance, Aycock, Dabney and Clarke Street) have been constructed within the last twelve years. In addition, the Vance County School System recently purchased 102 acres of land for the construction of one (1) new middle school and one (1) new elementary school with construction beginning within the next year.

The County public school system has made tremendous progress within the last six years in the area of technology, with all the schools having internet capability, computer laboratories and media centers integrated with state-of-the-art information technology capability.

Additionally, Vance Charter School just began its eleventh year of operation and has an enrollment of 421 students, featuring a "community service learning" curriculum. The private Kerr-Vance Academy also flourishes in the community and has a total enrollment of roughly 429 students. The private Crossroads Christian School was established in 2005 providing educational opportunities for youth ages K-12 with 379 students and a capacity of 650 students. There is also a new Charter School to open is August 2011.

Vance-Granville Community College (VGCC) serves approximately 19,000 students annually (combined curriculum and continuing education, as of 2010). Enrollment has more than doubled over the past 15 years with projections indicating potential enrollment of 20,000 students by 2011. The college's main campus is located in Vance County between the City of Henderson and the City of Oxford. In addition to Vance County, VGCC also serves Granville, Warren and Franklin counties and has a satellite addition to Vance County; VGCC also serves Granville, Warren and Franklin counties and has a satellite campus in each of those counties. The statewide higher education bond referendum, approved by North Carolina voters in November 2000, will provide \$17 million of bond proceeds for both new Construction (\$16 million) and renovation/repair (\$1.1 million) for the main campus and its satellites. Portions of this construction have been completed and others are still underway. As a part of these improvements, the main campus in Vance County has consolidated several technology-related programs in a new technology building and developed the new Cisco Academy in addition to other curriculum and occupational extension programs. These moves are exciting developments affording area residents cutting-edge training opportunities for the technology age.

Assisting the educational endeavors of the growing VGCC student body is the Vance-Granville Community College Endowment Fund and Scholarship Program which has grown significantly in recent years. Assets of roughly \$3 million represent one of the largest endowments among North Carolina's 58 community colleges.

In addition, other educational opportunities are within close proximity to the City including: Louisburg College (20 minutes), North Carolina State University (60 minutes), Duke University (45 minutes), University of North Carolina at Chapel Hill (60 minutes) and North Carolina Central University (45 minutes).

**Transportation.** The City is served by three major Federal highways (Interstate I-85, US Highway 1 and US Highway 158), which together with North Carolina Highway 39, provide a strong highway network to position both the City and the County for economic development opportunities and to provide ready access to major trading areas to both the North and South. For example, the City is located almost equidistant from New York and Florida and is up to trucking days from two-thirds of the major United States markets. Major maintenance, expansion and betterment of interstate, primary and secondary highways of the State highway system within the City limits is chiefly the State's responsibility, although the City does participate on a limited reimbursement/contract basis. The City continues to use every opportunity to expand its State/Federal transportation network through the annual Transportation Improvement (TIP) process. Major projects continue to progress (for example, the NC Department of Transportation is surveying and preparing plans to widen Chavesse Avenue from Raleigh Road to William Street in Henderson.)

Major expansion, maintenance and betterment of the local street system are the sole responsibility of the City. Since 1993 (the first year of the City's initial 5-year capital improvement program) the City has completed many individual City street projects, with

others currently underway, accounting for approximately \$2.0 million financed through yearly revenues. The City maintains over 80 miles of local streets and, on an annual basis, implements an aggressive resurfacing program in order to maintain the internal street system at a high standard. The City has approximately one-quarter of a mile of unpaved streets throughout its street system, all of which is fronting property whose owners do not desire paving.

Ground transportation services supporting the local economy, in addition to the three major highways; include daily rail service provided by CSX Railroad. There are over 70 certified motor freight carriers licensed to operate in the County and currently four trucking companies operate terminals within the County.

The Greyhound-Trail ways Bus Line serves the City with a terminal operating at least 14 buses daily into and out of the City, providing services to New York, other northern locations, Florida and return routes both North and South. Express transportation is also offered to both the East and West coasts. Several taxis operate in the City by virtue of franchises granted by the City Council of the City.

While actual implementation is within the 10-15 year time frame, a further development impacting the City and the County is the Southeast High Speed Rail Corridor which would be designed to provide high speed rail service from Charlotte/Raleigh, North Carolina to Richmond, Virginia and on to Washington, D.C. The North Carolina department of Transportation and the Virginia Department of Rail and Public Transportation are in the midst of engineering, environmental and economic development impact studies for this federally designated Southeast High Speed Rail to serve long-distance business and leisure travelers between North Carolina, Virginia and the Northeast. However, final decisions have been made by all approving authorities, which will route the train through Henderson and Vance County under the designated corridor. Accordingly, the City, along with the Chamber of Commerce, the County, the Economic Development Commission and others, mounted a successful campaign for Henderson to be a designated stop on this line, thereby further benefiting from the enormous economic development potential. Henderson has been selected for two (2) stops daily along this rail line, one stop going North and one stop going south. High speed rail will be competitive with traveling at a maximum speed of 110 miles per hour (mph) and an average speed 85-90 mph. Such service to both the North and the South from the City would add substantially to the overall transportation network, with positive impact for business, recreation tourism and economic development in general.

Commercial air services are available from fewer than 50 miles away at Raleigh-Durham International Airport ("RDU") with roughly 300 daily flights. Carriers include American, Delta, United, US Airways, Air Canada, Northwest, Continental, Southwest, and Air Tran. RDU is a major international airport and, in addition to extensive commercial service, provides general aviation, corporate, military and cargo aircraft operations.

Local air service is provided and readily available less than six miles west of the City at the Henderson-Oxford Airport (the "Airport") with a 5,000-foot lighted and paved runway offering charter service, hangers, maintenance and a flight training school. Approximately 5,000 planes use the Airport each year. The Airport is jointly owned by the City, the City of Oxford, Vance County and Granville County and operates under an Aeronautics Authority established and equally funded by the four respective governing boards of each jurisdiction, as well as special State and Federal appropriations.

Kerr Area Regional Transportation Service ("KARTS") is a public transportation program with service in the City, as well as the four county area around the City (Franklin, Granville, Vance and Warren), which is governed by the Kerr Area Transportation Authority. The funding sources for KARTS' capital budget are Federal (80%), State (10%) and County (10%). The operating budget is funded up to 15% by the Federal government with the remainder derived for user fees. KART is located in the City and operates a fleet of 35 vans and small buses, seven of which are lift-equipped. KARTS provides demand response and semi-fixed route transportation to the clients of human service agencies in each county, as well as to the general public. In the County, KARTS drives over 100,000 miles per year, providing approximately 30,000 units of service to a variety of locations.

**Health Services.** The City's proximity to the major medical facilities at Duke University Medical Center, the UNC Memorial Hospital, Durham Regional Hospital, as well as the several facilities in Raleigh and Wake County, ensures outstanding health care is available to the citizens of the City, the County, and the region through a growing and improving network of facilities, especially Maria Parham Medical Center ("MPMC"). MPMC opened initially in 1925 with 21 employees, five physicians and 27 beds. Today MPMC, located in the heart of a rapidly expanding sector of the City, is the County's third largest employer with over 500 employees and over 100 beds. The private, non-profit facility, governed by a 14-member Board of Directors, is an accredited facility (by JCAHO), which annually serves over 4,000 patients from the City, the County and surrounding locations. According to the latest statistics (1998), MPMC's cost of services was among the five lowest in North Carolina. In addition, Maria Parham has expanded both their physical facilities and programs for healthcare for the increasing demands of the local area at an approximate cost of \$56 million dollars. This project has been completed and is in use by the medical center.

Enhancing the network of community medical care is a fully certified Paramedic and EMT-1 emergency response and transport service (as an operating arm of the Henderson-Vance County Fire & Rescue Service), a strong contingent of doctors in most every specialty area, the Vance County Health Department and Area Mental Health Clinic and long-term care in 13 nursing homes and rest homes for the elderly and handicapped within the community. These homes provide care for approximately 500 residents.

**Recreation/Leisure Services, Cultural Highlights and Community Activities.** The City and the County offer numerous opportunities for a variety of community activities, from recreation to arts to entertainment. Setting the tone for many of these opportunities

is a full-service Recreation and Parks Department, jointly funded by the City and the County, offering facilities and programs for all ages. Several distinguishing highlights include:

*The Henderson Family YMCA.* This facility, which opened in 1990, is a modern complex featuring an indoor gym, heated indoor pool, extensive weight and cardiovascular training equipment, meeting rooms, children's gym, racquetball and handball courts, male and female locker rooms, an outdoor lighted walking track, soccer and playing fields, saunas/whirlpool/steam room and other associated support facilities. Numerous cooperative relationships exist between the YMCA and the Recreation and Parks Department, the public schools and others. The YMCA is located in a rapidly expanding area of the City and is readily accessible and has both extensively renovated their facilities internally and added over 4,400 square feet in new construction.

*Aycock Recreation Complex (phases I and II)* this facility is situated adjacent to the new Aycock Elementary School on roughly 26 acres. Phase I, completed in July 1998, consists of four combination baseball/softball fields, an operations/concession building, meeting rooms, paved parking for 300 vehicles, two walking tracks and related appurtenances. Phase II, completed in January 2002, included an indoor, competitively-sized swimming pool with an elevated walking track, a full gymnasium, meeting rooms and office space, all encompassed in an approximate 42,000 square-foot facility. Adjacent to both Phases I and II are soccer fields and the *City's Fox Pond Park*, which includes a total of 105 acres (45 of which are water) with ball fields, concession areas, lighted tennis courts, playground areas, several picnic shelters, an outdoor amphitheater, a nature/walking trail around the Park and associated parking and leisure areas. It is significant to note that the Aycock Recreation Complex was established through an extensive partnership involving the public and private sectors in the City and the County, as well as support and financial contributions from the State (the Parks and Recreation Trust Fund ("PARTF")), the Federal government (through a special appropriation from the Department of Housing and Urban Development), and the engineering and construction arms of the North Carolina National Guard. Efforts are currently underway by the City's Management and Recreation Department Staff to secure further State funding to "link" the Aycock Complex to Fox Pond Park, further enhancing this major, multi-faceted, recreational complex.

*Kerr Lake State Recreation Area.* The County is the home to the Kerr Lake State Recreation Area (the "Park"), the most visited recreational park in all of North Carolina, hosting 1.6 million visitors last year on the North Carolina side of the Lake. Kerr Lake has over 850 miles of shoreline and contains seven existing State Park areas (with an eighty currently under development), three community/meeting buildings, a Visitor's Center, over 700 camp sites, two marinas, and facilities providing a variety of recreational activities year-round. As a result of approved statewide recreation bond referendum funds and PARTF appropriations, approximately \$10 million has been spent within the last ten years at the Park, in

addition to approximately \$5-6 million from the Federal Emergency Management Agency for shoreline stabilization. It is anticipated that regular and ongoing appropriations to the Park (from the States Trust Fund) will approximate \$2 million annually. The City and the Kerr Lake State Recreation Park Management have recently collaborated and extended the City's water system to provide safe, reliable and potable water to major sections of the park's facilities.

*H. Leslie Perry Memorial Library.* The H. Leslie Perry Memorial Library celebrated its 75<sup>th</sup> anniversary during the fall of 1999. First opening its doors in 1924, the Library receives regular funding support from the City, the County and the State as well as Friends of the Library and the H. Leslie Perry Memorial Library Foundation. The Library has been recognized on several occasions for innovative programs and special outreach efforts targeted to children, instruction for adult non-readers and special tutorials. The Library's success has resulted in the need for expansion into a new facility, as well as expanded service designed to help enhance educational and cultural opportunities for the City, the County and the surrounding area. Accordingly, a new 35,000 sq. ft. H. Leslie Perry Library was recently completed and occupied in July of 2006.

*The Embassy Civic and Cultural Center Project.* This innovative and bold initiative will encompass an approximately ten acre site in the heart of the City's downtown, to be developed as two cohesive, yet separate, building developments. The North side of the Project (the Embassy Civic Center) will be funded through municipal resources and will include a new Administrative Building, City Hall and Police Station. The South side of the Project (the Embassy Cultural Center) will include a Library and Performing Arts facility, with adjoining gallery space. The North and South components will be connected by a "pedestrian friendly" promenade surrounded by off-street parking and other amenities. The entire project is designed to bring together, into the heart of the City, various civic/governmental services, educational and learning opportunities and cultural activities unique in the State for a community of the City's size. The Henderson Police Station (one of the major components of the overall project) was opened in January 2003 and the new Library was opened in July 2006 with the Performing Arts facility planned at a later date.

*Other Community Resources of Note.* While the Embassy Civic and Cultural Center Project is the most dramatic and bold initiative ever undertaken downtown, the entire downtown/historic/business district is noteworthy. Consisting of approximately 20 square blocks and occupying approximately 50 acres, the downtown core contains numerous structures distinguished by their architectural significance, including the 1908 Fire Station No. 1 and Italianate Clock tower (used as the City's logo and seal) and various Neoclassical Revival, Art Deco and "Chicago Style" structures that are both significant to the urban landscape and home to numerous thriving businesses, professional offices, restaurants, and other retail establishments. The City's downtown has been designated a national historic district and a number of individual structures are

listed on the State Historic Register and one structure is listed on the National Historic Register.

Since becoming a “North Carolina Mainstreet Community” in 1986, approximately \$25 million in investment has occurred from both the private sector (approximately \$7 million) and the public sector (approximately \$18 million). A number of community-wide events are hosted in the downtown area and the City, the County and the private sector are continually committed to maintaining and insuring for the future a thriving and vibrant urban core.

### ***MAJOR CITY ACCOMPLISHMENTS/INITIATIVES***

The City’s fiscal year ending June 30, 2010 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 Henderson residents and customers.

Obviously, many of the City’s major initiatives span fiscal year reporting periods with regard to the audit cycle. Therefore, attempting to report either “accomplishments” or “initiatives” for only the twelve month period ending June 30, 2010 is not as desirable as looking forward toward future challenges. Accordingly, the following information is offered in this regard:

#### **Key Accomplishments (last five years)**

- HOPE VI II obtained \$1,000,000 from Housing and Urban Development combined with \$547,449 in private investment to construct 12 apartment units on the second floor of the downtown business district. HOPE VI I completed construction in the fall of 2009.
- Aggressively planning for the impacts of the Southeastern High Speed Rail ensuring that the rail service and the potential stop becomes a strong economic driver as well as protecting the City from the potential negative impact in keeping with the City’s existing heritage and integrity.
- Closed out the David Street CDBG grant from the North Carolina Department of Commerce Division of Community Assistance for \$653,449, which provided funds to rehabilitate four properties, demolishing nine properties, improving street infrastructure, and installing a children’s neighborhood park.
- Continued construction on A L Harris Estates Housing Development grant for \$195,000, which provided funds for the installation of infrastructure including water, streets and sewer to service nine new homes for low to moderate-income citizens.
- Completed and adopted a comprehensive land use plan.

- Reconstructed and launched a new City website.
- Obtained a \$250,000 CDBG Grant to improve the Orange-Breckenridge area by purchasing various lots in a specified area to construct new homes for home ownership by low-income persons. Acquisition of the last several lots in the area is underway.
- Obtained the Weed & Seed Grant for five consecutive years totaling \$674,000.
- The City amended its Strategic Plan in 2010 including the mission and vision statement.
- The City has obtained in excess of \$8,500,000 in grants since 2008.
- Accomplished the above (along with countless other programs and projects), which implementing reasonable utility rate adjustments and (until 2002) the same effective tax rate (essentially for 2000), as follows:

1993-1999	\$ .61
2000	\$.56 (after evaluation)
2001	\$.56
2002	\$.61
2003	\$.61
2004	\$.64
2005	\$.67
2006	\$.67
2007	\$.67
2008	\$.56.5 (after evaluation)
2009	\$58.5
2010	\$58.5

- Obtained authorization for over \$3 million in direct Federal appropriations for City projects (Embassy and Kerr Lake Regional Water System) FY 2002 appropriations

#### Current/Future Challenges

- Economic development, jobs and a continually diversified economy
- Continued effort to either expand or enhance the City's tax base through facilitating development, annexations, etc.
- Continued effort to resist unfunded mandates, stabilize State shared revenues (or provide local options) and secure other "outside" funding resources through grants, State-Federal special appropriations, etc.

- Continued effort to both assess and improve various components of the City's infrastructure. For example:
  - The Kerr Lake Regional Water Plant (treatment) and the Water Distribution System
  - The Nutbush Creek Wastewater Plant (treatment) and the Sewer Collection System
  - City street network, storm drainage system, sidewalks, etc.
- Continued efforts to recruit, train, develop and retain a committed, diverse, knowledgeable and productive City workforce
- Sell excess City properties and dedicate to fund balance

While neither of these lists is all inclusive, they do represent a "picture" of both the City's recent past and challenges/opportunities that await us.

## **CASH MANAGEMENT**

The investment policy of the City is guided, in large part, by State Statute whereby, Investments in certificate of deposit, secured time deposits and the North Carolina Capital Management Trust are utilized. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by Federal depository insurance or fully collateralized.

## **RISK MANAGEMENT**

The City's risk management function is managed by the Finance and Human Resources Department with the assistance of NCLM Management Trust. The City does not "self-insure" any line of insurance and has all insurance with the North Carolina League of Municipalities with the exception of its health/life insurance.

## **OTHER INFORMATION**

### *Independent Audit*

This report includes financial statements and supplemental schedules which have been audited by Phillips, Dorsey, Thomas, Waters, Brafford, P.A. a firm of independent Certified Public Accountants, required by North Carolina General Statute 159-34. The audit opinion of Phillips, Dorsey, Thomas, Waters, Brafford, P.A. specified the unlimited scope of their audit examination, the use of generally accepted accounting principles and concludes that these financial statements present fairly the financial position of the City without qualification.

In addition, Phillips, Dorsey, Thomas, Waters, Brafford, P.A. has provided opinions related specifically to the Single Audit in compliance with the Federal Single Audit Act of 1996 and related OMB Circular A-133 and the State Single Audit Implementation Act. Those opinions are found in the compliance section of the report.

## **REPORTING STANDARDS**

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments and as set forth by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for established governmental accounting and financial reporting principles.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its comprehensive annual financial report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year and the City of Henderson received a Certificate of Achievement for the first time during FY 1990-91, and has achieved it for each year thereafter. The City believes the current report continues to conform to the Certificate of Achievement program requirements and submission to GFOA for continued participation and recognition by the Certificate of Achievement is planned.

## **ACKNOWLEDGEMENTS**

The preparation of this report on a timely basis has been accomplished with the efficient and dedicated services of the Staff of the City's Finance Department. They have been assisted by the independent Certified Public Accountants, Phillips, Dorsey, Thomas, Waters & Brafford, P.A. The Contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards set for all City operations.

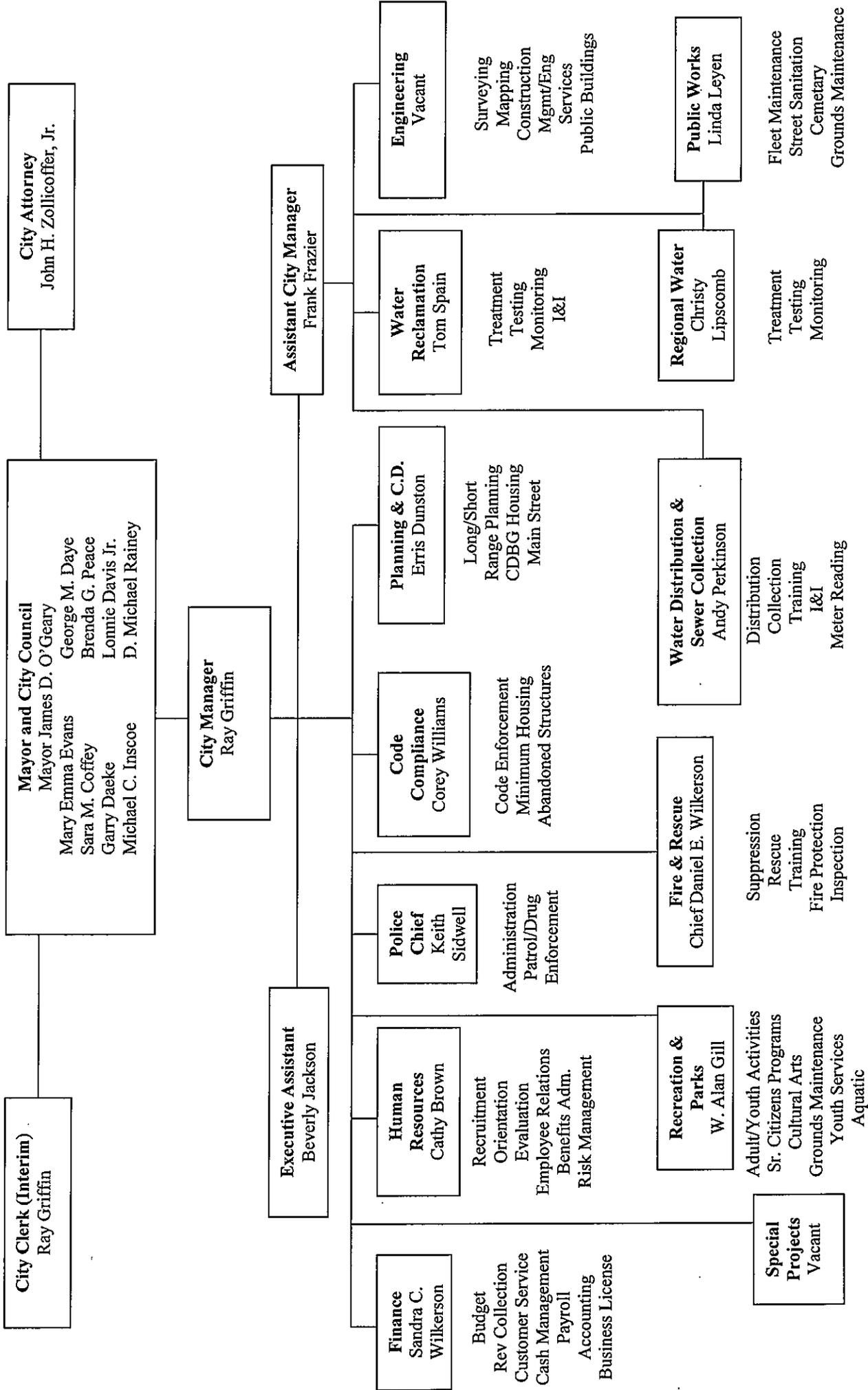
It is also appropriate to thank the Mayor and Members of the City Council for improving the financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Respectfully submitted,

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Sandra Wilkerson  
Finance Director

# CITY OF HENDERSON, NORTH CAROLINA



CITY OF HENDERSON, NORTH CAROLINA

MAYOR

James D. O'Geary

CITY COUNCIL

Sara M. Coffey

Garry D. Daeke

Lonnie Davis, Jr.

George M. Daye

Mary Emma Evans

Michael C. Inscoc

Brenda G. Peace

D. Michael Rainey

CITY ADMINISTRATION

City Manager – Ray Griffin

City Attorney – John H. Zollicoffer, Jr.

Interim City Clerk – Ray Griffin

Finance Director – Sandra Wilkerson

# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

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Susan R. Waters, CPA  
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Janet N. Green, CPA

Tonya B. Kilgore, CPA  
Cecilia E. Leahy, CPA  
Dena M. Thomason, CPA

Ronald S. Dorsey, CPA (Retired)

Independent Auditor's Report

To the Henderson City Council  
City of Henderson, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Henderson's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, North Carolina as of June 30, 2010, 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 conformity with accounting principles generally accepted in the United States of America.

To the Henderson City Council  
City of Henderson, North Carolina  
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2011 on our consideration of the City of Henderson's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and The Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Henderson, North Carolina. The combining and individual nonmajor fund financial statements and schedules, presented as schedules 1-28, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2011

**City of Henderson  
Management's Discussion and Analysis  
June 30, 2010**

As management of the City of Henderson, we offer readers of the City of Henderson's financial statements this narrative overview and analysis of the financial activities of the City of Henderson for the fiscal year ended June 30, 2010. 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**

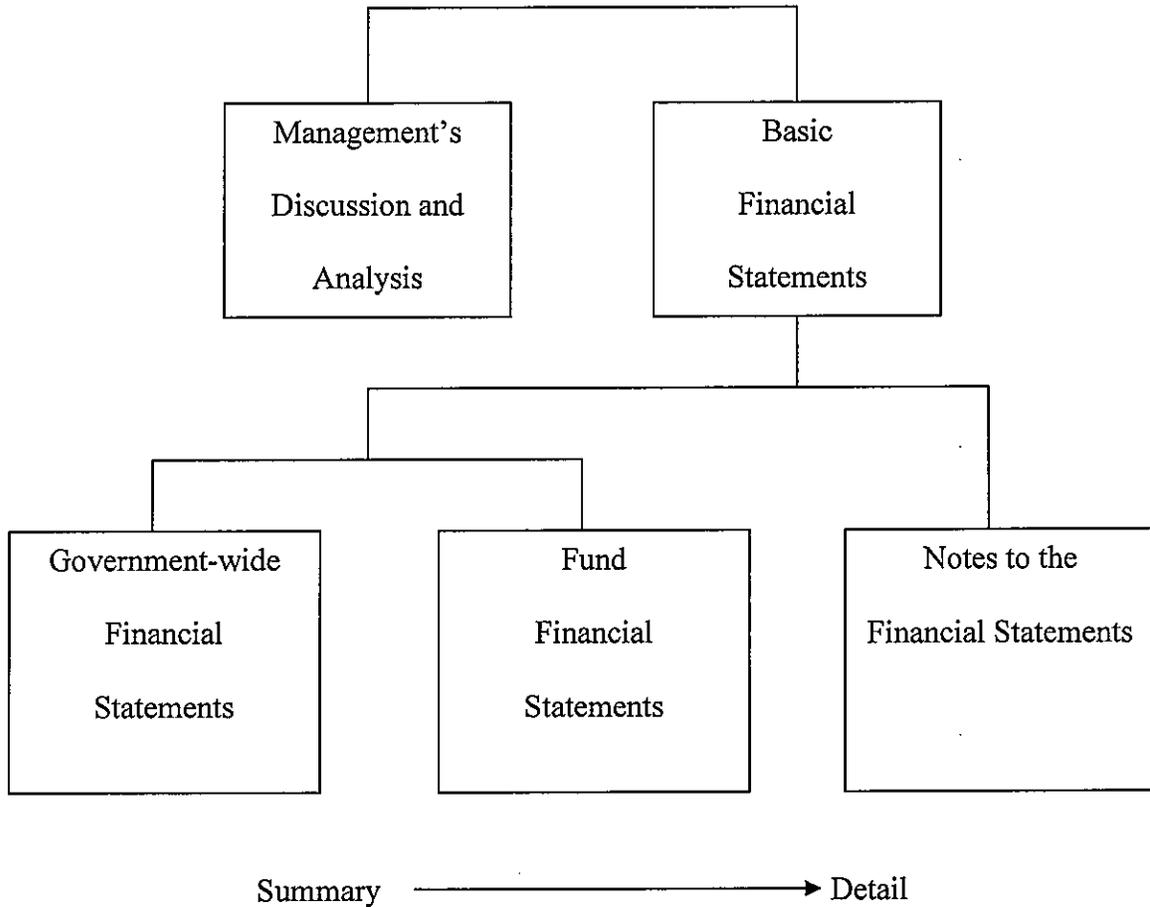
- The assets of the City of Henderson exceeded its liabilities at the close of the fiscal year by \$73,374,623.
- The government's total net assets increased by \$1,805,449.
- As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$5,236,559, an increase of \$470,376 in comparison with the prior year.
- For the year ending June 30, 2010, the City of Henderson's fund balance available for appropriation in the general fund totaled \$2,873,492 or 20.38 percent of expenditures. This is a decrease from prior year's 20.76 percent. Excluding Powell Bill reserves of \$244,299 and Drug forfeiture reserves of \$676,450 the remaining fund balance available for appropriation in the general fund totaled \$1,952,743.
- The City of Henderson's total long-term liabilities outstanding debt decreased by \$3,215,743 (11.66%) during the current fiscal year.
- The City of Henderson has maintained its A2, A, and AA- bond rating for the 9<sup>th</sup> consecutive year. The rating for Fitch was reviewed and incorporated a one-notch enhancement.

**Overview of the Financial Statements**

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

Required Components of Annual Financial Report

Figure 1



**Basic Financial Statements**

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

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

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

### **Government-wide Financial Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide services. These include the water 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 provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Henderson, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes and 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets 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** – The City of Henderson has one kind of proprietary fund. The *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Henderson uses an enterprise fund to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

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

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

## Government-Wide Financial Analysis

The City of Henderson's Net Assets  
Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 6,564,761	\$ 6,758,156	\$ 6,772,149	\$ 6,504,196	\$ 13,336,910	\$ 13,262,352
Capital assets	19,817,730	20,458,590	65,987,982	67,081,155	85,805,712	87,539,745
Restricted assets	-	-	2,478,604	2,031,412	2,478,604	2,031,412
Total Assets	<u>\$ 26,382,491</u>	<u>\$ 27,216,746</u>	<u>\$ 75,238,735</u>	<u>\$ 75,616,763</u>	<u>\$ 101,621,226</u>	<u>\$ 102,833,509</u>
Long-term liabilities						
outstanding	\$ 7,431,364	\$ 7,233,674	\$ 19,870,279	\$ 22,062,033	\$ 27,301,643	\$ 29,295,707
Other liabilities	513,539	1,061,828	431,421	906,800	944,960	1,968,628
Total Liabilities	<u>\$ 7,944,903</u>	<u>\$ 8,295,502</u>	<u>\$ 20,301,700</u>	<u>\$ 22,968,833</u>	<u>\$ 28,246,603</u>	<u>\$ 31,264,335</u>
Net Assets:						
Investment in capital assets, net of related debt	\$ 14,686,579	\$ 14,582,291	\$ 46,753,174	\$ 45,375,752	\$ 61,439,753	\$ 59,958,043
Restricted	1,772,784	1,899,503	-	-	1,772,784	1,899,503
Unrestricted	1,978,225	2,439,450	8,183,861	7,272,178	10,162,086	9,711,628
Total Net Assets	<u>\$ 18,437,588</u>	<u>\$ 18,921,244</u>	<u>\$ 54,937,035</u>	<u>\$ 52,647,930</u>	<u>\$ 73,374,623</u>	<u>\$ 71,569,174</u>

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the City of Henderson, assets exceeded liabilities by \$73,374,623 as of June 30, 2010. Net assets are reported in three categories: capital assets, net of related debt; restricted net assets; and unrestricted net assets.

By far the largest portion of the City of Henderson's net assets in the amount of \$61,439,753 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt issued to acquire those assets that is still outstanding. 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 investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Henderson Changes in Net Assets

Figure 3

	Governmental Activities		Business -Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 4,910,996	\$ 5,102,264	\$ 12,911,533	\$ 12,513,643	\$ 17,822,529	\$ 17,615,907
Operating grants and contributions	1,687,630	937,300	-	-	1,687,630	937,300
Capital grants and contributions	-	261,250	-	-	-	261,250
<b>General Revenues:</b>						
Property taxes	5,182,210	5,236,164	-	-	5,182,210	5,236,164
Other taxes	3,242,167	3,440,264	-	-	3,242,167	3,440,264
Other	161,577	168,335	704,649	620,231	866,226	788,566
<b>Total Revenues</b>	<b>\$ 15,184,580</b>	<b>\$ 15,145,577</b>	<b>\$ 13,616,182</b>	<b>\$ 13,133,874</b>	<b>\$ 28,800,762</b>	<b>\$ 28,279,451</b>
<b>Expenses:</b>						
General government	\$ 2,633,778	\$ 909,799	\$ -	\$ -	\$ 2,633,778	\$ 909,799
Public safety	7,349,933	6,968,586	-	-	7,349,933	6,968,586
Economic and physical dev.	45,732	498,004	-	-	45,732	498,004
Transportation and utilities	2,001,374	1,936,074	-	-	2,001,374	1,936,074
Environmental protection	859,341	1,309,976	-	-	859,341	1,309,976
Cultural recreation	2,471,824	2,006,921	-	-	2,471,824	2,006,921
Human services	267,359	604,768	-	-	267,359	604,768
Interest on long-term debt	285,532	283,950	-	998,630	285,532	1,282,580
Water	-	-	4,674,484	3,930,233	4,674,484	3,930,233
Sewer	-	-	3,787,908	3,793,028	3,787,908	3,793,028
Regional water system	-	-	2,618,048	2,638,057	2,618,048	2,638,057
<b>Total Expenses</b>	<b>\$ 15,914,873</b>	<b>\$ 14,518,078</b>	<b>\$ 11,080,440</b>	<b>\$ 11,359,948</b>	<b>\$ 26,995,313</b>	<b>\$ 25,878,026</b>
<b>Increase in Net Assets</b>						
Before Transfers	\$ (730,293)	\$ 627,499	\$ 2,535,742	\$ 1,773,926	\$ 1,805,449	\$ 2,401,425
Transfers	246,637	(7,660)	(246,637)	7,660	-	-
<b>Increase in Net Assets</b>	<b>\$ (483,656)</b>	<b>\$ 619,839</b>	<b>\$ 2,289,105</b>	<b>\$ 1,781,586</b>	<b>\$ 1,805,449</b>	<b>\$ 2,401,425</b>
Net Assets, July 1	18,921,244	18,592,092	52,647,930	50,866,344	71,569,174	69,458,436
Prior Period Adjustment	-	(290,687)	-	-	-	(290,687)
<b>Net Assets, June 30</b>	<b>\$ 18,437,588</b>	<b>\$ 18,921,244</b>	<b>\$ 54,937,035</b>	<b>\$ 52,647,930</b>	<b>\$ 73,374,623</b>	<b>\$ 71,569,174</b>

**Governmental activities:** Governmental activities decreased the City's net assets by \$(483,656). A key element of this decrease is as follows:

- Decrease in operating grants and decrease in service revenue.

**Business-type activities:** Business-type activities increased the City of Henderson's net assets by \$2,289,105. A key element of this increase is as follows:

- Water rates increased for the surrounding counties and cost-saving measures taken to help reduce operating costs in the Water Fund, Sewer Fund and the Regional Water System Fund.

### **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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Henderson. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,952,743 while total fund balance in the General Fund reached \$4,498,154. As a measure of the general fund's liquidity, it may be useful to compare both fund balance available for appropriation and total fund balance to total fund expenditures. Fund Balance available for appropriation represents 20 percent of the total General Fund's expenditures, while total fund balance represents 32 percent of that same amount.

At June 30, 2010, the governmental funds of the City of Henderson reported a combined fund balance of \$5,236,559, a 10 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General and Capital Projects Funds.

**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.

**Proprietary Fund.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the business-type activities at the end of the fiscal year amounted to \$8,183,861. The

total increase in net assets for the business-type activities was \$2,289,105. The key element for this increase was rate increases.

### Capital Asset and Debt Administration

**Capital assets.** The City of Henderson's investment in capital assets for its governmental activities and business type activities as of June 30, 2010, totaled \$85,805,712 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Equipment and vehicles for governmental-type activities: \$233,114.
- Increase in construction in progress for governmental-type activities: \$780,650.
- Furniture, equipment and vehicles for business-type activities: \$130,769.
- Increase in construction in progress for business-type activities: \$345,484

The City of Henderson's Capital Assets  
Figure 4  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 4,131,513	\$ 4,131,513	\$ 2,077,368	\$ 2,128,378	\$ 6,208,881	\$ 6,259,891
Buildings	9,884,583	10,037,953	17,894,992	18,475,404	27,779,575	28,513,357
Distribution systems	-	-	43,037,064	43,696,451	43,037,064	43,696,451
Furniture and equipment	-	-	628,952	668,442	628,952	668,442
Construction in progress	3,104,980	2,324,330	2,349,606	2,112,479	5,454,586	4,436,809
Other improvements	960,246	1,718,444	-	-	960,246	1,718,444
Equipment and vehicles	<u>1,736,408</u>	<u>2,246,350</u>	<u>-</u>	<u>-</u>	<u>1,736,408</u>	<u>2,246,350</u>
Total	<u>\$ 19,817,730</u>	<u>\$ 20,458,590</u>	<u>\$ 65,987,982</u>	<u>\$ 67,081,154</u>	<u>\$ 85,805,712</u>	<u>\$ 87,539,744</u>

Additional information on the City's capital assets can be found in the notes to the financial statements beginning on page 36 of this report.

**Long-term Debt.** As of June 30, 2010, the City of Henderson had total debt outstanding of \$24,365,959. Of this, \$13,595,959 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The City of Henderson's Outstanding Debt  
General Obligation and Revenue Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Capital leases	\$ 296,804	\$ 437,685	\$ 321,115	\$ 461,896	\$ 617,919	\$ 899,581
Installment loans	4,834,347	5,438,614	8,143,693	9,743,507	12,978,040	15,182,121
Revenue bonds	-	-	10,770,000	11,500,000	10,770,000	11,500,000
<b>Total</b>	<b>\$ 5,131,151</b>	<b>\$ 5,876,299</b>	<b>\$ 19,234,808</b>	<b>\$ 21,705,403</b>	<b>\$ 24,365,959</b>	<b>\$ 27,581,702</b>

The City of Henderson's total debt decreased by \$3,215,743 (12%) during the past fiscal year, primarily due to the normal amortization of debt.

As mentioned in the financial highlights section of this document, the City of Henderson maintained for the 10<sup>th</sup> consecutive year, its A2 bond rating from Moody's Investor Service, an A rating from Standard and Poor's Corporation and an AA- from Fitch Ratings. The rating for Fitch was reviewed and incorporated a one-notch enhancement. This bond rating is a clear indication of the sound financial condition of the City of Henderson. The City of Henderson is one of the few cities 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 obligations 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 \$65,835,157.

Additional information regarding the City of Henderson's long-term debt can be found in the notes to the financial statements. (See Long-Term Obligations, pages 46-52) (Note III.B.6).

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

The following key economic indicators reflect the growth and prosperity of the City.

- The City of Henderson's unemployment rate of approximately 12.9%.
- Retail continues to grow within the City.

## **Budget Highlights for the Fiscal Year Ending June 30, 2011**

**Governmental Activities:** Property taxes are expected to remain constant. Also, sales taxes are expected to decrease in the upcoming year, but utility franchise taxes are expected to be slightly increased.

Budgeted expenditures in the General Fund are expected to remain constant at a total of \$14,477,493.

### **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 Sandra C. Wilkerson, City of Henderson, P.O. Box 1434, Henderson, NC 27536.

City of Henderson, North Carolina  
Statement of Net Assets  
June 30, 2010

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,881,124	\$ 4,572,397	\$ 8,453,521
Taxes receivables (net)	712,013	-	712,013
Accrued interest receivable on taxes	102,650	-	102,650
Accounts receivable (net)	1,812,471	2,195,142	4,007,613
Inventories	-	61,113	61,113
Internal balances	56,503	(56,503)	-
Restricted cash and cash equivalents	-	2,478,604	2,478,604
Total current assets	<u>\$ 6,564,761</u>	<u>\$ 9,250,753</u>	<u>\$ 15,815,514</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	\$ 7,236,493	\$ 4,426,974	\$ 11,663,467
Other capital assets, net of depreciation	12,581,237	61,561,008	74,142,245
Total capital assets	<u>\$ 19,817,730</u>	<u>\$ 65,987,982</u>	<u>\$ 85,805,712</u>
Total assets	<u>\$ 26,382,491</u>	<u>\$ 75,238,735</u>	<u>\$ 101,621,226</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 471,073	\$ 240,013	\$ 711,086
Accrued interest payable	19,335	160,165	179,500
Customer deposits	-	31,243	31,243
Unearned revenue	23,131	-	23,131
Current portion of long-term liabilities	796,890	2,500,641	3,297,531
Total current liabilities	<u>\$ 1,310,429</u>	<u>\$ 2,932,062</u>	<u>\$ 4,242,491</u>
Long-term liabilities:			
Due in more than one year	6,634,474	17,369,638	24,004,112
Total liabilities	<u>\$ 7,944,903</u>	<u>\$ 20,301,700</u>	<u>\$ 28,246,603</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 14,686,579	\$ 46,753,174	\$ 61,439,753
Restricted for:			
Expendable			
Capital projects	333,537	-	333,537
Elmwood Cemetery Fund	430,210	-	430,210
Public Safety	676,450	-	676,450
Transportation	317,182	-	317,182
Economic Development	15,405	-	15,405
Unrestricted	1,978,225	8,183,861	10,162,086
Total net assets	<u>\$ 18,437,588</u>	<u>\$ 54,937,035</u>	<u>\$ 73,374,623</u>

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

City of Henderson, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 2,633,778	\$ -	\$ 18,000	\$ -	(2,615,778)	\$ -	(2,615,778)
Public safety	7,349,933	470,633	335,973	-	(6,543,327)	-	(6,543,327)
Economic and physical development	45,732	15,805	787,647	-	757,720	-	757,720
Transportation and utilities	2,001,374	521,671	524,453	-	(955,250)	-	(955,250)
Environmental protection	859,341	2,877,402	11,089	-	2,029,150	-	2,029,150
Cultural and recreation	2,471,824	1,025,485	10,468	-	(1,435,871)	-	(1,435,871)
Code compliance	130,751	-	-	-	(130,751)	-	(130,751)
Planning and community development	136,608	-	-	-	(136,608)	-	(136,608)
Interest on long-term debt	285,532	-	-	-	(285,532)	-	(285,532)
Total Governmental Activities	\$ 15,914,873	\$ 4,910,996	\$ 1,687,630	\$ -	(9,316,247)	\$ -	(9,316,247)
<b>Business-type Activities:</b>							
Water	\$ 4,674,484	\$ 5,138,382	\$ -	\$ -	-	463,898	\$ 463,898
Sewer	3,787,908	4,104,189	-	-	-	316,281	316,281
Regional Water System	2,618,048	3,668,962	-	-	-	1,050,914	1,050,914
Total Business-type Activities	\$ 11,080,440	\$ 12,911,533	\$ -	\$ -	\$ -	1,831,093	\$ 1,831,093
<b>Total Primary Government</b>	<b>\$ 26,995,313</b>	<b>\$ 17,822,529</b>	<b>\$ 1,687,630</b>	<b>\$ -</b>	<b>(9,316,247)</b>	<b>\$ 1,831,093</b>	<b>\$ (7,485,154)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purpose					\$ 5,182,210	\$ -	\$ 5,182,210
Other taxes and licenses:					2,164,956	-	2,164,956
Local option sales tax					119,919	-	119,919
Privilege licenses					14,995	-	14,995
Vehicle rental tax					942,297	-	942,297
Unrestricted intergovernmental					10,777	88,497	99,274
Investment earnings					150,800	616,152	766,952
Miscellaneous					246,637	(246,637)	-
Transfers					8,832,591	458,012	9,290,603
Total general revenues and transfers					(483,656)	2,289,105	1,805,449
Change in net assets					18,921,244	52,647,930	71,569,174
Net assets, beginning							
Net assets, ending					18,437,588	54,937,035	73,374,623

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

**City of Henderson, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Total Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,378,559	\$ 575,000	\$ 3,953,559
Property tax receivable, net	712,013	-	712,013
Accounts receivable, net	1,478,934	333,537	1,812,471
Due from other funds	145,728	-	145,728
Total assets	<u>\$ 5,715,234</u>	<u>\$ 908,537</u>	<u>\$ 6,623,771</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 458,688	\$ 31,720	\$ 490,408
Bank overdraft	-	72,435	72,435
Due to other funds	23,248	65,977	89,225
Deferred revenue	712,013	-	712,013
Unearned revenue	23,131	-	23,131
Total liabilities	<u>\$ 1,217,080</u>	<u>\$ 170,132</u>	<u>\$ 1,387,212</u>
Fund balances:			
Reserved for:			
Encumbrances	\$ -	\$ -	\$ -
State statute	1,624,662	-	1,624,662
Public safety	676,450	-	676,450
Streets-Powell Bill	244,299	-	244,299
Perpetual maintenance	-	430,210	430,210
Unreserved, General Fund:			
Designated for subsequent year's expenditures	219,750	-	219,750
Undesignated	1,732,993	-	1,732,993
Unreserved, reported in:			
Special Revenue funds	-	58,983	58,983
Capital Projects Fund	-	249,212	249,212
Total fund balances	<u>\$ 4,498,154</u>	<u>\$ 738,405</u>	<u>\$ 5,236,559</u>
Total liabilities and fund balances	<u>\$ 5,715,234</u>	<u>\$ 908,537</u>	<u>\$ 6,623,771</u>

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

Accrued interest receivable is not reported on the fund basis, but is reported for full accrual.	\$ 102,650
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,817,730
Liabilities for earned but deferred revenues are reported in the fund statements.	712,013
Some liabilities, including bonds payable, revolving loan, installment purchases, accrued interest, and compensated absences are not due and payable in the current period and therefore are not reported in the funds (Note 5).	<u>(7,431,364)</u>
Net assets of governmental activities	<u>\$ 18,437,588</u>

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

**City of Henderson, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	General Fund	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,297,691	\$ -	\$ 5,297,691
Local option sales taxes	2,328,959	-	2,328,959
Unrestricted intergovernmental	942,297	-	942,297
Restricted intergovernmental	446,955	1,201,118	1,648,073
Permits and fees	101,619	-	101,619
Sales and services	4,441,763	600	4,442,363
Investment earnings	10,245	532	10,777
Miscellaneous	496,282	-	496,282
Total revenues	<u>\$ 14,065,811</u>	<u>\$ 1,202,250</u>	<u>\$ 15,268,061</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 1,374,033	\$ -	\$ 1,374,033
Public safety	6,067,060	189,808	6,256,868
Environmental protection	674,421	-	674,421
Planning and community development	136,608	-	136,608
Cemetery	125,267	-	125,267
Code compliance	130,751	-	130,751
Donations to local agencies	694,316	-	694,316
Economic and physical development	20,044	787,300	807,344
Transportation and utilities	1,949,725	-	1,949,725
Cultural and recreational	1,558,605	-	1,558,605
Non-departmental	337,704	-	337,704
Debt service:			
Principal	745,148	-	745,148
Interest and other charges	285,532	-	285,532
Total expenditures	<u>\$ 14,099,214</u>	<u>\$ 977,108</u>	<u>\$ 15,076,322</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (33,403)</u>	<u>\$ 225,142</u>	<u>\$ 191,739</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	\$ 410,573	\$ 50,150	\$ 460,723
Transfers to other funds	(182,086)	-	(182,086)
Total other financing sources (uses)	<u>\$ 228,487</u>	<u>\$ 50,150</u>	<u>\$ 278,637</u>
Net change in fund balance	<u>\$ 195,084</u>	<u>\$ 275,292</u>	<u>\$ 470,376</u>
Fund balances, beginning	\$ 4,303,070	\$ 463,113	\$ 4,766,183
Fund balances, ending	<u>\$ 4,498,154</u>	<u>\$ 738,405</u>	<u>\$ 5,236,559</u>

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

**City of Henderson, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

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

Net changes in fund balances - total governmental funds	\$	470,376
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 1,013,764	
Depreciation expense for governmental assets	(1,654,624)	
Disposal of assets	-	\$ (640,860)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in accrued interest receivable on taxes		-
Change in deferred revenue for tax revenues		(115,481)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	\$ -	
Principal payments on long-term debt	745,148	745,148
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$ (20,640)	
Net OPEB obligation	(856,629)	
Net pension obligation	(65,570)	\$ (942,839)
Net revenue of internal service funds determined to be governmental-type.		-
Total changes in net assets of governmental activities	\$	(483,656)

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

**City of Henderson, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2010**

	General Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 5,293,480	\$ 5,293,480	\$ 5,297,691	\$ 4,211
Local option sales taxes	2,499,612	2,500,512	2,328,959	(171,553)
Unrestricted intergovernmental	880,900	830,900	942,297	111,397
Restricted intergovernmental	435,000	435,000	446,955	11,955
Permits and fees	100,000	100,000	101,619	1,619
Sales and services	4,414,232	4,414,232	4,441,763	27,531
Investment earnings	61,500	61,500	10,245	(51,255)
Miscellaneous	48,250	124,425	496,282	371,857
<b>Total revenues</b>	<b>\$ 13,732,974</b>	<b>\$ 13,760,049</b>	<b>\$ 14,065,811</b>	<b>\$ 305,762</b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 1,457,280	\$ 1,493,990	\$ 1,374,033	\$ 119,957
Public safety	6,717,840	6,211,359	6,067,060	144,299
Environmental protection	752,050	717,921	674,421	43,500
Planning and Community Development	137,620	137,620	136,608	1,012
Cemetery	125,280	129,857	125,267	4,590
Code Compliance	131,936	131,936	130,751	1,185
Donations to Local Agencies	697,200	703,070	694,316	8,754
Economic and physical development	33,310	21,310	20,044	1,266
Transportation and utilities	2,189,482	2,070,472	1,949,725	120,747
Cultural and recreational	1,936,590	1,606,965	1,558,605	48,360
Non-Departmental	235,500	261,940	337,704	(75,764)
Contingency	-	33,898	-	33,898
Debt service:				
Principal	-	744,135	745,148	(1,013)
Interest and other charges	-	279,575	285,532	(5,957)
<b>Total expenditures</b>	<b>\$ 14,414,088</b>	<b>\$ 14,544,048</b>	<b>\$ 14,099,214</b>	<b>\$ 444,834</b>
Excess (deficiency) of revenues over expenditures	\$ (681,114)	\$ (783,999)	\$ (33,403)	\$ 750,596
Other financing sources (uses):				
Transfers from other funds	\$ 218,340	\$ 250,340	\$ 410,573	\$ 160,233
Transfers to other funds	-	(150,010)	(182,086)	(32,076)
<b>Total other financing sources (uses)</b>	<b>\$ 218,340</b>	<b>\$ 100,330</b>	<b>\$ 228,487</b>	<b>\$ 128,157</b>
Fund balance appropriated	462,774	683,669		(683,669)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 195,084</b>	<b>\$ 195,084</b>
Fund balances, beginning			\$ 4,303,070	
Fund balances, ending			\$ 4,498,154	

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

City of Henderson, North Carolina  
Statement of Fund Net Assets  
Proprietary Funds  
June 30, 2010

	Water Fund	Sewer Fund	Regional Water System Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,236,763	\$ 772,216	\$ 2,563,418	\$ 4,572,397
Accounts receivable (net)	962,493	941,301	291,348	2,195,142
Due from other funds	128,341	102,959	22	231,322
Inventories	-	18,635	42,478	61,113
Restricted cash and cash equivalents	32,212	2,036,601	409,791	2,478,604
Total current assets	<u>\$ 2,359,809</u>	<u>\$ 3,871,712</u>	<u>\$ 3,307,057</u>	<u>\$ 9,538,578</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	\$ 1,751,098	\$ 1,041,327	\$ 1,634,549	\$ 4,426,974
Other capital assets, net of depreciation	16,437,657	23,933,493	21,189,858	61,561,008
Total capital assets	<u>\$ 18,188,755</u>	<u>\$ 24,974,820</u>	<u>\$ 22,824,407</u>	<u>\$ 65,987,982</u>
Total assets	<u>\$ 20,548,564</u>	<u>\$ 28,846,532</u>	<u>\$ 26,131,464</u>	<u>\$ 75,526,560</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 41,085	\$ 146,290	\$ 52,638	\$ 240,013
Accrued interest payable	95,301	10,834	54,030	160,165
Due to other funds	265,335	17,276	5,214	287,825
Customer deposits	31,243	-	-	31,243
Current portion of long-term liabilities	1,136,164	336,745	1,027,732	2,500,641
Total current liabilities	<u>\$ 1,569,128</u>	<u>\$ 511,145</u>	<u>\$ 1,139,614</u>	<u>\$ 3,219,887</u>
Long-term liabilities:				
Other postemployment benefits	\$ 131,758	\$ 286,928	\$ 125,555	\$ 544,241
Compensated absences payable	17,866	46,941	26,423	91,230
Due in more than one year	10,556,515	1,521,257	4,656,395	16,734,167
Total long-term liabilities	<u>\$ 10,706,139</u>	<u>\$ 1,855,126</u>	<u>\$ 4,808,373</u>	<u>\$ 17,369,638</u>
Total liabilities	<u>\$ 12,275,267</u>	<u>\$ 2,366,271</u>	<u>\$ 5,947,987</u>	<u>\$ 20,589,525</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 6,496,076	\$ 23,116,818	\$ 17,140,280	\$ 46,753,174
Unrestricted	1,777,221	3,363,443	3,043,197	8,183,861
Total net assets	<u>\$ 8,273,297</u>	<u>\$ 26,480,261</u>	<u>\$ 20,183,477</u>	<u>\$ 54,937,035</u>
Total Liabilities and Net Assets	<u>\$ 20,548,564</u>	<u>\$ 28,846,532</u>	<u>\$ 26,131,464</u>	<u>\$ 75,526,560</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 Assets  
Proprietary Funds  
For The Fiscal Year Ended June 30, 2010

	Water Fund	Sewer Fund	Regional Water System Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,015,802	\$ 4,084,236	\$ 3,645,146	\$ 12,745,184
Tap fees	43,567	19,603	-	63,170
Other operating revenues	79,013	350	23,816	103,179
<b>Total operating revenues</b>	<b>\$ 5,138,382</b>	<b>\$ 4,104,189</b>	<b>\$ 3,668,962</b>	<b>\$ 12,911,533</b>
<b>OPERATING EXPENSES</b>				
Administration	\$ 107,598	\$ -	\$ -	\$ 107,598
Water treatment and distribution	3,636,867	-	-	3,636,867
Regional water system	-	-	1,928,793	1,928,793
Waste water treatment	-	2,208,766	-	2,208,766
Sewer Collection	-	610,942	-	610,942
Sewer Collection I&I	-	158,409	-	158,409
Depreciation	305,306	735,054	478,055	1,518,415
<b>Total operating expenses</b>	<b>\$ 4,049,771</b>	<b>\$ 3,713,171</b>	<b>\$ 2,406,848</b>	<b>\$ 10,169,790</b>
<b>Operating income (loss)</b>	<b>\$ 1,088,611</b>	<b>\$ 391,018</b>	<b>\$ 1,262,114</b>	<b>\$ 2,741,743</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	\$ 4,887	\$ 76,893	\$ 6,717	\$ 88,497
Mobile agreements	44,164	-	-	44,164
Vance County	-	167,667	-	167,667
Sales tax refund	-	-	-	-
Insurance proceeds	10,494	-	-	10,494
Gain (loss) from sale of assets	123,987	708	611	125,306
Interest and other charges	(624,713)	(74,737)	(211,200)	(910,650)
Workers comp. reimbursement	1,228	6,282	1,355	8,865
Other nonoperating income	-	259,656	-	259,656
<b>Total nonoperating revenue (expenses)</b>	<b>\$ (439,953)</b>	<b>\$ 436,469</b>	<b>\$ (202,517)</b>	<b>\$ (206,001)</b>
<b>Income (loss) before contributions and transfers</b>	<b>\$ 648,658</b>	<b>\$ 827,487</b>	<b>\$ 1,059,597</b>	<b>\$ 2,535,742</b>
Transfers from other funds	797,623	17,696	175,381	990,700
Transfers to other funds	(369,420)	(734,645)	(133,272)	(1,237,337)
<b>Change in net assets</b>	<b>\$ 1,076,861</b>	<b>\$ 110,538</b>	<b>\$ 1,101,706</b>	<b>\$ 2,289,105</b>
<b>Total net assets, beginning</b>	<b>7,196,436</b>	<b>26,369,723</b>	<b>19,081,771</b>	<b>52,647,930</b>
<b>Total net assets, ending</b>	<b>\$ 8,273,297</b>	<b>\$ 26,480,261</b>	<b>\$ 20,183,477</b>	<b>\$ 54,937,035</b>

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

City of Henderson, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For The Fiscal Year Ended June 30, 2010

	Water Fund	Sewer Fund	Regional Water System Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 4,889,155	\$ 4,206,444	\$ 3,494,664	\$ 12,590,263
Cash paid for goods and services	(3,193,382)	(2,221,044)	(1,602,835)	(7,017,261)
Cash paid to or on behalf of employees for services	(494,809)	(1,044,464)	(478,564)	(2,017,837)
Net cash provided (used) by operating activities	<u>\$ 1,200,964</u>	<u>\$ 940,936</u>	<u>\$ 1,413,265</u>	<u>\$ 3,555,165</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Other nonoperating income	\$ 55,886	\$ 433,605	\$ 1,355	\$ 490,846
Transfers from other funds	797,623	17,696	175,381	990,700
Transfers to other funds	(369,420)	(734,645)	(133,272)	(1,237,337)
Total cash flows from noncapital financing activities	<u>\$ 484,089</u>	<u>\$ (283,344)</u>	<u>\$ 43,464</u>	<u>\$ 244,209</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	\$ (125,632)	\$ (114,546)	\$ (236,075)	\$ (476,253)
Principal paid on bond maturities and equipment contracts	(1,087,959)	(387,355)	(995,281)	(2,470,595)
Interest paid on bond maturities and equipment contracts	(624,713)	(74,737)	(211,200)	(910,650)
Proceeds from sale of assets	174,997	708	611	176,316
Net cash provided (used) by capital and related financing activities	<u>\$ (1,663,307)</u>	<u>\$ (575,930)</u>	<u>\$ (1,441,945)</u>	<u>\$ (3,681,182)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	\$ 4,887	\$ 76,893	\$ 6,717	\$ 88,497
Net increase (decrease) in cash and cash equivalents	<u>\$ 26,633</u>	<u>\$ 158,555</u>	<u>\$ 21,501</u>	<u>\$ 206,689</u>
Balances, beginning	1,242,342	2,650,262	2,951,708	6,844,312
Balances, ending	<u>\$ 1,268,975</u>	<u>\$ 2,808,817</u>	<u>\$ 2,973,209</u>	<u>\$ 7,051,001</u>

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

City of Henderson, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For The Fiscal Year Ended June 30, 2010

	Water Fund	Sewer Fund	Regional Water System Fund	Total
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 1,088,611	\$ 391,018	\$ 1,262,114	\$ 2,741,743
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	\$ 305,306	\$ 735,054	\$ 478,055	\$ 1,518,415
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(249,227)	102,255	(174,298)	(321,270)
Increase (decrease) in allowance for doubtful accounts	-	-	-	-
(Increase) decrease in inventory	-	(12,090)	(21,358)	(33,448)
Increase (decrease) in accounts payable and accrued liabilities	(8,168)	(423,483)	(197,464)	(629,115)
Increase in customer deposits	-	-	-	-
Increase in accrued OPEB liability	68,235	149,644	66,626	284,505
Increase (decrease) in accrued vacation pay	(3,793)	(1,462)	(410)	(5,665)
Total adjustments	\$ 112,353	\$ 549,918	\$ 151,151	\$ 813,422
Net cash provided by operating activities	\$ 1,200,964	\$ 940,936	\$ 1,413,265	\$ 3,555,165

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

**City of Henderson, North Carolina**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2010**

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	<b>Pension Trust</b>
	<b>Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 176,936
Total assets	<u>\$ 176,936</u>
<b>Net Assets</b>	
Held in trust for Employees' pension benefits	\$ 176,936
Total net assets	<u>\$ 176,936</u>

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

**City of Henderson, North Carolina**  
**Statement of Changes in Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2010**

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	<b>Pension Trust</b>
	<b>Fund</b>
<b>Additions</b>	
Investment earnings	\$       569
<b>Deductions</b>	
Transfer to General Fund	<u>          32,000</u>
<b>Changes in net assets held in trust for:</b>	
Employees' pension benefits	\$   (31,431)
Net assets-Beginning	<u>         208,367</u>
Net assets-Ending	<u><u>         176,936</u></u>

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

**I. Summary of Significant Accounting Policies**

The accounting policies of the City of Henderson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Henderson is a municipal corporation, which is governed by an elected mayor and an eight-member council.

B. Component Unit

The accompanying statements present the City's primary government. The City has no component units over which it is financially accountable.

C. Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Any interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented.

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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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. Nonoperating 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 non-major governmental funds:

**General Capital Projects Fund.** This fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities for the General Fund.

**Powell Bill Capital Projects Fund.** This fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities for the Powell Bill Fund.

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

**Elmwood Cemetery Permanent Fund.** The fund is used to account for revenues collected from the sale of cemetery lots. The 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.

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

The City reports the following fund types:

**Pension Trust Fund.** The City has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

**D. Measurement Focus and Basis of Accounting**

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

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

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Advalorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Vance County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Henderson. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Vance County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

E. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve, Fiduciary, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. The appropriations are adopted at the object level (e.g., salaries, capital outlay) for the General Fund. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

F. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpected 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. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than major vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009.

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.

6. Inventories and Prepaid Items

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

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

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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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 of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

8. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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.

9. Compensated Absences

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

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

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law (G.S. 159-13(b)(16)) restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

Reserved for streets – Powell Bill – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total expended Powell Bill funds.

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

Unreserved:

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

**II. Stewardship, Compliance, and Accountability**

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2010, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for the non-departmental and debt service. Management will more closely review the budget reports to ensure compliance in future years.

Deficit in Fund Balance or Net Assets of Individual Funds

The Recycling Project Grant Fund, Bureau of Justice JAG Grant Fund, David Street Project Fund and the Governor's Crime Commission Grant Fund had deficits in fund balances or net assets at year-end. The Management will more closely monitor these funds in future years.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

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

At June 30, 2010, the City's deposits had a carrying amount of \$4,352,641 and a bank balance of \$5,116,260. Of the bank balance, \$250,000 was covered by federal depository insurance. The rest of which was covered under by collateral held under the pooling method.

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2. Investments

The City has no policy regarding credit risk. The City's investment in the North Carolina Capital Management Trust's Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010.

At June 30, 2010, the City's investments were as follows:

<u>Reported Value</u>	<u>Fair Value</u>
\$6,756,420	\$6,756,420

3. Receivables-Allowance for Doubtful Accounts

For the City, the amounts presented in Exhibit 1, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2010</u>
Property Taxes Receivable and Sanitation-General Fund	\$ 336,679
Accounts Receivable-Enterprise Funds	<u>366,393</u>
Total	<u>\$ 703,072</u>

Receivables at the government-wide level at June 30, 2010, were as follows:

	<u>Accounts</u>	<u>Taxes &amp; Related Accrued Interest</u>	<u>Due From Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 1,979,150	\$ 984,663	\$ -	\$ 2,963,813
Allowance for doubtful accounts	<u>(166,679)</u>	<u>(170,000)</u>	<u>-</u>	<u>(336,679)</u>
Total Governmental Activities	<u>\$ 1,812,471</u>	<u>\$ 814,663</u>	<u>\$ -</u>	<u>\$ 2,627,134</u>
Business-Type Activities				
Water Fund	\$ 1,136,066	\$ -	\$ -	\$ 1,136,066
Sewer Fund	1,134,121	-	-	1,134,121
Regional Water System Fund	291,348	-	-	291,348
Allowance for doubtful accounts	<u>(366,393)</u>	<u>-</u>	<u>-</u>	<u>(366,393)</u>
Total Business-Type Activities	<u>\$ 2,195,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,195,142</u>

CITY OF HENDERSON, NORTH CAROLINA  
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4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2010, was as follows:

<u>Governmental Activities</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital Assets Not Being Depreciated				
Land	\$ 4,131,513	\$ -	\$ -	\$ 4,131,513
Construction in progress	<u>2,324,330</u>	<u>780,650</u>	<u>-</u>	<u>3,104,980</u>
Total Capital Assets Not Being Depreciated				
Depreciated	<u>\$ 6,455,843</u>	<u>\$ 780,650</u>	<u>\$ -</u>	<u>\$ 7,236,493</u>
Capital Assets Being Depreciated				
Buildings	\$ 10,957,860	\$ -	\$ -	\$ 10,957,860
Other improvements	12,468,920	-	-	12,468,920
Equipment and vehicles	<u>9,161,644</u>	<u>233,114</u>	<u>457,646</u>	<u>8,937,112</u>
Total Capital Assets Being Depreciated	<u>\$ 32,588,424</u>	<u>\$ 233,114</u>	<u>\$ 457,646</u>	<u>\$ 32,363,892</u>
Less Accumulated Depreciation For:				
Buildings	\$ 919,907	\$ 153,370	\$ -	\$ 1,073,277
Other improvements	10,750,476	758,198	-	11,508,674
Equipment and vehicles	<u>6,915,294</u>	<u>743,056</u>	<u>457,646</u>	<u>7,200,704</u>
Total Accumulated Depreciation	<u>\$ 18,585,677</u>	<u>\$ 1,654,624</u>	<u>\$ 457,646</u>	<u>\$ 19,782,655</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 14,002,747</u>			<u>\$ 12,581,237</u>
Governmental Activity Capital Assets, Net	<u>\$ 20,458,590</u>			<u>\$ 19,817,730</u>
General Government	\$ 803,206			
Public Safety	614,646			
Environment Protection	59,030			
Recreation and parks	<u>177,742</u>			
Total Depreciation Expense	<u>\$ 1,654,624</u>			

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Business-Type Activities	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water Fund</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,761,570	\$ -	\$ 51,010	\$ 1,710,560
Construction in progress	<u>-</u>	<u>40,538</u>	<u>-</u>	<u>40,538</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,761,570</u>	<u>\$ 40,538</u>	<u>\$ 51,010</u>	<u>\$ 1,751,098</u>
Capital Assets Being Depreciated				
Buildings	\$ 1,830,858	\$ -	\$ -	\$ 1,830,858
Distribution system	18,582,723	-	-	18,582,723
Furniture and equipment	<u>552,955</u>	<u>85,094</u>	<u>12,143</u>	<u>625,906</u>
Total Capital Assets Being Depreciated	<u>\$ 20,966,536</u>	<u>\$ 85,094</u>	<u>\$ 12,143</u>	<u>\$ 21,039,487</u>
Less Accumulated Depreciation For:				
Buildings	\$ 341,341	\$ 21,745	\$ -	\$ 363,086
Distribution systems	3,499,043	243,226	-	3,742,269
Equipment and vehicles	<u>468,283</u>	<u>40,335</u>	<u>12,143</u>	<u>496,475</u>
Total Accumulated Depreciation	<u>\$ 4,308,667</u>	<u>\$ 305,306</u>	<u>\$ 12,143.00</u>	<u>\$ 4,601,830</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 16,657,869</u>			<u>\$ 16,437,657</u>
Water Fund Capital Assets, Net	<u>\$ 18,419,439</u>			<u>\$ 18,188,755</u>
<b>Regional Water System Fund</b>				
Capital Assets Not Being Depreciated				
Land	\$ 155,672	\$ -	\$ -	\$ 155,672
Construction in progress	<u>1,242,802</u>	<u>236,075</u>	<u>-</u>	<u>1,478,877</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,398,474</u>	<u>236,075</u>	<u>\$ -</u>	<u>\$ 1,634,549</u>
Capital Assets Being Depreciated				
Buildings	\$ 6,808,289	\$ -	\$ -	\$ 6,808,289
Distribution system	20,939,534	-	-	20,939,534
Furniture and equipment	<u>664,216</u>	<u>-</u>	<u>4,743</u>	<u>659,473</u>
Total Capital Assets Being Depreciated	<u>\$ 28,412,039</u>	<u>\$ -</u>	<u>4,743</u>	<u>\$ 28,407,296</u>
Less Accumulated Depreciation For:				
Buildings	\$ 3,277,571	\$ 101,117	\$ -	\$ 3,378,688
Distribution systems	3,131,101	332,896	-	3,463,997
Furniture and equipment	<u>335,454</u>	<u>44,042</u>	<u>4,743</u>	<u>374,753</u>
Total Accumulated Depreciation	<u>\$ 6,744,126</u>	<u>\$ 478,055</u>	<u>4,743</u>	<u>\$ 7,217,438</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 21,667,913</u>			<u>\$ 21,189,858</u>
Regional Water System Fund Cap. Assets, Net	<u>\$ 23,066,387</u>			<u>\$ 22,824,407</u>

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<u>Business-Type Activities</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
<b>Sewer Fund</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 187,886	\$ -	\$ -	\$ 187,886
Land (CIP)	23,250	-	-	23,250
Construction in progress	<u>869,677</u>	<u>68,871</u>	<u>108,357</u>	<u>830,191</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,080,813</u>	<u>\$ 68,871</u>	<u>\$ 108,357</u>	<u>\$ 1,041,327</u>
<b>Capital Assets Being Depreciated</b>				
Buildings	\$ 22,992,934	\$ -	\$ -	\$ 22,992,934
Distribution system	13,073,772	108,357	-	13,182,129
Furniture and equipment	<u>1,840,807</u>	<u>45,675</u>	<u>12,445</u>	<u>1,874,037</u>
Total Capital Assets Being Depreciated	<u>\$ 37,907,513</u>	<u>\$ 154,032</u>	<u>\$ 12,445</u>	<u>\$ 38,049,100</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings	\$ 9,537,765	\$ 457,550	\$ -	\$ 9,995,315
Distribution systems	2,269,434	191,622	-	2,461,056
Equipment and vehicles	<u>1,585,799</u>	<u>85,882</u>	<u>12,445</u>	<u>1,659,236</u>
Total Accumulated Depreciation	<u>\$ 13,392,998</u>	<u>\$ 735,054</u>	<u>\$ 12,445</u>	<u>\$ 14,115,607</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 24,514,515</u>			<u>\$ 23,933,493</u>
Sewer Fund Capital Assets, Net	<u>\$ 25,595,328</u>			<u>\$ 24,974,820</u>
Total Business Type Activities	<u>\$ 67,081,154</u>			<u>\$ 65,987,982</u>

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System Plan Description**

*Plan Description.* The City of Henderson contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive

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Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.95% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Henderson are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 was \$383,752, \$370,840 and \$342,532, respectively. The contributions made by the City equaled the required contributions for each year.

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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>57</u>
Total	<u>62</u>

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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.

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

3. *Contributions*

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

The annual report contribution for the current year was determined as part of the December 31, 2009, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post employment benefit increases.

Annual Pension Cost and Net Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 64,229
Interest on net pension obligation	10,223
Adjustment to annual required contribution	<u>( 8,882)</u>
Annual pension cost	\$ 65,570
Contributions made	<u>( -)</u>
Increase (decrease) in net pension obligation	\$ 65,570
Net pension obligation beginning of year	141,005
Net pension obligation end of year	<u>\$206,575</u>

CITY OF HENDERSON, NORTH CAROLINA  
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3 Year Trend Information

For Year Ended <u>June 30</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>(APC) Contributed</u>	Net Pension <u>Obligation</u>
2008	51,109	9.64%	83,903
2009	58,747	11.19%	141,005
2010	65,570	0.00%	206,575

4. *Funded Status and Funding Progress*

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$654,829. The covered payroll (annual payroll of active employees covered by the plan) was \$2,203,775, and the ratio of the UAAL to the covered payroll was 29.71 percent.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions

for the year ended June 30, 2010 were \$195,161, which consisted of \$105,095 from the City and \$90,066 from the law enforcement officers.

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

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

e. Deferred Compensation Plan

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

2. Other Postemployment Benefits

a. Healthcare 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 at least five years of creditable service with the City. With fifteen years of creditable service and retired from the System, the City will pay benefits for ten years. With twenty years, the City will pay benefits for life. The City pays the full cost of coverage for these benefits through private insurers.

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Also, the City's retirees can purchase coverage for their dependents at the City's group rates.

Membership of the plan consisted of the following at December 31, 2009, the date of the last actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	68	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	164	53
Total	232	53

*Funding Policy.* The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the City Council. The City's members pay \$684 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 11.05% of annual covered payroll. For the current year, the city contributed \$277,302 or 4.22% of annual covered payroll. The city obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0 % and 0% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$-0-. The City's obligation to contribute to the plan is established and may be amended by the City Council.

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

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

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for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 1,412,742
Interest on net OPEB obligation	41,485
Adjustment to annual required contribution	<u>(35,791)</u>
Annual OPEB cost (expense)	\$ 1,418,436
Contributions made	<u>(277,302)</u>
Increase (decrease) in net OPEB obligation	\$ 1,141,134
Net OPEB obligation, beginning of year	<u>1,037,137</u>
Net OPEB obligation, end of year	<u><u>\$ 2,178,271</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

30-Jun	OPEB Cost	OPEB Cost Contributed	Obligation
6/30/2009	\$ 1,312,462	20.98%	\$ 1,037,137
6/30/2010	\$ 1,418,436	19.55%	\$ 2,178,271

*Funded Status and Funding Progress.* As of December 31, 2009, the most recent actuarial valuation date, the plan was partially funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$9,899,313. The covered payroll (annual payroll of active employees covered by the plan) was \$ 7,469,376, and the ratio of the UAAL to the covered payroll was 132.50 %. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members at that point. The actuarial methods and

assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent

investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of between 10.50 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 30 years.

b. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 4.95% and 4.86% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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3. Deferred Revenues

The balance in deferred revenues at year-end is composed of the following element:

Taxes Receivable (General Fund)	\$ 712,013
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4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits and employee health coverage up to \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000.

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 City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

5. Claims, Judgments, and Contingent Liabilities

None.

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

6. Long Term Obligations

a. Capital Leases

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

<u>Leased Property</u>	<u>Date Executed</u>	<u>Payment Requirements</u>
Tractor/Street Sweeper	10/28/2003	5 annual payments of \$34,321
Jet Vac	10/21/2003	6 annual payments of \$40,107
Fire Ladder Truck	9/2/2004	6 annual payments of \$61,780
Garbage Truck	9/2/2004	6 annual payments of \$18,049
(5) Police Vehicles	9/30/2004	3 annual payments of \$36,950
Generator	12/3/2004	8 annual payments of \$56,347
½ Ton Pick-up Truck	8/11/2005	3 annual payments of \$4,133
Backhoe	8/11/2005	6 annual payments of \$13,602
Ford Van and Ford F – 250	1/29/2007	3 annual payments of \$27,949
Knuckleboom Grapple Unit	8/16/2007	6 annual payments of \$17,668
Backhoe/Mower	8/16/2007	4 annual payments of \$7,024
Street Truck, Fire Car & Rec Car	10/29/2008	3 annual payments of \$22,556
Water Dist Truck & Reg Truck	10/29/2008	3 annual payments of \$12,202
Fire Truck	10/29/2008	5 annual payments of \$32,604
Excavator & Video Camera	10/29/2008	5 annual payments of \$34,698

The following is an analysis of the assets recorded under capital leases at June 30, 2010:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 821,030	\$482,649	\$338,381
Vehicles and motorized equipment	<u>1,240,542</u>	<u>918,831</u>	<u>321,711</u>
Total	<u>\$2,061,572</u>	<u>\$1,401,480</u>	<u>\$660,092</u>

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2010 are as follows:

Year Ending June 30	<u>Governmental</u>	<u>Business-Type</u>
2011	\$159,681	\$116,850
2012	72,829	103,247
2013	50,272	91,046
2014	32,604	34,698
2015	<u>          -</u>	<u>          -</u>
Total Minimum Lease Payments	\$315,386	\$345,841
Less amount representing interest	( <u>18,582</u> )	( <u>24,726</u> )
Present Value of Minimum Lease Payment	<u>\$296,804</u>	<u>\$321,115</u>

b. Notes Payable and Revolving Loans

At June 30, 2010, the City of Henderson had a legal debt margin of \$ 65,835,157.

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

Serviced by the General Fund:

\$3,964,000 note payable to Wachovia Bank due in 15 annual installments of \$264,267 plus interest at 5.46% for the Aycock Recreation Complex.	\$ 1,585,597
\$4,840,000 note payable to Wachovia Bank due in semi-annual installments ranging from \$304,036 to \$505,770 including interest at 4.84% for a police station.	3,085,000
\$163,750 note payable to Vance County due in annual installments of \$32,750 with no interest.	163,750

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Serviced by the Sewer Fund:

\$2,747,865 note payable to the North Carolina Division of Environmental Management due in 20 annual installments of \$137,393 plus interest at 3.385% for sewer improvements. 549,466

\$2,305,706 note payable to the North Carolina Division of Emergency Management due in 20 annual installments of \$115,285 plus interest at 3.43% for sewer improvements. 806,997

\$1,255,360 note payable to the North Carolina Department of Environment and Natural Resources due in 10 annual installments of \$62,227 plus interest at 5.85% for sewer improvements. 373,359

Serviced by Water Fund:

\$841,968 note payable to the North Carolina Department of Environment and Natural Resources due in 20 annual installments of \$42,098 plus interest at 3.43% for water lines. 294,689

\$2,957,697 note payable to the North Carolina Department of Environment and Natural Resources due in 10 annual installments of \$295,770 plus interest at 2.25% for water lines. 591,540

Serviced by Regional Water Fund:

\$3,800,000 note payable to Bank of America due in 20 semi-annual installments ranging from \$225,502 to \$225,297 including interest at 2.9% for water lines. 1,284,000

\$5,115,000 note payable to Bank of America due in 26 semi-annual installments ranging from \$250,550 to \$261,580 including interest at 3.18% for water lines. 2,790,500

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

\$2,130,000 note payable to Bank of America due in 31 semi-annual installments of \$95,823 including interest at 3.74% for water lines. 1,453,142

Total \$12,978,040

Year Ending June 30	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 647,016	\$ 235,888	\$ 1,630,355	\$ 263,959
2012	647,016	204,519	1,660,586	211,600
2013	647,016	173,150	1,404,746	157,966
2014	647,016	141,781	986,274	114,198
2015	647,016	110,412	869,833	79,497
2016-2020	<u>1,599,267</u>	<u>171,485</u>	<u>1,591,899</u>	<u>89,873</u>
	<u>\$4,834,347</u>	<u>\$1,037,235</u>	<u>\$8,143,693</u>	<u>\$917,093</u>

c. Revenue Bond

\$15,630,000 Water and Sewer Revenue Bonds Series 2001, \$10,770,000  
issued for water and sewer system improvements. Principal installments are due annually on May 1, with semi-annual interest payments due on November 1 and May 1, at an annual interest rate of 4.00%.

The future payments of the Revenue Bond for the years ending June 30 are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 765,000	\$ 542,198	\$ 1,307,198
2012	790,000	509,685	1,299,685
2013	825,000	474,925	1,299,925
2014	875,000	431,613	1,306,613
2015	915,000	385,675	1,300,675
2016-2020	5,360,000	1,156,288	6,516,288
2021	<u>1,240,000</u>	<u>62,000</u>	<u>1,302,000</u>
	<u>\$10,770,000</u>	<u>\$3,562,384</u>	<u>\$14,332,384</u>

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The City has been in compliance with the covenants as to rates, fees, and charges in Section 704 of the Bond order, authorizing the issuance of Water and Sewer Revenue Bonds, Series 2001, since its' adoption in 2001. Section 704(a) of the Bond Order requires the parity debt service coverage ratio to be no less than 125% (or 1.25) and the subordinate debt service coverage ratio to be no less than 100% or (1.00). The debt service ratio calculations for the year ended June 30, 2010, are as follows:

	<u>Water and Sewer Fund</u>
Income (Loss) Before	
Contributions and Transfers	\$ 1,476,145
Add Back:	
Interest and Other Charges	699,450
Depreciation	<u>1,040,360</u>
Net Revenues	<u>\$3,215,955</u>
 Parity Debt	
Debt Service, Principal and Interest (Revenue Bond Only)	<u>\$1,302,858</u>
 Debt Coverage Ratio	<u>2.47</u>
 Required Debt Coverage Ratio	<u>1.25</u>
 Subordinate Debt	
Debt Service, Principal and Interest All (Includes Capital Leases)	\$2,174,764
Subtract Parity Debt	<u>( 1,302,858)</u>
Debt Service, Principal and Interest (All, excluding Parity Debt)	<u>\$ 871,906</u>
Debt Coverage Ratio	
Net Revenues	\$3,215,955
Less: Parity Debt	<u>( 1,302,858)</u>
Subtotal	<u>\$1,913,097</u>
 Debt Service, Principal and Interest (All, excluding Parity Debt)	<u>\$ 871,906</u>
 Debt Coverage Ratio	<u>2.19</u>
 Required Debt Coverage Ratio	<u>1.00</u>

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$15,630,000 in water and sewer system revenue bonds issued in 2001. Proceeds from the bonds provided financing for the extension of water lines. The bonds are payable solely from water and sewer

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

customer net revenues and are payable through 2022. The total principal and interest remaining to be paid on the bond is \$14,332,384. Principal and interest paid for the current year was \$1,302,858.

d. Changes in General Long-Term Debt

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
<b>Governmental Activities:</b>					
Notes Payable	\$5,438,614	\$ -0-	(\$ 604,267)	\$ 4,834,347	\$ 647,016
Capital Leases	437,685	-0-	( 140,881)	296,804	149,874
Net Pension Obligation	141,005	65,570	-0-	206,575	-0-
Other Post-employment Benefits	777,401	856,629	-0-	1,634,030	-0-
Compensated absences	438,968	287,649	( 267,009)	459,608	-0-
Governmental activity long-term liabilities	<u>\$7,233,673</u>	<u>\$1,209,848</u>	<u>(\$1,012,157)</u>	<u>\$ 7,431,364</u>	<u>\$ 796,890</u>
<b>Business-type Activities:</b>					
Notes Payable	\$ 9,743,507	\$ -0-	(\$1,599,814)	\$ 8,143,693	\$1,630,355
Revenue Bond	11,500,000	-0-	( 730,000)	10,770,000	765,000
Capital Leases	461,896	-0-	( 140,781)	321,115	105,286
Other Post-employment Benefits	259,736	284,505	-0-	544,241	-0-
Compensated absences	96,894	66,731	( 72,395)	91,230	-0-
Business-type activity long-term liabilities	<u>\$ 22,062,033</u>	<u>\$ 351,236</u>	<u>(\$2,542,990)</u>	<u>\$19,870,279</u>	<u>\$2,500,641</u>

Compensated absences typically have been liquidated in the general fund.

C. Interfund Balances and Activity

Transfers From/To Other Funds at June 30, 2010 consists of the following:

From the Water, Regional Water System, and Sewer Funds to General Fund to supplement other funding sources	\$ 378,573
From the Pension Trust Fund to General Fund	32,000
From General Fund to Special Revenue Funds – Grant match	(16,150)
From General Fund to Water Fund to supplement funds	(162,536)
From General Fund to Capital Projects-General Fund	( 3,400)
	<u>\$ 228,487</u>

Interfund balances \$ 145,728

IV. Jointly Governed Organization

The City, in conjunction with five counties and fifteen municipalities, established the Kerr-Tar Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints at least one member to the Council's governing board. The City paid membership fees of \$8,048 to the Council during the fiscal year ended June 30, 2010.

V. Joint Ventures

H. Leslie Perry Memorial Library

The City participates in a joint venture to operate H. Leslie Perry Memorial Library with Vance County. Each participating government appoints six board members to the twelve-member board of the Library. 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, 2010.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$262,230 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 205 Breckenridge Street, Henderson, NC 27536.

Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance

The City also participates in a joint venture to operate the Oxford-Henderson Airport Authority. The City appoints one member to the four-member board. None of the participating governments have an equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2010.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$26,022 to the Authority to supplement its activities. Complete financial statements can be obtained from the Aeronautics Authority of the City of Henderson, City of Oxford, County of Granville and County of Vance, 6514 Airport Road, Oxford, NC 27565.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

**City of Henderson, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**June 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
2000	\$ 244,960	\$ 384,999	\$ 140,039	63.63%	\$ 1,631,316	8.58%
2001	\$ 245,594	\$ 430,693	\$ 185,099	57.02%	\$ 1,789,681	10.34%
2002	\$ 248,940	\$ 481,430	\$ 232,490	51.71%	\$ 1,868,813	12.44%
2003	\$ 244,138	\$ 487,682	\$ 243,544	50.06%	\$ 1,812,982	13.43%
2004	\$ 240,723	\$ 487,064	\$ 246,341	49.42%	\$ 1,785,985	13.79%
2005	\$ 242,324	\$ 473,285	\$ 230,961	51.20%	\$ 1,917,449	12.05%
2006	\$ 240,352	\$ 558,458	\$ 318,106	43.04%	\$ 1,884,257	16.88%
2007	\$ 229,951	\$ 628,386	\$ 398,435	36.59%	\$ 1,894,019	21.04%
2008	\$ 217,047	\$ 675,357	\$ 458,310	32.14%	\$ 2,017,254	22.72%
2009	\$ 192,621	\$ 847,450	\$ 654,829	22.73%	\$ 2,203,775	29.71%

City of Henderson, North Carolina  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 June 30, 2010

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2000	\$ 16,620	1.43	\$ 23,738
2001	\$ 17,049	1.00	\$ 17,009
2002	\$ 33,595	0.41	\$ 13,749
2003	\$ 40,329	0.29	\$ 11,867
2004	\$ 48,358	0.13	\$ 6,110
2005	\$ 47,205	0.08	\$ 3,564
2006	\$ 48,355	0.10	\$ 4,717
2007	\$ 46,216	0.53	\$ 24,512
2008	\$ 51,109	0.10	\$ 4,928
2009	\$ 58,747	0.11	\$ 6,573
2010	\$ 65,570	-	\$ -

**Notes to the Required Schedules:**

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

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay Closed
Remaining amortization period	21 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.5%-12.3%
Includes inflation at	3.75%
Cost-of living adjustments	N/A

**City of Henderson, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Funding Progress**

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

**City of Henderson, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2009	\$ 1,312,462	20.98%	\$ 275,325
2010	\$ 1,418,436	19.55%	\$ 277,302

**Notes to the Required Schedules:**

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

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay, open
Remaining amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	10.50% - 5.00%
Post-Medicare trend rate	9.00% - 5.00%
Year of Ultimate trend rate	2017
*Includes inflation at	3.75%

City of Henderson, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 For the Fiscal Year Ended June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
<b>Revenues:</b>				
<b>Ad valorem taxes:</b>				
Current year		\$ 4,792,999		\$ 4,759,265
Prior years		403,874		348,920
Penalties and Interest		100,818		85,349
Total	\$ 5,293,480	\$ 5,297,691	\$ 4,211	\$ 5,193,534
<b>Other taxes and licenses:</b>				
ABC net revenues		\$ 18,000		\$ 34,820
Local option sales tax		2,164,956		2,339,532
Privilege licenses		119,919		83,630
Solid waste disposal tax		11,089		7,593
Vehicle rental tax		14,995		16,969
Total	\$ 2,500,512	\$ 2,328,959	\$ (171,553)	\$ 2,482,544
<b>Unrestricted intergovernmental:</b>				
Payments in lieu of taxes		\$ 1,802		\$ 3,810
Vance County ABC-5%		1,578		1,897
Franchise tax		915,707		921,156
Bear and wine tax		23,210		73,270
Total	\$ 830,900	\$ 942,297	\$ 111,397	\$ 1,000,133
<b>Restricted intergovernmental:</b>				
State Street Aid grant		\$ 446,955		\$ 507,059
Bullet Proof Vest Grant		-		-
Total	\$ 435,000	\$ 446,955	\$ 11,955	\$ 507,059
<b>Permits and fees:</b>				
Cable T.V. franchise		\$ -		\$ -
Auto Tags		101,619		106,870
Total	\$ 100,000	\$ 101,619	\$ 1,619	\$ 106,870
<b>Sales and services:</b>				
Recreation	85,000	\$ 56,035		\$ 79,767
Refuse collections	1,585,000	1,576,595		1,608,385
Misc. refuse collections	5,000	6,932		7,113
Recycling rebates	400	428		455
Debt setoff-refuse collections	3,000	1,791		7,027
Street cuts and sidewalks	-	21		125
Bad debt recovery	1,000	3,000		1,962
Cemetery interment	25,000	33,500		19,672
Street maintenance and construction	-	-		20,525
Aquatics Center	50,000	92,387		69,948
Police Training Central rental	1,000	2,000		-
Rental-Ramsey Street	7,200	10,200		4,800
Rental-Fox Pond Park	500	255		756
Demolition and lot cleaning	1,000	4,636		8,247
Administration fees	1,249,899	1,249,899		1,190,380
Garage fees	520,490	521,671		551,848
County contracts	866,743	866,608		980,526
Zoning and reclassification	13,000	15,805		16,810
Total	\$ 4,414,232	\$ 4,441,763	\$ 27,531	\$ 4,568,346

City of Henderson, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 For the Fiscal Year Ended June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
<b>Investment earnings</b>				
General Fund		\$ 9,566		\$ 63,006
Powell Bill		655		7,074
Library		24		27
Total	\$ 61,500	\$ 10,245	\$ (51,255)	\$ 70,107
<b>Miscellaneous:</b>				
Parking violations	3,300	\$ 6,198		\$ 4,223
Civil penalties	-	50		450
Liens collected	-	603		3,078
Drug tax/Forfeitures	-	343,354		384,979
North Carolina sales tax refund	-	-		1,658
Court fees and charges	12,000	16,309		19,770
Fire code violations	-	500		4,050
Recreation donations	-	10,468		1,528
Miscellaneous	11,816	29,727		20,775
Insurance proceeds	19,759	24,256		17,623
Workers compensation reimbursement	-	29,652		16,667
Embassy foundation reimbursement	27,550	-		18,278
Sale of assets	50,000	35,165		-
Total	\$ 124,425	\$ 496,282	\$ 371,857	\$ 493,079
Total revenues	\$ 13,760,049	\$ 14,065,811	\$ 305,762	\$ 14,421,672
<b>Expenditures:</b>				
<b>General government:</b>				
Governing Body		\$ 227,353		\$ 477,698
Administration		386,139		523,800
Human Resources		129,945		57,061
Finance		527,019		504,448
Public Buildings		103,577		286,832
Total	\$ 1,493,990	\$ 1,374,033	\$ 119,957	\$ 1,849,839
<b>Public safety:</b>				
Police		\$ 4,096,913		\$ 4,533,588
Fire		1,970,147		1,964,996
Total	\$ 6,211,359	\$ 6,067,060	\$ 144,299	\$ 6,498,584
Planning and Community Development	\$ 137,620	\$ 136,608	\$ 1,012	\$ 133,661
Cemetery	\$ 129,857	\$ 125,267	\$ 4,590	\$ 128,321
Code Compliance	\$ 131,936	\$ 130,751	\$ 1,185	\$ 176,752
Donations to Local Agencies	\$ 703,070	\$ 694,316	\$ 8,754	\$ 666,044

City of Henderson, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 For the Fiscal Year Ended June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Economic and Physical Development	\$ 21,310	\$ 20,044	\$ 1,266	\$ 57,845
Transportation and Utilities				
Street Repair and Construction		\$ 1,083,965		\$ 997,073
City Garage		633,543		652,322
Administration-Public Works		206,195		211,162
Airport		26,022		26,022
Total	\$ 2,070,472	\$ 1,949,725	\$ 120,747	\$ 1,886,579
Environmental Protection	\$ 717,921	\$ 674,421	\$ 43,500	\$ 900,958
Culture and recreation:				
Recreation and Parks		\$ 790,710		\$ 909,652
Aycock Aquatics Center		303,358		336,926
Recreation-Youth		202,301		202,543
Donation to Library		262,236		262,260
Total	\$ 1,606,965	\$ 1,558,605	\$ 48,360	\$ 1,711,381
Non-Departmental				
Insurance deductible		\$ 11,500		\$ 12,149
Group insurance		277,302		-
Unemployment costs		8,992		-
Information deductible		39,910		30,255
Total	\$ 261,940	\$ 337,704	\$ (75,764)	\$ 42,404
Debt service:				
Principal retirement		\$ 745,148		\$ 716,573
Interest and other charges		285,532		283,950
Total debt service	\$ 1,023,710	\$ 1,030,680	\$ (6,970)	\$ 1,000,523
Contingency	\$ 33,898	\$ -	\$ 33,898	\$ -
Total expenditures	\$ 14,544,048	\$ 14,099,214	\$ 444,834	\$ 15,052,891
Revenues over (under) expenditures	\$ (783,999)	\$ (33,403)	\$ 750,596	\$ (631,219)

City of Henderson, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 For the Fiscal Year Ended June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Other financing sources (uses):				
Transfers (to) / from other funds:				
Water Fund	\$ 97,400	\$ 262,984	\$ -	\$ 44,875
Sewer Fund	72,860	58,167	-	40,193
Reginal Water System Fund	13,080	20,722	-	-
Water/Sewer/Street	35,000	36,700	-	38,060
Pension Trust Fund	32,000	32,000	-	20,000
Capital Projects - General	-	-	-	1,397
Capital Projects - Powell Bill	-	-	-	14,472
Bureau of Justice 2004	-	-	-	121
HOPE VI	(12,000)	(12,000)	-	-
Bureau of Justice	(3,250)	(3,250)	-	-
Recycling Project	(900)	(900)	-	-
Weed and Seed	-	-	-	(17,263)
US Depart of Homeland Security	-	-	-	(13,750)
Zene Street	-	-	-	(1,000)
Capital Projects-General Fund	(3,400)	(3,400)	-	-
Capital Projects - Beckford Drive	-	-	-	(206,250)
Water Fund	(130,460)	(162,536)	-	(130,788)
Notes Payable Proceeds	-	-	-	163,750
Proceeds from capital lease	-	-	-	63,980
Fund Balance Appropriated	683,669	-	-	-
Total	<u>\$ 783,999</u>	<u>\$ 228,487</u>	<u>\$ (555,512)</u>	<u>\$ 17,797</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 195,084</u>	<u>\$ 195,084</u>	<u>\$ (613,422)</u>
Fund balances, beginning as previously reported		-		5,207,179
Prior period adjustment (June 30, 2009)		-		(290,687)
Fund balances, beginning as restated		<u>\$ 4,303,070</u>		<u>\$ 4,916,492</u>
Fund balances, ending		<u>\$ 4,498,154</u>		<u>\$ 4,303,070</u>

City of Henderson, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

	Bureau of Justice Grant-03	Bureau of Justice Grant-05	Recycling Project Grant	Bureau of Justice Recovery Grant	Bureau of Justice JAG Grant	Governor's Crime Comm. COPS Grants	David Street Project	Cary Chapel Crossing Project	Capital Reserve General
<b>Assets</b>									
Cash and cash equivalents	\$ 90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,405	\$ 56,412
Accounts receivable, net	-	-	-	-	-	-	-	-	-
Due from general fund	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,405</b>	<b>\$ 56,412</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Overdraft	-	-	4,499	-	13	-	1,150	-	-
Accounts payable	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,499</b>	<b>\$ -</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ 1,150</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances:</b>									
Reserved for perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:									
Designated for subsequent years' expenditures	90	-	(4,499)	-	(13)	-	(1,150)	15,405	56,412
<b>Total Fund Balance</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ (4,499)</b>	<b>\$ -</b>	<b>\$ (13)</b>	<b>\$ -</b>	<b>\$ (1,150)</b>	<b>\$ 15,405</b>	<b>\$ 56,412</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,405</b>	<b>\$ 56,412</b>

City of Henderson, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

								June 30, 2010	June 30, 2009
Governor's Crime Comm. Grants	Governor's Highway Safety Grant-04	Capacity Building Grant-04	Total Nonmajor Special Revenue Funds	General Fund Capital Project Fund	Powell Bill Capital Project Fund	Elmwood Cemetery Permanent Fund	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ 71,907	\$ -	\$ 72,883	\$ 430,210	\$ 575,000	\$ 890,781	
-	-	-	-	333,537	-	-	333,537	13,507	
-	-	-	-	-	-	-	-	-	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,907</u>	<u>\$ 333,537</u>	<u>\$ 72,883</u>	<u>\$ 430,210</u>	<u>\$ 908,537</u>	<u>\$ 904,288</u>	
\$ 7,262	\$ -	\$ -	\$ 7,262	\$ 58,715	\$ -	\$ -	\$ 65,977	\$ 65,975	
-	-	-	5,662	66,773	-	-	72,435	-	
-	-	-	-	31,720	-	-	31,720	375,200	
<u>\$ 7,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,924</u>	<u>\$ 157,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,132</u>	<u>\$ 441,175</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,210	\$ 430,210	\$ 429,610	
(7,262)	-	-	58,983	176,329	72,883	-	308,195	33,503	
<u>\$ (7,262)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,983</u>	<u>\$ 176,329</u>	<u>\$ 72,883</u>	<u>\$ 430,210</u>	<u>\$ 738,405</u>	<u>\$ 463,113</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,907</u>	<u>\$ 333,537</u>	<u>\$ 72,883</u>	<u>\$ 430,210</u>	<u>\$ 908,537</u>	<u>\$ 904,288</u>	

City of Henderson, North Carolina  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

	Bureau of Justice Grant-03	Bureau of Justice Grant-05	Recycling Project Grant	Bureau of Justice Recovery Grant	Bureau of Justice JAG Grant	Governor's Crime Comm. COPS Grants	David Street Project	Cary Chapel Crossing Project
<b>Revenues:</b>								
Restricted intergovernmental								
Revenues								
Public Safety Grants	\$ (40)	\$ -	\$ -	\$ 141,946	\$ 34,497	\$ 10,102	\$ -	\$ -
Dept. of Commerce Grant	-	-	-	-	-	-	-	-
Weed and Seed Grant	-	-	-	-	-	-	-	-
FEMA Grant	-	-	-	-	-	-	-	-
CDBG A.L. Harris Housing Development	-	-	-	-	-	-	-	-
SAFETEA-LU Grant	-	-	-	-	-	-	-	-
Us Dept of Housing and Urban Dev	-	-	-	-	-	-	-	-
Cemetery Revenues	-	-	-	-	-	-	-	-
NC Rural Center	-	-	-	-	-	-	-	-
NC Division of Community Asist.	-	-	-	-	-	-	-	-
Sales of Assets	-	-	-	-	-	-	-	-
Investment earnings	130	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 141,946</b>	<b>\$ 34,497</b>	<b>\$ 10,102</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenditures:</b>								
Administration	\$ -	\$ -	\$ -	\$ 48,882	\$ 11,880	\$ -	\$ -	\$ 100
Departmental Supplies	-	-	5,399	-	-	10,102	-	-
Rehabilitation	-	-	-	-	-	-	1,150	-
Capital Outlay	-	-	-	93,064	25,880	-	-	-
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,399</b>	<b>\$ 141,946</b>	<b>\$ 37,760</b>	<b>\$ 10,102</b>	<b>\$ 1,150</b>	<b>\$ 100</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ (5,399)</b>	<b>\$ -</b>	<b>\$ (3,263)</b>	<b>\$ -</b>	<b>\$ (1,150)</b>	<b>\$ (100)</b>
<b>Other Financing Sources</b>								
Transfers in	\$ -	\$ -	\$ 900	\$ -	\$ 3,250	\$ -	\$ -	\$ -
Transfers (out)	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 900</b>	<b>\$ -</b>	<b>\$ 3,250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ (4,499)</b>	<b>\$ -</b>	<b>\$ (13)</b>	<b>\$ -</b>	<b>\$ (1,150)</b>	<b>\$ (100)</b>
<b>Fund Balance-July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,505</b>
<b>Fund Balance-June 30</b>	<b>\$ 90</b>	<b>\$ -</b>	<b>\$ (4,499)</b>	<b>\$ -</b>	<b>\$ (13)</b>	<b>\$ -</b>	<b>\$ (1,150)</b>	<b>\$ 15,405</b>

City of Henderson, North Carolina  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

										2010	2009
Capital Reserve General	Governor's Crime Comm. Grants	Governor's Highway Safety Grant-04	Capacity Building Grant-04	Total Nonmajor Special Revenue Funds	General Fund Capital Project Fund	Powell Bill Capital Project Fund	Elmwood Cemetery Permanent Fund	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds		
\$ -	\$ -	\$ -	\$ -	\$ 186,505	\$ -	\$ -	\$ -	\$ 186,505	\$ 13,353		
-	-	-	-	-	-	-	-	-	(6,003)		
-	-	-	-	-	149,468	-	-	149,468	106,219		
-	-	-	-	-	-	-	-	-	261,250		
-	-	-	-	-	20,000	-	-	20,000	172,731		
-	-	-	-	-	77,498	-	-	77,498	-		
-	-	-	-	-	701,900	-	-	701,900	100,000		
-	-	-	-	-	-	-	600	600	10,498		
-	-	-	-	-	25,000	-	-	25,000	-		
-	-	-	-	-	40,747	-	-	40,747	-		
-	-	-	-	-	-	-	-	-	-		
48	-	-	-	178	191	163	-	532	3,229		
\$ 48	\$ -	\$ -	\$ -	\$ 186,683	\$ 1,014,804	\$ 163	\$ 600	\$ 1,202,250	\$ 661,277		
\$ -	\$ -	\$ -	\$ -	\$ 60,862	\$ 44,737	\$ -	\$ -	\$ 105,599	\$ 11,143		
-	-	-	-	15,501	33,251	-	-	48,752	-		
-	-	-	-	1,150	164,937	-	-	166,087	92,951		
-	-	-	-	118,944	537,726	-	-	656,670	1,190,536		
\$ -	\$ -	\$ -	\$ -	\$ 196,457	\$ 780,651	\$ -	\$ -	\$ 977,108	\$ 1,294,630		
\$ 48	\$ -	\$ -	\$ -	\$ (9,774)	\$ 234,153	\$ 163	\$ 600	\$ 225,142	\$ (633,353)		
\$ -	\$ -	\$ -	\$ -	\$ 4,150	\$ 46,000	\$ -	\$ -	\$ 50,150	\$ 238,358		
-	-	-	-	-	-	-	-	-	(16,085)		
-	-	-	-	-	-	-	-	-	149,000		
\$ -	\$ -	\$ -	\$ -	\$ 4,150	\$ 46,000	\$ -	\$ -	\$ 50,150	\$ 371,273		
\$ 48	\$ -	\$ -	\$ -	\$ (5,624)	\$ 280,153	\$ 163	\$ 600	\$ 275,292	\$ (262,080)		
56,364	(7,262)	-	-	64,607	(103,824)	72,720	429,610	463,113	725,193		
\$ 56,412	\$ (7,262)	\$ -	\$ -	\$ 58,983	\$ 176,329	\$ 72,883	\$ 430,210	\$ 738,405	\$ 463,113		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Bureau of Justice Grant 03  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Grant 03	\$ 32,595	\$ 32,595	\$ (40)	\$ 32,555	\$ (40)
Investment Earnings	-	101	130	231	231
Total Revenues	<u>\$ 32,595</u>	<u>\$ 32,696</u>	<u>\$ 90</u>	<u>\$ 32,786</u>	<u>\$ 191</u>
<b>Expenditures:</b>					
Public Safety					
Travel and school	\$ 6,263	\$ 6,177	\$ -	\$ 6,177	\$ 86
Departmental supplies	5,473	7,132	-	7,132	(1,659)
Capital outlay	24,481	22,947	-	22,947	1,534
Total Expenditures	<u>\$ 36,217</u>	<u>\$ 36,256</u>	<u>\$ -</u>	<u>\$ 36,256</u>	<u>\$ (39)</u>
Revenues Over (Under) Expenditures	\$ (3,622)	\$ (3,560)	\$ 90	\$ (3,470)	\$ 152
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	<u>3,622</u>	<u>3,622</u>	<u>-</u>	<u>3,622</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ 90</u>	<u>\$ 152</u>	<u>\$ 152</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ 90</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Bureau of Justice Grant 05  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Grant 05	\$ 41,471	\$ 39,753	\$ -	\$ 39,753	\$ (1,718)
Investment Earnings	-	1,718	-	1,718	1,718
Total Revenues	<u>\$ 41,471</u>	<u>\$ 41,471</u>	<u>\$ -</u>	<u>\$ 41,471</u>	<u>\$ -</u>
<b>Expenditures:</b>					
Public Safety					
Departmental supplies	\$ -	\$ 8,962	\$ -	\$ 8,962	\$ (8,962)
Capital outlay	24,882	15,920	-	15,920	8,962
Vance Co. Grant Share	16,589	16,589	-	16,589	-
Total Expenditures	<u>\$ 41,471</u>	<u>\$ 41,471</u>	<u>\$ -</u>	<u>\$ 41,471</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			-		
Fund Balance, Ending			<u>\$ -</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Recycling Project Grant  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
NC DENR Grant	\$ 4,500	\$ -	\$ -	\$ -	\$ (4,500)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,500)</u>
Expenditures:					
Public Safety					
Departmental supplies	\$ 5,400	\$ -	\$ 5,399	\$ 5,399	\$ 1
Capital outlay	-	-	-	-	-
Total Expenditures	<u>\$ 5,400</u>	<u>\$ -</u>	<u>\$ 5,399</u>	<u>\$ 5,399</u>	<u>\$ 1</u>
Revenues Over (Under) Expenditures	\$ (900)	\$ -	\$ (5,399)	\$ (5,399)	\$ (4,499)
Other Financing Sources (Used)					
Transfers in (out)	<u>900</u>	<u>-</u>	<u>900</u>	<u>900</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,499)</u>	<u>\$ (4,499)</u>	<u>\$ (4,499)</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ (4,499)</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Bureau of Justice Recovery Grant  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Recovery Grant 09	\$ 141,946	\$ -	\$ 141,946	\$ 141,946	\$ -
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 141,946</u>	<u>\$ -</u>	<u>\$ 141,946</u>	<u>\$ 141,946</u>	<u>\$ -</u>
<b>Expenditures:</b>					
Public Safety					
Capital outlay	\$ 93,064	\$ -	\$ 93,064	\$ 93,064	-
Vance Co. Grant Share	<u>48,882</u>	<u>-</u>	<u>48,882</u>	<u>48,882</u>	<u>-</u>
Total Expenditures	<u>\$ 141,946</u>	<u>\$ -</u>	<u>\$ 141,946</u>	<u>\$ 141,946</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			-		
Fund Balance, Ending			<u>\$ -</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Bureau of Justice - JAG Grant  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Department of Justice	\$ 34,497	\$ -	\$ 34,497	\$ 34,497	\$ -
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 34,497</u>	<u>\$ -</u>	<u>\$ 34,497</u>	<u>\$ 34,497</u>	<u>\$ -</u>
<b>Expenditures:</b>					
Public Safety					
Capital outlay	\$ 25,867	\$ -	\$ 25,880	\$ 25,880	
Vance Co. Grant Share	11,880	-	11,880	11,880	-
Total Expenditures	<u>\$ 37,747</u>	<u>\$ -</u>	<u>\$ 37,760</u>	<u>\$ 37,760</u>	<u>\$ (13)</u>
Revenues Over (Under) Expenditures	\$ (3,250)	\$ -	\$ (3,263)	\$ (3,263)	\$ (13)
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	<u>3,250</u>	<u>-</u>	<u>3,250</u>	<u>3,250</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ (13)</u>	<u>\$ (13)</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ (13)</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Governor's Crime Commission - COPS Grant  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Revenues					
Governor's Crime Commission Grant	\$ 11,999	\$ -	\$ 10,102	\$ 10,102	\$ (1,897)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 11,999</u>	<u>\$ -</u>	<u>\$ 10,102</u>	<u>\$ 10,102</u>	<u>\$ (1,897)</u>
<b>Expenditures:</b>					
Public Safety					
Departmental Supplies	\$ 11,999	\$ -	\$ 10,102	\$ 10,102	\$ 1,897
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>\$ 11,999</u>	<u>\$ -</u>	<u>\$ 10,102</u>	<u>\$ 10,102</u>	<u>\$ 1,897</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			-		
Fund Balance, Ending			<u>\$ -</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - David Street Project  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Dept. of Commerce Grant	\$ 653,449	\$ 647,245	\$ -	\$ 647,245	\$ (6,204)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 653,449</u>	<u>\$ 647,245</u>	<u>\$ -</u>	<u>\$ 647,245</u>	<u>\$ (6,204)</u>
<b>Expenditures:</b>					
Public Safety					
Departmental Supplies	\$ 6,400	\$ 4,617	\$ -	\$ 4,617	\$ 1,783
Contracted Services	64,800	51,235	-	51,235	13,565
Acquisition	79,050	81,943	-	81,943	(2,893)
Disposition	2,000	1,950	-	1,950	50
Rehabilitation	349,799	329,699	1,150	330,849	18,950
Clearance	59,000	53,845	-	53,845	5,155
Street Improvements	144,800	177,096	-	177,096	(32,296)
Recreation Facilities	35,200	34,460	-	34,460	740
Total Expenditures	<u>\$ 741,049</u>	<u>\$ 734,845</u>	<u>\$ 1,150</u>	<u>\$ 735,995</u>	<u>\$ 5,054</u>
Revenues Over (Under) Expenditures	\$ (87,600)	\$ (87,600)	\$ (1,150)	\$ (88,750)	\$ (1,150)
Other Financing Sources (Used)					
Transfers in (out)	<u>87,600</u>	<u>87,600</u>	<u>-</u>	<u>87,600</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,150)</u>	<u>\$ (1,150)</u>	<u>\$ (1,150)</u>
Fund Balance, Beginning			<u>-</u>		
Fund Balance, Ending			<u>\$ (1,150)</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Cary Chapel Crossing Project  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Dept. of Commerce Grant	\$ 216,000	\$ 216,000	\$ -	\$ 216,000	\$ -
Donations	227,079	224,358	-	224,358	(2,721)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 443,079</u>	<u>\$ 440,358</u>	<u>\$ -</u>	<u>\$ 440,358</u>	<u>\$ (2,721)</u>
<b>Expenditures:</b>					
Public Safety					
Salaries	\$ 17,940	\$ 1,496	\$ -	\$ 1,496	\$ 16,444
Advertising	1,500	318	100	418	1,082
Construction	227,079	226,479	-	226,479	600
Street Improvements	141,560	141,560	-	141,560	-
Sewer Improvements	33,300	33,300	-	33,300	-
Water Improvements	21,700	21,700	-	21,700	-
Total Expenditures	<u>\$ 443,079</u>	<u>\$ 424,853</u>	<u>\$ 100</u>	<u>\$ 424,953</u>	<u>\$ 18,126</u>
Revenues Over (Under) Expenditures	\$ -	\$ 15,505	\$ (100)	\$ 15,405	\$ 15,405
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 15,505</u>	<u>\$ (100)</u>	<u>\$ 15,405</u>	<u>\$ 15,405</u>
Fund Balance, Beginning			15,505		
Fund Balance, Ending			<u>\$ 15,405</u>		

**City of Henderson, North Carolina**  
**Capital Reserve Fund - General**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2010**  
**With Comparative Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Total
Revenues:				
Restricted intergovernmental:				
Investment Earnings	\$ 300	\$ 48	\$ (252)	\$ 314
Other Financing Sources (Uses)				
Transfer to General Fund	\$ -	\$ -	\$ -	\$ -
Fund balance appropriated	(300)	-	300	-
Total Other Financing Sources (Uses)	(300)	-	300	-
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 48	\$ 48	\$ 314
Fund balance, beginning		56,364		56,050
Fund balance, ending		\$ 56,412		\$ 56,364

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Governor's Crime Commission Grants  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Revenues					
Governor's Crime Commission	\$ 42,343	\$ 28,255	\$ -	\$ 28,255	\$ (14,088)
JAG 06 Grant	9,988	9,988	-	9,988	-
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 52,331</u>	<u>\$ 38,243</u>	<u>\$ -</u>	<u>\$ 38,243</u>	<u>\$ (14,088)</u>
Expenditures:					
Public Safety					
Operating Cost - JAG 06	\$ 13,317	\$ 13,317	\$ -	\$ 13,317	\$ -
Operating Cost - Crime Commission	49,257	42,443	-	42,443	6,814
Capital Outlay - Crime Commission	7,200	7,188	-	7,188	12
Total Expenditures	<u>\$ 69,774</u>	<u>\$ 62,948</u>	<u>\$ -</u>	<u>\$ 62,948</u>	<u>\$ 6,826</u>
Revenues Over (Under) Expenditures	\$ (17,443)	\$ (24,705)	\$ -	\$ (24,705)	\$ (7,262)
Other Financing Sources (Used)					
Transfers in (out)	<u>17,443</u>	<u>17,443</u>	<u>-</u>	<u>17,443</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (7,262)</u>	<u>\$ -</u>	<u>\$ (7,262)</u>	<u>\$ (7,262)</u>
Fund Balance, Beginning			<u>(7,262)</u>		
Fund Balance, Ending			<u>\$ (7,262)</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Governor's Highway Safety Grant - 04  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Highway Safety Grant	\$ 12,970	\$ 12,638	\$ -	\$ 12,638	\$ (332)
Investment Earnings	-	235	-	235	235
Total Revenues	<u>\$ 12,970</u>	<u>\$ 12,873</u>	<u>\$ -</u>	<u>\$ 12,873</u>	<u>\$ (97)</u>
<b>Expenditures:</b>					
Public Safety					
Departmental Supplies	\$ -	\$ 9,300	\$ -	\$ 9,300	\$ (9,300)
Capital outlay	20,470	11,168	-	11,168	9,302
Total Expenditures	<u>\$ 20,470</u>	<u>\$ 20,468</u>	<u>\$ -</u>	<u>\$ 20,468</u>	<u>\$ 2</u>
Revenues Over (Under) Expenditures	\$ (7,500)	\$ (7,595)	\$ -	\$ (7,595)	\$ (95)
Other Financing Sources (Used)					
Transfers in (out)	<u>7,500</u>	<u>7,595</u>	<u>-</u>	<u>7,595</u>	<u>95</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			-		
Fund Balance, Ending			<u>\$ -</u>		

City of Henderson, North Carolina  
Special Revenue Fund - Grant Project Fund - Capacity Building Grant - 04  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Revenues					
Dept. of Commerce Grant	\$ 70,699	\$ 63,384	\$ -	\$ 63,384	\$ (7,315)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 70,699</u>	<u>\$ 63,384</u>	<u>\$ -</u>	<u>\$ 63,384</u>	<u>\$ (7,315)</u>
Expenditures:					
Public Safety					
Salaries	\$ 4,301	\$ 2,500	\$ -	\$ 2,500	\$ 1,801
Travel and Schools	700	700	-	700	-
Advertising	649	649	-	649	-
Hardware/Software Supplies	1,500	1,500	-	1,500	-
Departmental Supplies	350	311	-	311	39
Contracted Services	<u>67,500</u>	<u>60,224</u>	<u>-</u>	<u>60,224</u>	<u>7,276</u>
Total Expenditures	<u>\$ 75,000</u>	<u>\$ 65,884</u>	<u>\$ -</u>	<u>\$ 65,884</u>	<u>\$ 9,116</u>
Revenues Over (Under) Expenditures	\$ (4,301)	\$ (2,500)	\$ -	\$ (2,500)	\$ 1,801
Other Financing Sources (Used)					
Transfers in (out)	<u>4,301</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>(1,801)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning				-	
Fund Balance, Ending			<u>\$ -</u>		

City of Henderson, North Carolina  
 Grant Project Fund - General  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and For the Fiscal Year Ended June 30, 2010

	Actual					
	Current Year					Variance Positive (Negative)
	Project Authorization	Prior Years	Revenues/ Expenditures	Closed	Total to Date	
<b>Revenues:</b>						
Investment earnings	\$ 160,649	\$ 169,386	\$ 191	\$ -	\$ 169,577	\$ 8,928
Rental revenue	26,207	26,208	-	-	26,208	1
Sales tax refunds	125,246	131,178	-	-	131,178	5,932
Private fund raising	-	550	-	-	550	550
Donations - Weed and Seed Grant	515	515	-	-	515	-
Weed and Seed Grant	95,566	95,566	-	-	95,566	-
Weed and Seed Grant 07-08	189,360	189,360	-	-	189,360	-
Weed and Seed Grant 08-09	149,945	40,708	80,808	-	121,516	(28,429)
Weed and Seed Grant 09-10	142,000	-	68,660	-	68,660	(73,340)
CDBG A.L. Harris Housing Development	195,881	195,881	20,000	-	215,881	20,000
Donations	40,660	-	-	-	-	(40,660)
SAFETEA- LU - Beckford Drive Widening	825,000	-	77,498	-	77,498	(747,502)
FEMA Grant	-	261,250	-	(261,250)	-	-
Sale of Land	628,280	628,280	-	-	628,280	-
Sale of Assets	10,000	10,000	-	-	10,000	-
NC DCA - Infrastructure Hook-up	75,000	-	40,747	-	40,747	(34,253)
NC Rural Center - Zene Street	29,000	-	25,000	-	25,000	(4,000)
US Dept. of Housing and Urban Dev	1,000,000	100,000	701,900	-	801,900	(198,100)
<b>Total Revenues</b>	<b>\$ 3,693,309</b>	<b>\$ 1,848,882</b>	<b>\$ 1,014,804</b>	<b>\$ (261,250)</b>	<b>\$ 2,602,436</b>	<b>\$ (1,090,873)</b>
<b>Expenditures:</b>						
Infrastructure Hook-up Project						
Rehabilitation	\$ 67,500	\$ -	\$ 33,251	\$ -	\$ 33,251	\$ 34,249
Administration	7,500	-	7,546	-	7,546	(46)
Ransom Street Development						
Advertising	-	-	710	-	710	(710)
Engineering Advertising	10,000	-	10,095	-	10,095	(95)
Weed and Seed Grant						
Operating expenses	108,794	108,794	-	-	108,794	-
Weed and Seed Grant 07-08						
Operating expenses	206,623	206,623	-	-	206,623	-
Weed and Seed Grant 08-09						
Operating expenses	149,945	40,914	81,210	-	122,124	27,821
Weed and Seed Grant 09-10						
Operating expenses	142,000	-	83,727	-	83,727	58,273
Zene Street Redevelopment						
Site Planning & Engineering	30,000	-	26,000	-	26,000	4,000
CDBG A.L. Harris Housing Development						
Contracted Services	16,900	16,825	75	-	16,900	-
Administration	907	923	-	-	923	(16)
Capital Improvements	218,734	189,030	23,405	-	212,435	6,299
Beckford Drive Widening						
Administration	66,000	-	311	-	311	65,689
Construction	965,250	-	138,214	-	138,214	827,036
US Homeland Security						
Capital outlay	-	424,000	-	(424,000)	-	-
City Hall Renovation						
Construction	660,559	1,016,467	(367,394)	-	649,073	11,486
OP Center Wall Repair						
Construction	40,000	-	39,875	-	39,875	125

City of Henderson, North Carolina  
 Grant Project Fund - General  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and For the Fiscal Year Ended June 30, 2010

	Actual					Variance Positive (Negative)
	Current Year					
Project	Project Authorization	Prior Years	Revenues/ Expenditures	Closed	Total to Date	
Embassy Block Development - South						
Telephone	2,129	2,129	-	-	2,129	-
Travel and School	1,164	1,164	-	-	1,164	-
Supplies	4,037	4,036	-	-	4,036	1
Professional services	119,515	119,515	-	-	119,515	-
Capital outlay - land	1,000,175	1,000,175	-	-	1,000,175	-
Capital outlay - equipment	2,363	2,363	-	-	2,363	-
Planning/design	616,515	616,514	-	-	616,514	1
Legal/administrative	47,497	47,498	-	-	47,498	(1)
Demolition	925	925	-	-	925	-
US Dept of Housing and Urban Dev Improvements & Structures	1,000,000	110,275	703,626	-	813,901	186,099
Total Expenditures	\$ 5,485,032	\$ 3,908,170	\$ 780,651	\$ (424,000)	\$ 4,264,821	\$ 1,220,211
Revenues Over (Under) Expenditures	\$ (1,791,723)	\$ (2,059,288)	\$ 234,153	\$ 162,750	\$ (1,662,385)	\$ 129,338
Other Financing Sources (Used)						
Transfer from General Fund	\$ 224,513	\$ 238,263	\$ 12,000	\$ (13,750)	\$ 236,513	\$ 12,000
Transfer from Powell Bill	3,400	-	3,400	-	3,400	-
Transfer from Water Fund	3,300	-	3,300	-	3,300	-
Transfer from Sewer Fund	3,300	-	3,300	-	3,300	-
Transfer from Cemetery Fund	-	820	-	-	820	820
Transfer from General Fund (FB)	1,533,210	1,533,211	-	-	1,533,211	1
Transfer from Capital Reserve	24,000	-	24,000	-	24,000	-
Proceeds from Capital Lease	-	149,000	-	(149,000)	-	-
Total Other Financing Sources	\$ 1,791,723	\$ 1,921,294	\$ 46,000	\$ (162,750)	\$ 1,804,544	\$ 12,821
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ (137,994)	\$ 280,153	\$ -	\$ 142,159	\$ 142,159
Fund Balance, Beginning			(103,824)			
Fund Balance, Ending			\$ 176,329			

City of Henderson, North Carolina  
Special Revenue - Grant Project - Powell Bill  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2010

	Actual					Variance Positive (Negative)
	Project Authorization	Prior Years	Revenues/ Expenditures	Current Year		
Closed				Total to Date		
<b>Revenues:</b>						
Investment earnings	\$ -	\$ 21,037	\$ 163	\$ -	\$ 21,200	\$ 21,200
Sales tax refunds	-	388	-	-	388	388
Total Revenues	\$ -	\$ 21,425	\$ 163	\$ -	\$ 21,588	\$ 21,588
<b>Expenditures:</b>						
High Street						
Planning/design	\$ 6,485	\$ 4,448	\$ -	\$ -	\$ 4,448	\$ 2,037
Capital outlay - land	26,892	-	-	-	-	26,892
Total Expenditures	\$ 33,377	\$ 4,448	\$ -	\$ -	\$ 4,448	\$ 28,929
Revenues Over (Under) Expenditures	\$ (33,377)	\$ 16,977	\$ 163	\$ -	\$ 17,140	\$ 50,517
<b>Other Financing Sources (Used)</b>						
Transfer from General Fund	\$ 33,377	\$ 33,377	\$ -	\$ -	\$ 33,377	\$ -
Transfer to General Fund	-	(14,472)	-	-	(14,472)	(14,472)
Transfer from Powell Bill	-	-	-	-	-	-
Total Other Financing Sources	\$ 33,377	\$ 18,905	\$ -	\$ -	\$ 18,905	\$ (14,472)
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ -	\$ 35,882	\$ 163	\$ -	\$ 36,045	\$ 36,045
Fund Balance, Beginning					72,720	
Fund Balance, Ending					\$ 72,883	

**City of Henderson, North Carolina**  
**Elmwood Cemetery Permanent Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2010**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues:				
Restricted intergovernmental:				
Cemetery revenues	\$ -	\$ 600	\$ 600	\$ 10,498
Expenditures				
Maintenance	-	-	-	-
Revenues Over (Under) Expenditures	\$ -	\$ 600	\$ 600	\$ 10,498
Other Financing Sources (Uses)				
Fund balance appropriated	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 10,498</u>
Fund Balance, Beginning		<u>429,610</u>		<u>419,112</u>
Fund Balance, Ending		<u>\$ 430,210</u>		<u>\$ 429,610</u>

City of Henderson, North Carolina  
Water Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2010  
With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
<b>Revenues:</b>				
<b>Operating Revenues</b>				
<b>Charge for Services</b>				
Water Charges	\$ 4,735,500	\$ 4,684,406	\$ (51,094)	\$ 4,435,884
Debt setoff - water charges	5,000	8,275	3,275	12,163
Sprinklers and hydrants	126,880	109,012	(17,868)	110,142
Bad debts recovery	4,000	10,754	6,754	6,461
Returned check fees	4,000	6,074	2,074	7,963
Tapping	30,000	43,567	13,567	36,790
Reconnection	72,000	57,101	(14,899)	76,424
Set up charges	12,000	20,410	8,410	11,228
Overpayments utilities	-	1,202	1,202	2,067
Past due charges	99,000	118,567	19,567	129,814
Total	<u>\$ 5,088,380</u>	<u>\$ 5,059,368</u>	<u>\$ (29,012)</u>	<u>\$ 4,828,936</u>
<b>Other operating revenues</b>				
Sale of materials	\$ 1,500	\$ 8,259	\$ 6,759	\$ 2,855
Admin Support	70,000	70,000	-	70,000
Miscellaneous	500	1,186	686	231
Over-short	-	(431)	(431)	234
Total	<u>\$ 72,000</u>	<u>\$ 79,014</u>	<u>\$ 7,014</u>	<u>\$ 73,320</u>
Total Operating Revenues	<u>\$ 5,160,380</u>	<u>\$ 5,138,382</u>	<u>\$ (21,998)</u>	<u>\$ 4,902,256</u>
<b>Nonoperating revenues:</b>				
Interest on investments	\$ 16,000	\$ 4,887	\$ (11,113)	\$ 14,076
Insurance proceeds	-	10,494	10,494	8,297
Workers comp. reimbursement	-	1,228	1,228	-
Sale of assets	-	174,997	174,997	-
T-Mobile Agreement	24,000	22,265	(1,735)	15,326
Sprint PCS Site Agreement	24,000	21,899	(2,101)	23,692
Total Nonoperating Revenues	<u>\$ 64,000</u>	<u>\$ 235,770</u>	<u>\$ 171,770</u>	<u>\$ 61,391</u>
Total Revenues	<u>\$ 5,224,380</u>	<u>\$ 5,374,152</u>	<u>\$ 149,772</u>	<u>\$ 4,963,647</u>
<b>Expenditures:</b>				
<b>Administration and Engineering</b>				
Salaries and employee benefits	\$ 159,140	\$ 89,600	\$ 69,540	\$ 115,931
Supplies	10,145	8,523	1,622	5,357
Telephone	2,100	1,887	213	1,914
Contracted services	3,000	2,438	562	1,867

City of Henderson, North Carolina  
 Water Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non - GAAP)  
 For the Fiscal Year Ended June 30, 2010  
 With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Insurance	1,970	1,687	283	1,420
Capital outlay - noncapital	1,035	-	1,035	2,499
Other administration expenses	6,630	7,257	(627)	3,717
Contingency	5,000	-	5,000	-
Total	<u>\$ 189,020</u>	<u>\$ 111,392</u>	<u>\$ 77,628</u>	<u>\$ 132,705</u>
<b>Water Distribution</b>				
Salaries and employee benefits	\$ 398,650	\$ 401,416	\$ (2,766)	\$ 387,541
Purchases for resale	2,361,323	2,207,742	153,581	2,145,779
Supplies	40,390	34,189	6,201	45,272
Maintenance	45,500	51,994	(6,494)	9,565
Bad debt expense	30,000	16,343	13,657	107,937
Insurance	24,000	20,263	3,737	-
Administration support	491,295	491,295	-	467,900
Contracted services	38,600	40,094	(1,494)	33,565
Reimbursement - Water	80,000	91,051	(11,051)	49,302
Capital outlay - noncapital	-	-	-	3,977
Other expenses	24,870	26,773	(1,903)	38,084
Contingency	12,200	-	12,200	-
Total	<u>\$ 3,546,828</u>	<u>\$ 3,381,160</u>	<u>\$ 165,668</u>	<u>\$ 3,288,922</u>
<b>Budgetary Appropriations</b>				
Interest and fees	\$ 336,652	\$ 624,713	\$ (288,061)	\$ 649,090
Principal	716,778	1,087,959	(371,181)	1,070,217
Capital outlay				
Equipment - Admin. Engineer	-	-	-	33,241
Equipment - Water Distrib.	86,252	85,094	1,158	-
Water line repairs	72,500	75,043	(2,543)	81,704
Water meter replacements	117,000	97,128	19,872	-
Water taps	23,000	19,097	3,903	56,393
Total	<u>\$ 1,352,182</u>	<u>\$ 1,989,034</u>	<u>\$ (636,852)</u>	<u>\$ 1,890,645</u>
Total Expenditures	<u>\$ 5,088,030</u>	<u>\$ 5,481,586</u>	<u>\$ (393,556)</u>	<u>\$ 5,312,272</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	\$ -	\$ -	\$ -	\$ -
Transfer (to) other funds	(184,440)	(369,420)	(184,980)	(76,239)
Transfer from other funds	48,090	725,073	676,983	687,419
Total	<u>\$ (136,350)</u>	<u>\$ 355,653</u>	<u>\$ 492,003</u>	<u>\$ 611,180</u>

**City of Henderson, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2010**  
**With Comparative Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues and Other Sources Over (Under) Expenses and Other Uses	\$ -	\$ 248,219	\$ 248,219	\$ 262,555
Appropriated Fund Balance	-	-	-	-
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 248,219</u>	<u>\$ 248,219</u>	<u>\$ 262,555</u>

**Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:**

Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ 248,219</u>
Budgetary Appropriations:	
Capital Outlay	\$ 85,094
Principal Payments	1,087,959
Adjustments:	
Change in accrued vacation	3,793
Change in accrued interest	3,796
Basis of land sold	(51,010)
Change in accrued OPEB Liability	(68,235)
Depreciation	(305,306)
Total reconciling items	<u>\$ 756,091</u>
Change in net assets	<u>\$ 1,004,310</u>

City of Henderson, North Carolina  
Regional Water System Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2010  
With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
<b>Revenues:</b>				
<b>Operating Revenues</b>				
Charge for Services				
Water charges	\$ 3,813,000	\$ 3,645,146	\$ (167,854)	\$ 3,428,104
Other operating revenues				
Miscellaneous	5,000	9,628	4,628	6,974
Total Operating Revenues	<u>\$ 3,818,000</u>	<u>\$ 3,654,774</u>	<u>\$ (163,226)</u>	<u>\$ 3,435,078</u>
<b>Nonoperating revenues:</b>				
Interest on investments	\$ 38,000	\$ 3,432	\$ (34,568)	\$ 26,021
Workers comp. reimbursement	-	1,355	1,355	-
Sale of asset	-	611	611	-
Total Nonoperating Revenues	<u>\$ 38,000</u>	<u>\$ 5,398</u>	<u>\$ (32,602)</u>	<u>\$ 26,021</u>
Total Revenues	<u>\$ 3,856,000</u>	<u>\$ 3,660,172</u>	<u>\$ (195,828)</u>	<u>\$ 3,461,099</u>
<b>Expenditures:</b>				
<b>Regional Water System</b>				
Salaries and employee benefits	\$ 497,700	\$ 478,154	\$ 19,546	\$ 440,165
Supplies	439,020	303,296	135,724	369,525
Maintenance	112,200	107,547	4,653	110,054
Insurance	46,320	40,141	6,179	41,272
Utilities	362,920	353,248	9,672	352,451
Administration support	294,910	294,910	-	284,200
Contracted services	346,540	300,802	45,738	323,634
Capital outlay noncapital	4,600	3,552	1,048	5,174
Capital outlay	-	-	-	76,735
Other expenses	19,550	10,906	8,644	20,360
Contingency	10,000	-	10,000	-
Total	<u>\$ 2,133,760</u>	<u>\$ 1,892,556</u>	<u>\$ 241,204</u>	<u>\$ 2,023,570</u>
<b>Budgetary Appropriations</b>				
Interest and fees	\$ 248,059	\$ 211,200	\$ 36,859	\$ 249,650
Principal	965,431	995,281	(29,850)	963,587
Total	<u>\$ 1,213,490</u>	<u>\$ 1,206,481</u>	<u>\$ 7,009</u>	<u>\$ 1,213,237</u>
Total Expenditures	<u>\$ 3,347,250</u>	<u>\$ 3,099,037</u>	<u>\$ 248,213</u>	<u>\$ 3,236,807</u>

**City of Henderson, North Carolina**  
**Regional Water System Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2010**  
**With Comparative Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Other financing sources (uses):				
Transfer (to) other funds	\$ (508,750)	\$ (516,392)	\$ (7,642)	\$ (432,670)
Transfer from other funds	-	-	-	-
Total	<u>\$ (508,750)</u>	<u>\$ (516,392)</u>	<u>\$ (7,642)</u>	<u>\$ (432,670)</u>
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	\$ -	\$ 44,743	\$ 44,743	\$ (208,378)
Appropriated Fund Balance	-	-	-	-
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 44,743</u>	<u>\$ 44,743</u>	<u>\$ (208,378)</u>

**Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:**

Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ 44,743</u>
Budgetary Appropriations:	
Capital Outlay	\$ -
Principal Payments	995,281
Adjustments:	
Change in accrued vacation	410
Change in inventory	21,358
Change in accrued interest	8,630
Change in accrued OPEB liability	(66,626)
Depreciation	(478,055)
Total reconciling items	<u>\$ 480,998</u>
Change in net assets	<u>\$ 525,741</u>

City of Henderson, North Carolina  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2010  
With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
<b>Revenues:</b>				
<b>Operating Revenues</b>				
Charge for Services				
Sewer Charges	\$ 3,766,880	\$ 3,596,525	\$ (170,355)	\$ 3,590,844
Sewer surcharges	20,000	13,072	(6,928)	20,730
Debt setoff - water charges	15,000	15,832	832	16,456
Bad debts recovery	12,000	19,564	7,564	11,938
Tapping	6,500	19,603	13,103	7,720
Reconnection	150,000	133,235	(16,765)	178,658
Code violations	2,500	9,627	7,127	6,096
Set up charges	28,000	19,725	(8,275)	26,992
Past due charges	229,500	276,657	47,157	310,742
Total	<u>\$ 4,230,380</u>	<u>\$ 4,103,840</u>	<u>\$ (126,540)</u>	<u>\$ 4,170,176</u>
<b>Other Operating Revenues</b>				
Sale of materials	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	350	350	3,375
Over-short	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 350</u>	<u>\$ 3,375</u>
Total Operating Revenues	<u>\$ 4,230,380</u>	<u>\$ 4,104,190</u>	<u>\$ (126,190)</u>	<u>\$ 4,173,551</u>
<b>Nonoperating Revenues:</b>				
Interest on investments	\$ 6,200	\$ 2,611	\$ (3,589)	\$ 6,193
Sale of assets	-	708	708	-
Proceeds from capital leases	-	-	-	151,439
Workers comp. reimbursement	-	6,282	6,282	184
Vance County	178,665	167,666	(10,999)	184,771
Total Nonoperating Revenues	<u>\$ 184,865</u>	<u>\$ 177,267</u>	<u>\$ (7,598)</u>	<u>\$ 342,587</u>
Total Revenues	<u>\$ 4,415,245</u>	<u>\$ 4,281,457</u>	<u>\$ (133,788)</u>	<u>\$ 4,516,138</u>
<b>Expenditures:</b>				
<b>Waste Water Treatment</b>				
Salaries and employee benefits	\$ 839,960	\$ 832,836	\$ 7,124	\$ 807,134
Supplies	260,280	239,790	20,490	222,384
Telephone	14,620	15,078	(458)	14,070
Bad debt expense	50,000	(5,104)	55,104	139,982
Contracted Services	185,300	159,083	26,217	174,675
Maintenance	281,300	268,574	12,726	245,378
Utilities	315,980	312,522	3,458	290,157
Insurance	91,940	79,449	12,491	85,401
Administration support	297,150	297,150	-	283,000
Other expenses	21,060	19,360	1,700	11,648
Contingency	8,350	-	8,350	-

City of Henderson, North Carolina  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2010  
With Comparative Totals For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Total	\$ 2,365,940	\$ 2,218,738	\$ 147,202	\$ 2,273,829
Sewer Collection				
Salaries and employee benefits	\$ 161,230	\$ 115,643	\$ 45,587	\$ 160,376
Insurance	23,230	22,368	862	19,679
Supplies	26,160	18,751	7,409	26,773
Maintenance	33,500	16,579	16,921	25,608
Telephone	2,350	2,652	(302)	2,200
Administration support	236,544	236,544	-	225,280
Reimbursement - Utility policy	9,710	8,167	1,543	927
Contracted services	20,000	14,516	5,484	3,526
Bad debts	20,000	-	20,000	-
Capital outlay - noncapital	3,000	1,100	1,900	150
Other expenses	10,700	6,971	3,729	6,138
Contingency	8,350	-	8,350	-
Total	\$ 554,774	\$ 443,291	\$ 111,483	\$ 470,657
Sewer Collection I & I				
Salaries and employee benefits	\$ 102,850	\$ 94,523	\$ 8,327	\$ 89,967
Insurance	7,760	6,646	1,114	7,749
Supplies	10,000	9,715	285	7,368
Maintenance	11,300	5,219	6,081	13,679
Contracted services	49,580	43,907	5,673	27
Capital outlay - noncapital	-	-	-	2,000
Other expenses	5,000	2,000	3,000	1,650
Contingency	27,500	-	27,500	-
Total	\$ 213,990	\$ 162,010	\$ 51,980	\$ 122,440
Budgetary Appropriations				
Interest and fees	\$ 331,599	\$ 74,737	\$ 256,862	\$ 103,796
Principal	672,751	387,355	285,396	384,959
Capital outlay			-	
Equipment - Waste Water Treatment	10,000	5,088	4,912	20,941
Equipment - Sewer Collection	13,390	12,257	1,133	130,958
Equipment - Sewer Collection I & I	28,000	28,330	(330)	-
Water line repairs	16,000	13,993	2,007	9,983
Water taps	6,000	6,048	(48)	5,998
Total	\$ 1,077,740	\$ 527,808	\$ 549,932	\$ 656,635
Total Expenditures	\$ 4,212,444	\$ 3,351,847	\$ 860,597	\$ 3,523,561
Other financing sources (uses):				
Transfer (to) other funds	\$ (202,801)	\$ (734,645)	\$ (531,844)	\$ (772,520)
Transfer from other funds	-	17,696	17,696	-
Total	\$ (202,801)	\$ (716,949)	\$ (514,148)	\$ (772,520)

**City of Henderson, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2010**  
**With Comparative Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	\$ -	\$ 212,661	\$ 212,661	\$ 220,057
Appropriated Fund Balance	-	-	-	-
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 212,661</u>	<u>\$ 212,661</u>	<u>\$ 220,057</u>

**Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:**

Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ 212,661</u>
Budgetary Appropriations:	
Capital Outlay	\$ 45,675
Principal Payments	387,355
Adjustments:	
Change in accrued vacation	1,462
Change in inventory	12,090
Change in accrued interest	2,091
Change in accrued OPEB liability	(149,644)
Depreciation	(735,054)
Total reconciling items	<u>\$ (436,025)</u>
Change in net assets	<u>\$ (223,364)</u>

City of Henderson, North Carolina  
Water Capital Project Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2010

	Actual					Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Closed	Total to Date	
<b>Revenues:</b>						
Restricted intergovernmental:						
NC DENR Grant	\$ 476,418	\$ -	\$ -	\$ -	\$ -	\$ (476,418)
Investment Income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>\$ 476,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (476,418)</u>
<b>Expenditures:</b>						
Planning / Design	\$ 56,925	\$ -	\$ 40,338	\$ -	\$ 40,338	\$ 16,587
Construction	430,940	-	-	-	-	430,940
Engineering	7,545	-	-	-	-	7,545
Legal/Admin	8,927	-	200	-	200	8,727
Contingency	44,631	-	-	-	-	44,631
Total Expenditures	<u>\$ 548,968</u>	<u>\$ -</u>	<u>\$ 40,538</u>	<u>\$ -</u>	<u>\$ 40,538</u>	<u>\$ 508,430</u>
Revenues Over (Under) Expenditures	<u>\$ (72,550)</u>	<u>\$ -</u>	<u>\$ (40,538)</u>	<u>\$ -</u>	<u>\$ (40,538)</u>	<u>\$ 32,012</u>
<b>Other Financing Sources (Used)</b>						
Transfers from other funds	\$ 72,550	\$ -	\$ 72,550	\$ -	\$ 72,550	\$ -
Transfers (to) other funds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Other Financing Sources	<u>\$ 72,550</u>	<u>\$ -</u>	<u>\$ 72,550</u>	<u>\$ -</u>	<u>\$ 72,550</u>	<u>\$ -</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,012</u>	<u>\$ -</u>	<u>\$ 32,012</u>	<u>\$ 32,012</u>

City of Henderson, North Carolina  
Regional Water System Capital Projects  
Schedule of Revenues and Expenditures  
Budget and Actual (Non GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2010

	Actual					Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Closed	Total to Date	
<b>Revenues:</b>						
Restricted intergovernmental:						
Miscellaneous grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	170,510	197,560	1,005	-	198,565	28,055
Sales tax refund	150,600	175,299	-	-	175,299	24,699
<b>Total Revenues</b>	<b>\$ 321,110</b>	<b>\$ 372,859</b>	<b>\$ 1,005</b>	<b>\$ -</b>	<b>\$ 373,864</b>	<b>\$ 52,754</b>
<b>Expenditures:</b>						
Engineering	\$ 1,447,332	\$ 1,183,379	\$ 225,785	\$ -	\$ 1,409,164	\$ 38,168
Planning/design	133,636	133,624	-	-	133,624	12
Legal/Admin	103,846	72,950	10,290	-	83,240	20,606
Contingency	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,684,814</b>	<b>\$ 1,389,953</b>	<b>\$ 236,075</b>	<b>\$ -</b>	<b>\$ 1,626,028</b>	<b>\$ 58,786</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (1,363,704)</b>	<b>\$ (1,017,094)</b>	<b>\$ (235,070)</b>	<b>\$ -</b>	<b>\$ (1,252,164)</b>	<b>\$ 111,540</b>
<b>Other Financing Sources (Used)</b>						
Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer from Regional Water	921,704	921,692	-	-	921,692	(12)
Transfer from other funds	442,000	300,000	142,000	-	442,000	-
Fund balance appropriated	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>\$ 1,363,704</b>	<b>\$ 1,221,692</b>	<b>\$ 142,000</b>	<b>\$ -</b>	<b>\$ 1,363,692</b>	<b>\$ (12)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 204,598</b>	<b>\$ (93,070)</b>	<b>\$ -</b>	<b>\$ 111,528</b>	<b>\$ 111,528</b>

City of Henderson, North Carolina  
Sewer Capital Project Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Authorization	Actual				Total to Date	Variance Positive (Negative)
		Prior Years	Current Year	Closed			
<b>Revenues:</b>							
Restricted intergovernmental:							
CWMT grant	\$ 429,000	\$ 247,278	\$ 181,722	\$ -	\$ 429,000	\$ -	
NC Rural center grant	500,000	-	13,944	-	13,944	(486,056)	
CWMT grant UV System	1,581,000	-	63,990	-	63,990	(1,517,010)	
Investment Income	5,834	839,498	74,283	(43,160)	870,621	864,787	
Other	803	95,959	(36)	(65,197)	30,726	29,923	
Total Revenues	<u>\$ 2,516,637</u>	<u>\$ 1,182,735</u>	<u>\$ 333,903</u>	<u>\$ (108,357)</u>	<u>\$ 1,408,281</u>	<u>\$ (1,108,356)</u>	
<b>Expenditures:</b>							
Engineering	\$ 186,070	\$ 128,613	\$ 26,188	\$ -	\$ 154,801	\$ 31,269	
Construction	1,943,324	551,800	37,939	(108,357)	481,382	1,461,942	
Inspection	175,000	161,708	-	-	161,708	13,292	
Legal/Admin	197,600	50,806	4,745	-	55,551	142,049	
Contingency	199,643	-	-	-	-	199,643	
Total Expenditures	<u>\$ 2,701,637</u>	<u>\$ 892,927</u>	<u>\$ 68,872</u>	<u>\$ (108,357)</u>	<u>\$ 853,442</u>	<u>\$ 1,848,195</u>	
Revenues Over (Under) Expenditures	<u>\$ (185,000)</u>	<u>\$ 289,808</u>	<u>\$ 265,031</u>	<u>\$ -</u>	<u>\$ 554,839</u>	<u>\$ 739,839</u>	
<b>Other Financing Sources (Used)</b>							
Loans	\$ -	\$ 1,307,200	\$ -	\$ -	\$ 1,307,200	\$ 1,307,200	
Loan discount	-	6,506	-	-	6,506	6,506	
Transfers from other funds	185,000	185,000	-	-	185,000	-	
Other	-	1,484	-	-	1,484	1,484	
Total Other Financing Sources	<u>\$ 185,000</u>	<u>\$ 1,500,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,190</u>	<u>\$ 1,315,190</u>	
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 1,789,998</u>	<u>\$ 265,031</u>	<u>\$ -</u>	<u>\$ 2,055,029</u>	<u>\$ 2,055,029</u>	

**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, 2010**  
**With Comparative Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
<b>Revenues:</b>				
Investment earnings	\$ 2,000	\$ 568	\$ (1,432)	\$ 3,152
Acreage charges	2,000	14,189	12,189	2,758
Total	<u>\$ 4,000</u>	<u>\$ 14,757</u>	<u>\$ 10,757</u>	<u>\$ 5,910</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Water Fund	\$ 48,740	\$ 48,740	\$ -	\$ -
Transfer from Sewer Fund	126,641	126,641	-	-
Transfer to CIP General Fund	(24,000)	(24,000)	-	-
Transfer to CIP Water Fund	(72,550)	(72,550)	-	-
Fund balance appropriated	(82,831)	-	82,831	-
Total	<u>\$ (4,000)</u>	<u>\$ 78,831</u>	<u>\$ 82,831</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	<u>\$ -</u>	\$ 93,588	<u>\$ 93,588</u>	\$ 5,910
Fund Balance, Beginning		<u>201,265</u>		<u>195,355</u>
Fund Balance, Ending		<u>\$ 294,853</u>		<u>\$ 201,265</u>

**City of Henderson, North Carolina**  
**Capital Reserve Fund - Regional COE**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2010**  
**With Comparatives Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues:				
Investment earnings	\$ 250	\$ 52	\$ (198)	\$ 275
Other Financing Sources (Uses):				
Transfer from Regional Water	\$ 4,330	\$ 4,330	\$ -	\$ 4,330
Fund balance appropriated	(4,580)	-	4,580	-
Total	\$ (250)	\$ 4,330	\$ 4,580	\$ 4,330
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	\$ -	\$ 4,382	\$ 4,382	\$ 4,605
Fund Balance, Beginning		18,495		13,890
Fund Balance, Ending		\$ 22,877		\$ 18,495

**City of Henderson, North Carolina**  
**Capital Reserve Fund - Regional 20MGD**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2010**  
**With Comparatives Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues:				
Investment earnings	\$ 2,000	\$ 1,545	\$ (455)	\$ 3,322
Other Financing Sources (Uses):				
Transfer from Regional Water	\$ 315,340	\$ 315,340	\$ -	\$ 262,340
Transfer to Regional Water - CIP	(42,000)	(42,000)	-	-
Fund balance appropriated	(275,340)	-	275,340	-
Total	\$ (2,000)	\$ 273,340	\$ 275,340	\$ 262,340
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	\$ -	\$ 274,885	\$ 274,885	\$ 265,662
Fund Balance, Beginning		372,787		107,125
Fund Balance, Ending		\$ 647,672		\$ 372,787

**City of Henderson, North Carolina**  
**Capital Reserve Fund - Regional**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2010**  
**With Comparatives Totals For the Year Ended June 30, 2009**

	Budget	Actual	Variance Positive (Negative)	2009 Actual
Revenues:				
Investment earnings	\$ -	\$ 113	\$ 113	\$ -
Other Financing Sources (Uses):				
Transfer from Regional Water	\$ 60,000	\$ 60,000	\$ -	\$ -
Fund balance appropriated	(60,000)	-	60,000	-
Total	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	<u>\$ -</u>	\$ 60,113	<u>\$ 60,113</u>	\$ -
Fund Balance, Beginning		-		-
Fund Balance, Ending		<u>\$ 60,113</u>		<u>\$ -</u>

**City of Henderson, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2010**

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 5,165,463	\$ 4,792,999	\$ 372,464
2008-2009	405,874	-	204,809	201,065
2007-2008	129,411	-	64,320	65,091
2006-2007	84,736	--	39,394	45,342
2005-2006	68,196	--	33,405	34,791
2004-2005	69,894	--	24,301	45,593
2003-2004	40,922	--	16,980	23,942
2002-2003	29,083	--	8,049	21,034
2001-2002	64,045	--	5,354	58,691
2000-2001	17,649	--	3,649	14,000
1999-2000	19,760	--	19,760	-
	<u>\$ 929,570</u>	<u>\$ 5,165,463</u>	<u>\$ 5,213,020</u>	<u>\$ 882,013</u>
Less: allowance for uncollectible accounts:				(170,000)
Plus: Uncollected Motor Vehicles for 2009 Levy				-
Ad valorem taxes receivable - net				<u>\$ 712,013</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 5,297,691
Reconciling items:				
Interest collected				(100,818)
Taxes written off				15,826
Refunds made by the City				8,739
Advertising				2,743
Releases				(11,161)
Total collections and credits				<u>\$ 5,213,020</u>

City of Henderson, North Carolina  
 Analysis of Current Tax Levy  
 City - Wide Levy  
 For the Fiscal Year Ended June 30, 2010

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 864,870,519	\$ 0.585	\$ 5,038,222	\$ 4,765,252	\$ 272,970
Property taxed at prior year's rate	25,084,170	\$ 0.565	141,726	-	141,726
Penalties	-		2,339	2,339	-
Total	<u>\$ 889,954,689</u>		<u>\$ 5,182,287</u>	<u>\$ 4,767,591</u>	<u>\$ 414,696</u>
Discoveries:					
Current year taxes	\$ 3,703,267	\$ 0.585	\$ 21,664	\$ 21,207	\$ 457
Penalties	-		-	-	-
Total	<u>\$ 3,703,267</u>		<u>\$ 21,664</u>	<u>\$ 21,207</u>	<u>\$ 457</u>
Abatements	(6,579,100)	\$ 0.585	(38,488)	(38,488)	-
Total property valuation	<u>\$ 887,078,856</u>				
Net levy			\$ 5,165,463	\$ 4,750,310	\$ 415,153
Less Uncollected taxes at June 30, 2010			<u>372,464</u>	<u>262,894</u>	<u>109,570</u>
Current year's taxes collected			<u>\$ 4,792,999</u>	<u>\$ 4,487,416</u>	<u>\$ 305,583</u>
Current levy collection percentage			92.79%	94.47%	73.61%
Tax Rate per \$100					
General Fund	\$ 0.585				
Public Library Fund	-				
Total	<u>\$ 0.585</u>				

Table I

City of Henderson, North Carolina  
 Net Assets by Component  
 Last Seven Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities</b>								
Invested in capital assets, net of related debt	\$ 14,686,579	\$ 14,582,291	\$ 12,257,263	\$ 12,719,614	\$ 13,815,383	\$ 14,067,229	\$ 12,717,286	\$ 12,164,082
Restricted	1,772,784	1,899,503	1,893,464	1,981,404	1,670,187	1,244,796	781,456	518,537
Unrestricted (deficit)	1,978,225	2,439,450	4,441,365	2,611,443	2,513,837	2,297,778	2,219,277	3,619,103
<b>Total Governmental Activities Net Assets</b>	<b>\$ 18,437,588</b>	<b>\$ 18,921,244</b>	<b>\$ 18,592,092</b>	<b>\$ 17,312,461</b>	<b>\$ 17,999,407</b>	<b>\$ 17,609,803</b>	<b>\$ 15,718,019</b>	<b>\$ 16,301,722</b>
<b>Business-type Activities</b>								
Invested in capital assets, net of related debt	\$ 46,753,174	\$ 45,375,752	\$ 43,605,863	\$ 39,076,311	\$ 43,948,036	\$ 39,883,844	\$ 39,463,964	\$ 36,799,672
Restricted	-	-	225,065	215,715	238,723	235,148	509,733	2,675,765
Unrestricted (deficit)	8,183,861	7,272,178	7,035,416	9,851,995	3,385,127	4,002,932	3,635,530	4,197,609
<b>Total Business-type Activities Net Assets</b>	<b>\$ 54,937,035</b>	<b>\$ 52,647,930</b>	<b>\$ 50,866,344</b>	<b>\$ 49,144,021</b>	<b>\$ 47,571,886</b>	<b>\$ 44,121,924</b>	<b>\$ 43,609,227</b>	<b>\$ 43,673,046</b>
<b>Primary Government</b>								
Invested in capital assets, net of related debt	\$ 61,439,753	\$ 59,958,043	\$ 55,863,126	\$ 51,795,925	\$ 57,763,419	\$ 53,951,073	\$ 52,181,250	\$ 48,963,754
Restricted	1,772,784	1,899,503	2,118,529	2,197,119	1,908,910	1,479,944	1,291,189	3,194,302
Unrestricted (deficit)	10,162,086	9,711,628	11,476,781	12,463,438	5,898,964	6,300,710	5,854,807	7,816,712
<b>Total Primary Government Net Assets</b>	<b>\$ 73,374,523</b>	<b>\$ 71,569,174</b>	<b>\$ 69,458,436</b>	<b>\$ 66,456,482</b>	<b>\$ 65,571,293</b>	<b>\$ 61,731,727</b>	<b>\$ 59,327,246</b>	<b>\$ 59,974,768</b>

Note: The County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Table 2

**City of Henderson, North Carolina**  
**Changes in Net Assets**  
**Last Seven Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities</b>								
<b>Expenses</b>								
General government	\$ 2,633,778	\$ 909,759	\$ 3,462,318	\$ 3,519,455	\$ 3,012,332	\$ 3,014,699	\$ 2,957,638	\$ 2,963,230
Public safety	7,349,933	6,968,586	5,690,650	5,905,905	5,504,781	5,362,047	5,101,413	4,986,679
Environmental protection	859,341	1,309,976	1,132,792	972,879	960,518	1,000,729	1,040,312	966,250
Economic and physical development	45,732	498,004	2,079,810	140,137	127,149	122,097	160,636	-
Cultural and recreational	2,471,824	2,006,921	2,467,644	2,034,274	2,519,676	2,552,649	2,375,373	2,527,801
Transportation and utilities	2,001,374	1,936,074	2,130,965	2,409,306	1,994,972	1,733,424	1,866,926	2,178,063
Human Services	267,359	604,768	-	-	-	-	-	-
Interest on Long-Term Debt	285,332	283,950	371,805	327,287	406,453	482,669	539,223	630,044
<b>Total Government Activities Expense</b>	<b>\$ 15,914,873</b>	<b>\$ 14,518,078</b>	<b>\$ 17,335,984</b>	<b>\$ 15,309,243</b>	<b>\$ 14,525,881</b>	<b>\$ 14,268,314</b>	<b>\$ 14,041,521</b>	<b>\$ 14,252,067</b>
<b>Program Revenues</b>								
<b>Charges for Services</b>								
General government	\$ -	\$ -	\$ 2,156,793	\$ 2,060,967	\$ -	\$ -	\$ -	\$ -
Public safety	470,633	523,420	800	23,237	77,457	79,612	87,983	82,240
Environmental protection	2,877,402	2,853,864	1,890,034	1,692,524	1,769,362	1,652,132	1,344,424	1,344,694
Economic and physical development	15,805	16,810	-	-	-	-	-	-
Transportation and utilities	521,671	572,373	491,781	515,003	449,676	418,441	376,595	378,795
Cultural and recreational	1,025,485	1,135,797	1,32,923	159,531	144,088	144,616	153,724	172,538
Operating Grants and Contributions	1,687,630	937,300	2,615,917	1,627,177	1,227,398	997,012	912,368	1,234,379
Capital Grants and Contributions	-	261,250	1,269,099	179,627	695,048	2,441,692	55,589	108,913
<b>Total Program Revenues</b>	<b>\$ 6,598,626</b>	<b>\$ 6,300,814</b>	<b>\$ 8,557,347</b>	<b>\$ 6,258,066</b>	<b>\$ 4,363,029</b>	<b>\$ 5,733,505</b>	<b>\$ 2,930,683</b>	<b>\$ 3,321,559</b>
<b>Total Government Activities Net Program Expense</b>	<b>\$ (9,316,247)</b>	<b>\$ (8,217,264)</b>	<b>\$ (8,778,637)</b>	<b>\$ (9,051,177)</b>	<b>\$ (10,162,852)</b>	<b>\$ (8,534,809)</b>	<b>\$ (11,110,838)</b>	<b>\$ (10,930,508)</b>
<b>General Revenues and Other Changes in Net Assets</b>								
<b>Taxes:</b>								
Property taxes, levied for general purpose	\$ 5,182,210	\$ 5,236,164	\$ 5,106,455	\$ 4,816,757	\$ 5,059,207	\$ 4,796,547	\$ 4,537,696	\$ 4,578,693
Local option sales tax	2,164,956	2,482,544	2,509,029	2,105,076	2,280,608	2,344,576	2,304,889	1,971,472
Other taxes and licenses	1,077,211	957,720	1,198,375	1,157,166	871,540	711,164	721,482	838,774
Unrestricted Grants and Contributions	-	-	-	-	15,606	14,094	19,092	24,798
Investment earnings, unrestricted	10,777	73,336	190,901	166,086	87,432	48,270	13,231	30,950
Sale of capital assets	-	-	638,280	-	-	-	-	-
Miscellaneous, unrestricted	150,800	94,999	130,237	39,218	1,276,304	1,282,593	1,309,726	1,207,452
Transfers	246,637	(7,660)	(482,577)	79,928	961,309	1,229,799	1,351,585	952,340
<b>Total General Revenues and Other Changes in Net Assets</b>	<b>\$ 8,832,591</b>	<b>\$ 8,837,103</b>	<b>\$ 9,290,700</b>	<b>\$ 8,364,231</b>	<b>\$ 10,552,006</b>	<b>\$ 10,427,043</b>	<b>\$ 10,257,701</b>	<b>\$ 9,604,479</b>
<b>Total Government Activities Change in Net Assets</b>	<b>\$ (483,656)</b>	<b>\$ 619,839</b>	<b>\$ 512,063</b>	<b>\$ (686,946)</b>	<b>\$ 389,154</b>	<b>\$ 1,892,234</b>	<b>\$ (853,137)</b>	<b>\$ (1,326,029)</b>

Table 2

City of Henderson, North Carolina  
 Changes in Net Assets  
 Last Seven Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Business-type Activities								
Expenses								
Water, Sewer, and Regional water system	\$ 11,080,440	\$ 11,359,948	\$ 10,824,002	\$ 10,098,559	\$ 8,632,687	\$ 8,287,232	\$ 8,797,390	\$ 8,526,768
Revenues								
Charges for Services	\$ 12,911,533	\$ 12,513,643	\$ 12,262,768	\$ 11,375,807	\$ 10,446,566	\$ 9,390,825	\$ 9,493,399	\$ 9,385,529
Capital Grants and Contributions	-	-	-	-	2,174,464	101,006	127,816	155,057
Total Revenues	\$ 12,911,533	\$ 12,513,643	\$ 12,262,768	\$ 11,375,807	\$ 12,621,030	\$ 9,491,831	\$ 9,621,215	\$ 9,540,586
Total Business-type Activities Net Program Expenses	\$ 1,831,093	\$ 1,153,695	\$ 1,438,766	\$ 1,277,248	\$ 3,988,343	\$ 1,204,599	\$ 823,825	\$ 1,013,818
Other Changes in Net Assets								
Miscellaneous, unrestricted	704,649	620,231	315,387	294,887	422,928	537,897	463,958	417,489
Transfers	(246,637)	7,660	-	-	(961,309)	(1,229,799)	(1,351,585)	(945,199)
Total Business-type Activities Change in Net Assets	2,289,105	1,781,586	1,754,153	1,572,135	3,449,962	512,697	(63,802)	486,108
Total Primary Government Changes in Net Assets	\$ 1,805,449	\$ 2,401,425	\$ 2,266,216	\$ 885,189	\$ 3,839,116	\$ 2,404,931	\$ (916,939)	\$ (839,921)

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Table 3

City of Henderson, North Carolina  
 Fund Balances, Governmental Funds  
 Last Seven Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Fund								
Reserved	\$ 2,545,411	\$ 2,229,474	\$ 2,963,811	\$ 2,124,600	\$ 2,157,749	\$ 2,196,659	\$ 1,208,290	\$ 1,828,736
Unreserved	1,952,743	2,073,596	2,243,368	1,232,149	808,870	22,268	464,163	1,332,014
Total General Fund	\$ 4,498,154	\$ 4,303,070	\$ 5,207,179	\$ 3,356,749	\$ 2,966,619	\$ 2,218,927	\$ 1,672,453	\$ 3,160,750
All other Governmental Funds								
Reserved	\$ 430,210	\$ 429,610	\$ 419,112	\$ 407,352	\$ 391,548	\$ 375,942	\$ 361,848	\$ 342,756
Unreserved, reported in:								
Capital Projects Funds	58,983	(31,104)	209,647	185,434	258,752	129,007	148,815	(804,463)
Special Revenue Funds	249,212	64,607	96,434	125,157	99,827	69,530	95,354	175,781
Total All Other Governmental Funds	\$ 738,405	\$ 463,113	\$ 725,193	\$ 717,943	\$ 750,127	\$ 574,479	\$ 606,017	\$ (285,926)

Note: The City began to report information when it implemented GASB Statement 34 in fiscal year 2003.

Table 4

**City of Henderson, North Carolina**  
**Changes in Fund Balances, Governmental Funds**  
**Last Seven Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>								
Ad valorem taxes	\$ 5,297,691	\$ 5,193,534	\$ 5,138,248	\$ 5,055,444	\$ 5,002,610	\$ 4,751,719	\$ 4,558,049	\$ 4,567,890
Local option sales taxes	2,328,959	2,482,544	2,654,438	2,105,076	2,280,608	2,344,576	2,304,889	1,971,472
Other taxes and licenses	-	-	-	145,953	148,403	-	-	-
Unrestricted intergovernmental	942,297	1,000,133	931,360	773,610	724,941	712,996	723,482	841,626
Restricted intergovernmental	446,955	507,059	572,888	527,811	557,016	566,308	721,164	1,078,804
Permits and fees	101,619	106,870	121,606	239,282	237,976	239,373	221,911	227,069
Sales and services	4,441,763	4,568,346	4,672,331	4,414,221	3,373,200	3,259,435	2,906,706	2,877,742
Other revenues	-	-	-	-	-	-	-	-
Investment earnings	10,245	70,107	181,623	154,968	109,763	52,879	16,442	34,019
Miscellaneous	496,282	492,953	2,173,266	1,012,085	696,676	465,020	287,302	159,332
<b>Total Revenues</b>	<b>\$ 14,065,811</b>	<b>\$ 14,421,546</b>	<b>\$ 16,445,760</b>	<b>\$ 14,428,450</b>	<b>\$ 13,131,193</b>	<b>\$ 12,392,306</b>	<b>\$ 11,739,945</b>	<b>\$ 11,757,954</b>
<b>Expenditures</b>								
General government	\$ 1,374,033	\$ 1,686,089	\$ 1,702,486	\$ 1,580,409	\$ 1,640,613	\$ 1,706,300	\$ 1,713,906	\$ 1,754,055
Public safety	6,067,060	6,512,334	5,994,425	5,486,023	5,165,341	5,446,529	5,060,207	4,842,616
Environmental protection	674,421	900,958	998,673	974,812	959,435	1,096,460	1,135,812	966,250
Economic and physical development	20,044	57,845	49,365	50,846	86,644	87,050	91,995	93,587
Non-Departmental	337,704	42,404	30,019	35,079	35,501	4,878	2,766	12,465
Transportation and Utilities	1,949,725	1,886,579	2,250,585	2,079,036	1,900,408	1,639,158	1,931,594	2,073,299
Cultural and recreational	2,645,547	2,816,159	2,767,056	2,703,844	2,510,555	2,489,159	2,390,098	2,358,298
Debt Service:								
Principal	745,148	704,857	794,491	784,413	741,986	623,929	669,230	597,665
Interest	285,532	304,665	371,805	355,836	406,453	482,669	506,762	630,044
<b>Total Expenditures</b>	<b>\$ 14,099,214</b>	<b>\$ 14,911,890</b>	<b>\$ 14,958,905</b>	<b>\$ 14,050,298</b>	<b>\$ 13,446,936</b>	<b>\$ 13,576,132</b>	<b>\$ 13,502,370</b>	<b>\$ 13,328,279</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (33,403)</b>	<b>\$ (490,344)</b>	<b>\$ 1,486,855</b>	<b>\$ 378,152</b>	<b>\$ (315,743)</b>	<b>\$ (1,183,826)</b>	<b>\$ (1,762,425)</b>	<b>\$ (1,570,325)</b>

Table 4

City of Henderson, North Carolina  
**Changes in Fund Balances, Governmental Funds**  
 Last Seven Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing Sources								
Transfer from other funds	\$ 410,573	\$ 159,244	\$ 111,995	\$ 192,336	\$ 1,198,626	\$ 1,317,801	\$ 1,469,478	\$ 1,245,031
Transfers to other funds	(182,086)	(355,301)	(634,608)	(260,244)	(135,191)	(140,751)	(1,607,057)	(354,140)
Installment Financing	-	72,979	118,620	79,886	-	553,250	411,707	69,121
Total Other Financing Sources and Uses	<u>\$ 228,487</u>	<u>\$ (123,078)</u>	<u>\$ (403,993)</u>	<u>\$ 11,978</u>	<u>\$ 1,063,435</u>	<u>\$ 1,730,300</u>	<u>\$ 274,128</u>	<u>\$ 960,012</u>
Net Change in Fund Balance	<u>\$ 195,084</u>	<u>\$ (613,422)</u>	<u>\$ 1,082,862</u>	<u>\$ 390,130</u>	<u>\$ 747,692</u>	<u>\$ 546,474</u>	<u>\$ (1,488,297)</u>	<u>\$ (610,313)</u>
Total Expenditures, less Debt Service	\$ 13,068,534	\$ 13,902,368						
Less: Capital Outlay Expenditures	<u>(1,013,764)</u>	<u>(3,738,856)</u>						
Total Noncapital Expenditures	<u>\$ 12,054,770</u>	<u>\$ 10,163,512</u>						
Debt Service as a Percentage of Noncapital Expenditures	8.55%	9.93%	8.45%	8.46%	14.68%	8.23%	9.31%	2.15%

Note: The City began to report information when it implemented GASB Statement 34 in fiscal year 2003.

Table 5

**City of Henderson, North Carolina  
Assessed Value of Taxable Property  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Real Property	Personal Property	Elderly Exemption	Total Assessed Value	Total Direct Tax Rate
2010	\$ 738,807,561	\$ 160,975,155	\$ 12,703,860	\$ 887,078,856	0.5850
2009	\$ 740,398,927	\$ 172,187,141	\$ 12,634,810	\$ 899,951,258	0.5650
2008	\$ 603,721,711	\$ 166,083,642	\$ 10,098,965	\$ 759,706,388	0.6700
2007	\$ 611,183,592	\$ 160,631,445	\$ 10,563,949	\$ 761,251,088	0.6700
2006	\$ 592,080,970	\$ 164,082,831	\$ 10,326,441	\$ 745,837,360	0.6700
2005	\$ 600,933,500	\$ 148,716,224	\$ 9,019,600	\$ 740,630,124	0.6700
2004	\$ 592,581,160	\$ 159,600,644	\$ 9,235,575	\$ 742,946,229	0.6400
2003	\$ 571,700,670	\$ 178,389,185	\$ 9,291,970	\$ 740,797,885	0.6100
2002	\$ 569,671,400	\$ 187,032,229	\$ 7,990,225	\$ 748,713,404	0.6100
2001	\$ 543,299,610	\$ 208,999,105	\$ 3,147,355	\$ 749,151,360	0.5600

**City of Henderson, North Carolina**  
**Property Tax Rates - Direct and Overlapping Government**  
**Per \$100 of Assessed Value**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	City of Henderson	Vance County	Total
2010	\$ 0.5850	\$ 0.7820	\$ 1.3670
2009	\$ 0.5650	\$ 0.7980	\$ 1.3630
2008	\$ 0.6700	\$ 0.9200	\$ 1.5900
2007	\$ 0.6700	\$ 0.9200	\$ 1.5900
2006	\$ 0.6700	\$ 0.9200	\$ 1.5900
2005	\$ 0.6700	\$ 0.9200	\$ 1.5900
2004	\$ 0.6400	\$ 0.9000	\$ 1.5400
2003	\$ 0.6100	\$ 0.9000	\$ 1.5100
2002	\$ 0.6100	\$ 0.9000	\$ 1.5100
2001	\$ 0.5600	\$ 0.8400	\$ 1.4000

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

Fiscal Year Ended June 30,	<u>Components of the Total Direct Rate</u>		
	<u>General Fund</u>	<u>Public Library Fund</u>	<u>Total Direct Rate</u>
2010	\$ 0.5850	\$ -	\$ 0.5850
2009	\$ 0.5250	\$ 0.0400	\$ 0.5650
2008	\$ 0.6300	\$ 0.0400	\$ 0.6700
2007	\$ 0.6300	\$ 0.0400	\$ 0.6700
2006	\$ 0.6300	\$ 0.0400	\$ 0.6700
2005	\$ 0.6300	\$ 0.0400	\$ 0.6700
2004	\$ 0.6000	\$ 0.0400	\$ 0.6400
2003	\$ 0.5700	\$ 0.0400	\$ 0.6100
2002	\$ 0.5700	\$ 0.0400	\$ 0.6100
2001	\$ 0.5200	\$ 0.0400	\$ 0.5600

**City of Henderson, North Carolina  
Principal Property Taxpayers  
Current Year**

Taxpayer	2010 Assessed Valuation	Taxes
Carolina Telephone	\$ 17,572,820	\$ 102,801
Progress Energy	16,448,888	96,226
Pacific Coast Feather Co.	13,250,085	77,513
Wal-Mart Real Estate Bus. Trust	12,710,085	74,354
W & W Properties & Rentals LLC	8,490,256	49,668
Galileo Henderson, LP	8,267,008	48,362
Rosemyr Corporation	7,511,111	43,940
Henderson Country Club	6,080,683	35,572
Lowe's of Henderson	5,881,538	34,407
Crawford Properties	5,600,170	32,761
L.I.C. Associates	4,852,307	28,368
Ruin Creek Properties	4,832,649	28,271
Henderson Fields LLC	4,247,692	24,849
MDJ Partnership LLC	4,066,837	23,791
Fox's Pond Co. LTD Partnership	<u>4,011,111</u>	<u>23,465</u>
	<u>\$ 123,823,240</u>	<u>\$ 724,348</u>

Table 8

**City of Henderson, North Carolina  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Tax Year	Net Levy	Current Year Collections	Percentage of Levy
2010	2009	\$ 5,165,463	\$ 4,792,999	92.79%
2009	2008	\$ 5,165,139	\$ 4,759,265	92.14%
2008	2007	\$ 5,093,720	\$ 4,749,230	93.24%
2007	2006	\$ 5,038,901	\$ 4,743,873	94.14%
2006	2005	\$ 4,988,550	\$ 4,677,076	93.76%
2005	2004	\$ 4,731,173	\$ 4,407,893	93.17%
2004	2003	\$ 4,531,972	\$ 4,183,506	92.31%
2003	2002	\$ 4,504,712	\$ 4,140,778	91.92%
2002	2001	\$ 4,192,795	\$ 3,745,817	89.34%
2001	2000	\$ 4,195,247	\$ 3,949,453	94.14%

Table 9

City of Henderson, North Carolina  
 Ratio of Outstanding Debt by Type  
 Last Seven Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities				Total Primary Government	City Population Estimated*	Debt Per Capita
	Capital Leases	Notes Payable	Revenue Bonds	Capital Leases	Notes Payable	Capital Leases	Notes Payable				
2010	\$ 296,804	\$ 4,834,347	\$ 10,770,000	\$ 321,115	\$ 8,143,693	\$ 24,365,959	\$ 15,777	\$ 1,544			
2009	\$ 437,685	\$ 5,438,614	\$ 11,500,000	\$ 461,896	\$ 9,743,507	\$ 27,581,702	\$ 15,850	\$ 1,740			
2008	\$ -	\$ 6,216,142	\$ -	\$ -	\$ 23,909,909	\$ 30,126,051	\$ 15,897	\$ 1,895			
2007	\$ -	\$ 6,896,540	\$ -	\$ -	\$ 26,217,243	\$ 33,113,783	\$ 15,951	\$ 2,076			
2006	\$ -	\$ 6,857,665	\$ -	\$ -	\$ 28,498,581	\$ 35,356,246	\$ 15,906	\$ 2,223			
2005	\$ -	\$ 8,333,053	\$ -	\$ -	\$ 30,589,665	\$ 38,922,718	\$ 15,999	\$ 2,433			
2004	\$ -	\$ 8,403,732	\$ -	\$ -	\$ 32,320,557	\$ 40,724,289	\$ 16,098	\$ 2,530			

Note: Details regarding the City's debt can be found in the notes to the financial statements.  
 The City began to collect this data in 2004.

\* Source: U.S. Census Bureau

**City of Henderson, North Carolina**  
**Ratio of General Obligation Bonded Debt**  
**Last Seven Fiscal Years**

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Fiscal Year Ended June 30,	General Obligation Debt	Percentage of Actual Taxable Value of Property	Debt Per Capita
2010	-	0.000%	-
2009	-	0.000%	-
2008	-	0.000%	-
2007	-	0.000%	-
2006	-	0.000%	-
2005	-	0.000%	-
2004	-	0.000%	-

Note: Details regarding the City's debt can be found in the notes to the financial statements.  
The City began to collect this data in 2004.

**City of Henderson, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**General Obligation Bonds**  
**June 30,2010**

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Fiscal Year Ended June 30,	Net General Obligation Bonded Debt	Percentage Applicable to Vance County	Amount Applicable to Vance County
2010	-	0.000%	-
2009	-	0.000%	-
2008	-	0.000%	-
2007	-	0.000%	-
2006	-	0.000%	-
2005	-	92.000%	-
2004	-	90.000%	-
2003	-	90.000%	-
2002	-	90.000%	-
2001	-	84.000%	-

**City of Henderson, North Carolina  
Computation of Legal Debt Margin  
Last Seven Fiscal Years**

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Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	<u>\$ 887,078,856</u>
Debt Limit - Eight Percent (8%) of Assessed Value	70,966,308
Amount of Debt Applicable to Debt Limit	
Lease financing agreements	\$ 5,131,151
Revolving Loan	<u>-</u>
Total Debt	\$ 5,131,151
Less - Statutory Deductions	<u>-</u> <u>5,131,151</u>
Legal Debt Margin	<u>\$ 65,835,157</u>

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt Limit	\$ 70,966,308	\$ 71,996,101	\$ 60,776,511	\$ 60,900,087	\$ 59,666,989	\$ 59,250,410	\$ 59,435,698
Total Net Debt Applicable to Limit	<u>(5,131,151)</u>	<u>(5,876,299)</u>	<u>(6,216,142)</u>	<u>(6,896,540)</u>	<u>(6,857,665)</u>	<u>(8,333,053)</u>	<u>(8,403,732)</u>
Legal Debt Margin	<u>\$ 65,835,157</u>	<u>\$ 66,119,802</u>	<u>\$ 54,560,369</u>	<u>\$ 54,003,547</u>	<u>\$ 52,809,324</u>	<u>\$ 50,917,357</u>	<u>\$ 51,031,966</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.23%	8.16%	10.23%	11.32%	11.49%	14.06%	14.14%

The City began to collect this data in 2004.

Table 13

**City of Henderson, North Carolina  
Demographic Statistics  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Population Estimated <sup>1</sup>	Per Capita Income <sup>2</sup>	Unemployment Rate <sup>*</sup>	Total Labor Force <sup>*</sup>	Public School Enrollment <sup>**</sup> (ADM)
2010	15,777	N/A	12.30%	19,371	7,109
2009	15,850	N/A	14.40%	20,459	7,380
2008	15,897	\$29,373	8.40%	19,962	7,764
2007	15,951	\$26,730	7.30%	18,538	7,900
2006	15,906	\$25,033	7.60%	18,496	8,170
2005	15,999	\$23,887	9.10%	19,052	8,300
2004	16,098	\$22,607	13.20%	18,580	8,260
2003	16,257	\$21,549	12.90%	18,608	8,614
2002	16,371	\$21,374	9.90%	19,585	8,219
2001	16,353	\$21,441	10.60%	19,687	8,523

<sup>1</sup>-Source: U.S. Census Bureau

<sup>2</sup>-Source: Bureau of Economic Analysis - U.S. Department of Commerce

\* Source: Employment Security Commission - Micropolitan Statistical Area

\*\* Source: The North Carolina Department of Public Instruction

(N/A) Information Not Available

ADM = Average Daily Membership

**City of Henderson, North Carolina  
Ten Largest Employers  
Current Year**

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Employer	
Vance County Board of Education	1,200
Variety Stores, Inc.	782
Maria Parham Medical Center	750
Pacific-Coast Feather Co.	623
City of Henderson	250
M. R. Williams, Inc.	225
Clayton Homes	135
Optimum Lighting	110
ETC	70
Vance County Mental Health	65

\*Source: Vance County Economic Development Commission

Table 15

**City of Henderson, North Carolina  
Number of Government Employees  
Last Five Fiscal Years**

	<u>FY 05-06</u>	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>FY 08-09</u>	<u>FY 09-10</u>
General government	20	22	22	20	20
Public safety	102	99	102	102	101
Transportation and utilities	19	17	17	16	20
Environmental protection	31	29	28	22	18
Cultural and recreation	17	16	14	15	15
Code compliance	2	3	3	3	2
Planning and community development	4	3	3	2	2
	<u>195</u>	<u>189</u>	<u>189</u>	<u>180</u>	<u>178</u>
<b>Water Fund</b>					
Engineering	5	4	4	3	3
Water distribution	14	15	14	13	13
	<u>19</u>	<u>19</u>	<u>18</u>	<u>16</u>	<u>16</u>
<b>Sewer Fund</b>					
Water reclamation facility	23	21	21	21	21
Sewer Collection	7	7	6	6	5
Sewer Collection I&I	-	-	3	3	3
	<u>30</u>	<u>28</u>	<u>30</u>	<u>30</u>	<u>29</u>
<b>Regional Water System Fund</b>	12	11	11	11	10
	<u>256</u>	<u>247</u>	<u>248</u>	<u>237</u>	<u>233</u>

The City began to collect this data in 2006

COMPLIANCE SECTION

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

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Dena M. Thomason, CPA

Ronald S. Dorsey, CPA (Retired)

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Henderson, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Henderson, North Carolina as of and for the year ended June 30, 2010, which collectively comprises the City of Henderson, North Carolina's basic financial statements, and have issued our report thereon dated January 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Henderson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-01 and 10-02, to be significant deficiencies in internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

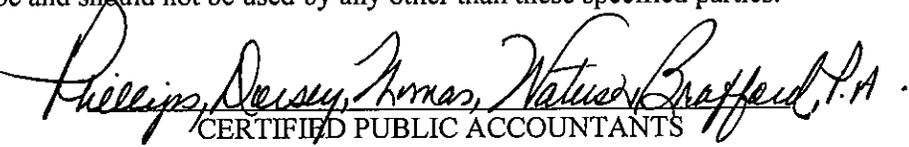
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 10-01 to be a material weakness.

#### 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 *Governmental Auditing Standards*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, and federal and State awarding agencies and pass through entities and is not intended to be and should not be used by any other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2011

PHILLIPS, DORSEY, THOMAS, WATERS & BRAFFORD, 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 CIRCULAR A-133 AND THE STATE SINGLE AUDIT  
IMPLEMENTATION ACT

To the City Council  
City of Henderson, North Carolina

Compliance

We have audited the compliance of the City of Henderson, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Henderson's major federal programs for the year ended June 30, 2010. The City of Henderson's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Henderson's management. Our responsibility is to express an opinion on the City of Henderson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Henderson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Henderson's compliance with those requirements.

To the Council  
City of Henderson, North Carolina  
Page 2

In our opinion, the City of Henderson complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

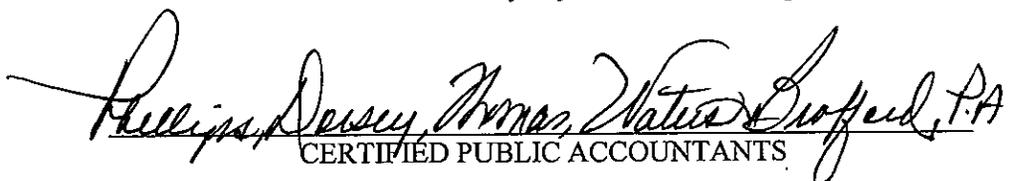
The management of the City of Henderson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Henderson's internal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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

The City of Henderson's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Henderson's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the entity, members of the City Council, and federal and State awarding agencies and pass through entities and is not intended to be and should not be used by any other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE  
STATE SINGLE AUDIT IMPLEMENTATION ACT

To the City Council  
City of Henderson, North Carolina

Compliance

We have audited the compliance of the City of Henderson, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. The City of Henderson's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Henderson's management. Our responsibility is to express an opinion on the City of Henderson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Henderson's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Henderson's compliance with those requirements.

In our opinion, the City of Henderson complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

To the Council  
City of Henderson, North Carolina  
Page 2

Internal Control Over Compliance

The management of the City of Henderson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Henderson's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

The City of Henderson's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2011

CITY OF HENDERSON, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified?   x   yes        no
- Significant Deficiency(s) identified that are not considered to be material weaknesses   x   yes        no
- Noncompliance material to financial statements noted        yes   x   no

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified?   x   yes        no
- Significant Deficiency(s) identified that are not considered to be material weaknesses        yes   x   none reported
- Noncompliance material to federal awards        yes   x   no

Type of auditor's report issued on compliance for major federal programs: Unqualified  
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133        yes   x   no

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

Identification of major federal programs:

14.228	Community Development Block Grants
--------	------------------------------------

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

Auditee qualified as low-risk auditee?        yes   x   no

State Awards

Internal Control Over State Programs:

CITY OF HENDERSON, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2010

- Material weakness (es) identified?   x   yes        no
- Significant Deficiency (s) identified that are not considered to be material weaknesses        yes   x   none reported
- Noncompliance material to state awards        yes   x   no

Type of auditors' report issued on compliance for major state programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act        yes   x   no

Identification of major state programs:

Program Name

N.C. Department of Transportation: Powell Bill

B. Financial Statement Findings

MATERIAL WEAKNESS

10-01

Criteria: Management is responsible for establishing and maintaining internal control, including monitoring, and ensuring that bank reconciliations are prepared and reviewed by a responsible official in a timely manner.

Condition: Management did not establish and maintain internal controls to ensure that bank statements were reconciled and reviewed by a responsible official in a timely manner

Effect: The absence of controls over the bank reconciliations is considered a material weakness because more than a remote likelihood exists that a material misstatement of the financial statements could occur and not be prevented or detected and corrected by the entity's internal control.

Recommendation: Bank reconciliations should be prepared in a timely manner and reviewed by the Finance Officer for completeness and accuracy.

Management Response and Corrective Action Plan: Management plans to implement internal control procedures to ensure timely preparation of bank reconciliations and the review process by the Finance Officer.

Name of contact person: Sandra Wilkerson, City Finance Director

CITY OF HENDERSON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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SIGNIFICANT DEFICIENCY

10-02

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The City expended more for non-departmental and debt service than appropriated in the budget ordinance.

Effect: Moneys were spent that had not been appropriated.

Recommendation: Budget amendments should be adopted when revenues are received that exceed estimated revenues in the budget ordinance prior to expending the funds.

Management Response: The over expenditures were due to the recording of year end payables in the following areas: non-departmental and debt service.

Corrective Action Plan: The City Finance Officer plans to monitor more closely budgeted expenditures at year-end and meet with Department Directors regarding their projected year-end costs.

Name of contact person: Sandra Wilkerson, City Finance Director

C. Federal Award Findings and Questioned Costs

None reported.

D. State Award Findings and Questioned Costs

None reported.

E. Summary of Prior Audit Findings

Finding 2009-1 (Financial Statement Preparation)

Status: The City has corrected this finding.

Finding 2009-2 (Expenditures in Excess of Appropriations)

Status: The City has not corrected this finding. They are continuing to make strides in improving the monitoring of the budget.

**City of Henderson, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2010**

Grantor/Program Title	Grant Number	Federal CFDA Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
U.S. Dept. of Justice					
Direct Programs:					
Weed and Seed - 08	2007-WS-QX-0047	16.595	80,808	-	402
Weed and Seed - 09	2010-WS-QX-0108	16.595	83,727	-	-
Bureau of Justice Assistance					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Byrne Justice Assistance Grants	2009-SB-B9-0738	16.738	141,946	-	-
Byrne Justice Assistance Grants	2009-DJ-BX-0394	16.738	34,497	-	3,263
U.S. Department of Federal Highway Administration					
Passed-through N.C. Dept. of Transportation:					
SAFETEA-LU		20.205	138,525	-	-
U.S. Dept. of Housing and Urban Development					
Passed-through N.C. Department of Commerce:					
Division of Community Assistance - A.L. Harris Housing	06-C-1609	14.228	23,150	-	330
URP - Hope VI	NC19URD27536M07	14.228	701,900	-	1,726
<b>State Grants:</b>					
NC Department of Crime Control and Public Safety					
Governor's Crime Commission Grant	091-1-09-R01-RJ-771			10,102	
N.C. Department of Commerce					
NC Div. of Community Assistance - CDBG Program	08-C-1862			40,797	
N.C. General Assembly					
NC Rural Economic Development Center, Inc.	2009-082-60501-107			25,000	
N.C. Department of Transportation					
Powell Bill				463,183	
N.C. Department of Environment & Natural Resources					
CWMT Grant				68,871	
NC DENR Grant - Recycling	2373			5,399	
NC DENR Grant -	DEH-1595			40,338	
Total assistance			<u>\$ 1,204,553</u>	<u>\$ 653,690</u>	<u>\$ 5,721</u>

**Notes on the Schedule of Federal and State Financial Awards:**

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