

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
CITY OF HENDERSON  
HENDERSON, NORTH CAROLINA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by the City of Henderson Finance Department

Finance Director  
Sandra Wilkerson

**CITY OF HENDERSON  
TABLE OF CONTENTS  
JUNE 30, 2009**

---

<u>Exhibits</u>	<u>Page</u>
<b>Introductory Section:</b>	
<b>Letter of Transmittal</b>	a-s
<b>Organization Chart</b>	t
<b>Elected Officials</b>	u
<b>Certificate of Achievement</b>	v
<b>Financial Section</b>	
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-12
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
1 Statement of Net Assets	13
2 Statement of Activities	14
Fund Financial Statements:	
3 Balance Sheet – Governmental Funds	15
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	18
6 Statement of Fund Net Assets – Proprietary Funds	19
7 Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	20
8 Statement of Cash Flows – Proprietary Funds	21-22
9 Statement of Fiduciary Net Assets	23
10 Statement of Changes in Net Assets – Fiduciary Funds	24

**CITY OF HENDERSON  
TABLE OF CONTENTS  
JUNE 30, 2009**

<u>Exhibit</u>	<u>Page</u>
Notes to the Financial Statements	25-53
Required Supplemental Financial Data:	
11 Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	54
Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions	55
Law Enforcement Officers' Special Separation Allowance- Notes to the Required Schedules	55
12 Other Postemployment Benefits – Schedule of Funding Progress	56
Other Postemployment Benefits – Schedule of Employer Contributions	57
Other Postemployment Benefits – Notes to the Required Schedules	57

**Statements/Schedules**

**Individual Fund Statements and Schedules**

Schedule 1	Schedules of Revenues, Expenditures, and Changes in Fund Balance General Fund – Budget and Actual--General Fund	58-61
Schedule 2	Combining Balance Sheet – Non-major Governmental Funds	62-63
Schedule 3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	64-65
Schedule 4	Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual—Bureau of Justice Grant 03	66
Schedule 5	Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Bureau of Justice Grant 04	67
Schedule 6	Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Bureau of Justice Grant 05	68
Schedule 7	Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Bureau of Justice Grant 06	69
Schedule 8	Schedule of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Bureau of Justice Grant 07	70
Schedule 9	Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—David Street Project	71

**CITY OF HENDERSON  
TABLE OF CONTENTS  
JUNE 30, 2009**

<u>Statements/Schedules</u>	<u>Page</u>
Schedule 10 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Carey Chapel Crossing Project	72
Schedule 11 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Capital Reserve-General	73
Schedule 12 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Governor’s Crime Commission Grant 04	74
Schedule 13 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Governor’s Highway Safety Grant 04	75
Schedule 14 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Capacity Building Grant 04	76
Schedule 15 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—General-Capital Project Fund	77-78
Schedule 16 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Powell Bill-Capital Project Fund	79
Schedule 17 Schedules of Revenue, Expenditures, and Changes in Fund Balances-Budget and Actual—Elmwood Cemetery-Permanent Fund	80
Schedule 18 Schedules of Revenue and Expenditures-Budget and Actual— (Non-GAAP): Water Fund	81-83
Schedule 19 Schedules of Revenue and Expenditures-Budget and Actual— (Non-GAAP): Regional Water System Fund	84-85
Schedule 20 Schedules of Revenue and Expenditures-Budget and Actual— (Non-GAAP): Sewer Fund	86-88
Schedule 21 Schedules of Revenue and Expenditures-Budget and Actual— (Non-GAAP): Regional Water System-Capital Projects	89
Schedule 22 Schedules of Revenue and Expenditures-Budget and Actual— (Non-GAAP): Sewer-Capital Projects	90
Schedule 23 Schedules of Revenue and Expenditures-Budget and Actual— (Non-GAAP): Capital Reserve Utilities Fund	91
Schedule 24 Schedules of Revenue and Expenditures-Budget and Actual— (Non-GAAP): Capital Reserve Fund-Regional	92
Schedule 25 Schedule of Ad Valorem Taxes Receivable	93

**CITY OF HENDERSON  
TABLE OF CONTENTS  
JUNE 30, 2009**

<u>Statements/Schedules</u>	<u>Page</u>
Schedule 26    Analysis of Current Tax Levy – City-Wide Levy	94

**Tables**

**Statistical Section:**

1	Net Assets by Component	95
2	Changes in Net Assets	96-97
3	Fund Balances- Governmental Funds	98
4	Changes in Fund Balances, Governmental Funds	99-100
5	Assessed Value of Taxable Property	101
6	Property Tax Rates-Direct and Overlapping Governments	102
7	Principal Property Taxpayers	103
8	Property Tax Levies and Collections	104
9	Ratio of Outstanding Debt by Type	105
10	Ratio of General Obligation Bonded Debt	106
11	Direct and Overlapping Governmental Activities Debt	107
12	Computation of Legal Debt Margin	108
13	Demographic Statistics	109

**STATEMENTS/SCHEDULES**

**Compliance Section:**

Report on Compliance and on Internal Control Over Financial Reporting. Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	110-111
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with Applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act	112-113
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	114-115

**CITY OF HENDERSON  
TABLE OF CONTENTS  
JUNE 30, 2009**

---

<u>Statements/Schedules</u>		<u>Page</u>
27	Schedule of Findings and Questioned Costs	116-119
28	Schedule of Expenditures of Federal and State Awards	120



# CITY OF HENDERSON

Post Office Box 1434  
134 Rose Avenue  
Henderson, North Carolina 27536

Phone: (252) 430-5700 FAX: (252) 492-7935

December 16, 2009

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, 2009. 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 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 almost equidistant from the Atlantic Ocean to the east (roughly 150 miles) and the Great Smoky Mountains to the west (roughly 190 miles). The towns of Kittrell and Middleburg are the only other incorporated municipalities within the County. The City is the largest city within the 5 county region 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>
13,896	13,522	15,761	16,095	15,897	15,850

The North Carolina Office of Management and Budget has estimated the population change of the City to be as follows:

<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2007</u>	<u>2008</u>
13,522	15,655	16,095	16,315	16,273

### **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

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

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), 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 2-year terms on a non-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 40 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 Vance County Economic Development Commission 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 (gas), Embarq Communications (telephone) and Time Warner (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
Civilian Labor Force	19,012	18,496	18,839	19,357	20,310	19,867
Total Employment	17,109	17,097	17,276	18,003	18,310	17,287
Total Unemployment	1,903	1,399	1,563	1,354	2,000	2,580
Rate of Unemployment	10.00%	7.60%	8.30%	6.99%	9.85%	12.99%
Industry Employment by Place of Work						
Total All Industries	16,146	15,805	15,719	16,483	16,396	15,127
Goods Producing	3,581	2,795	2,134	2,822	2,731	2,334
Construction & Mining	851	895	898	916	822	648
Manufacturing	2,731	1,900	1,876	1,906	1,909	1,686
Service Producing	9,446	13,010	12,986	10,552	10,471	9,715
Transportation, Comm., Trade and Pub. Utilities	3,861	3,858	3,952	3,886	3,796	3,438
Finance, Insurance and Real Estate	448	455	466	461	433	410
Service and Miscellaneous <sup>1</sup>	4,267	3,267	2,713	6,205	6,242	5,867
Government	3,120	5,430	5,639	3,111	3,194	3,078

\*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 2009:

<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	272	Glass containers
Affiliated Computer Systems	250	Business Process Outsourcing (Healthcare)
City of Henderson	250	Government
Pacific-Coast Feather Co.	230	Quilts, Comforters
M.R. Williams*	225	Wholesale Food Prod.
P & G Pet Care	185	Pet Food
Royal Home Fashions Inc.	150	Bedroom Ensembles
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:

	2002	2003	2004	2005	2006	2007	2008	2009
January	9.7	10.8	10.5	9.4	7.3	6.9	7.8	12.9
February	9.4	10.8	10.3	10.1	7.8	6.6	7.8	14.3
March	9.1	9.3	9.8	8.8	7.4	6	7.5	13.8
April	9.6	10.5	9.6	8.3	7.2	6.2	7.8	13.1
May	10.3	10.9	10.1	8.7	7.6	6.5	8.1	13.5
June	10.1	12.3	10.5	8.9	8.2	7.1	8.4	14.4
July	10.6	11.4	10.3	9	8.2	7.3	9.3	14
August	9.9	11.9	9.5	8.5	7.9	6.9	10.3	13.3
September	9.7	10.9	8.9	8.3	7.2	6.2	9.7	13
October	10	10.7	9.1	7.9	6.9	6.4	10	n/a
November	10.8	10.4	8.8	7.6	7.1	6.9	11.2	n/a
December	10.6	9.6	8.9	7.1	6.7	7.1	11.5	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

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 on Dabney Drive at US 158 By-Pass. Businesses locating there include Eckerd Drug, Ruby Tuesday, Smithfield's Food, Chick-fil-A, Advance Auto, US Cellular, Dabney Drive Car Wash, Kelly Rentals.
- SPI Floors has located in the old Palm Harbor Homes Property.
- Carolina Sunrock has expanded their rock quarry in Southern Vance County
- Carolina Country Snacks, located in the Henderson-Vance Industrial Park, has expanded their operation.
- Vescom America, a vinyl wall covering and upholstery manufacturer, has located in Vance County from New York.
- Florida Marine Tank, a fuel tank manufacturer for the boating industry, has opened their facility in Vance County.
- Profilform, a laminate molding company, purchased a new building in the Henderson Vance Industrial Park.
- On Beckford Drive, 6.39 acres of new office space is being constructed in three phases. The first two phases are complete and offices are currently being leased. The Third Phase of construction has just begun this summer. The Social Security Administration building and Davita Dialysis building were completed during 2008.

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, in addition to the extensive additions and renovations to Days 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 three

elementary schools (Zeb Vance, Aycock and Dabney) 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 tenth 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.

Vance-Granville Community College (VGCC) serves approximately 19,000 students annually (combined curriculum and continuing education, as of 2009). Enrollment has more than doubled over the past 15 years with projections indicating potential enrollment of 20,000 students by 2010. 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 highway, 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-Trailways 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. KARTS 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.** Situated between 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, 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. 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 Clocktower (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, 2009 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, 2009 is not as desirable as looking forward toward future challenges. Accordingly, the following information is offered in this regard:

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

- Completion of the Aycock Recreation Complex with Vance County, private sector and others (Phase I opened June 1998 and Phase II opened May 2002)
- Issuing approximately \$16 million in combined Enterprise System Revenue Bonds and, related thereto, improving the City's credit rating (April

2001)...which included the Franklin County Water Line and sewer system related improvements(Redbud Pump Station/Sewer Outfall and Oxford Road area sewer)

- Consolidating Public Works and Public Utility Operations into one location and renovating the former Lowe's building into the City's Operations and Service Center (September 2001)
- Completion of the Embassy Project North (Police Station component, complete and occupied in January 2003)
- Obtained a \$1,000,000 Hope VI grant from Housing and Urban Development combined with a \$400,000 in private investment to construct 12 apartments on the second floor of downtown businesses. The City of Henderson was the first community to receive this grant.
- Various steady and measured improvements to the Kerr Lake Regional Water Plant/System as follows:
  - New elevated storage tank (Industrial Park area)
  - Construction of "Loop Line"
  - Filter Rehabilitation and "High Rating"
  - Priority I Improvements
  - Priority II Improvements completed in late summer 2006-including actions related to intake, lake levels, drought management, etc.
- Establishment of a Code Compliance Department with greater emphasis on enforcing minimum housing standards
- Obtained a Department of Commerce Grant for \$653,449 for the David Street Rehab Project that involved the revitalization of the David Street area. Activities included the acquisition of vacant lots and dilapidated properties, disposition, installation of a mini-park, street improvements, clearance of dilapidated dwellings and housing rehab.
- Passed an innovative Minimum Housing Standards Ordinance in an effort to promote better housing standards in our community
- Major efforts are underway relative to community policing, bicycle patrols and innovative power shift patrols during peak crime hours in an effort to prevent/control crime in known high crime areas.
- Partnering with Henderson-Vance Economic Partnership, Inc., and the Kerr-Tar Hub Project. The Hub began marketing efforts in 2008.
- The Transportation Network, Western Outer Loop opened in late summer 2006.

- 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.
- The Henderson Municipal Building (City Hall) was sold and the old library building was renovated to accommodate these offices. The new location – 134 Rose Avenue is centrally located in the downtown district.
- Obtained the Weed & Seed Grant for three consecutive years totaling \$387,000.
- The City adopted the First Strategic Plan in 2008 including the mission and vision statement.
- The City obtained in excess of \$6,000,000 in grants during 2008.
- The Economic Development Commission was reinstated with a joint effort between the City and Vance County.
- The police department received Flagship status for CALEA.
- 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

- 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 progress on both the North and the South components of the Embassy Project
- 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 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.

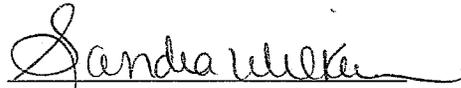
A Certificate of Achievement is valid for a period of one year and the City of Henderson received a Certificate of Achievement for the first time during FY 1990-91, and has achieved it for each year thereafter. The City believes the current report continues to conform to the Certificate of Achievement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

A handwritten signature in cursive script that reads "Sandra Wilkerson". The signature is written in black ink and has a long, sweeping underline that extends to the right.

Sandra Wilkerson  
Finance Director



Updated: October 9, 2009

**CITY OF HENDERSON**

**Mayor and City Council**  
 Mayor James D. "Pete" O'Geary  
 Mary Emma Evans George M. Daye  
 D. Bernard Alston Brenda G. Peace  
 Garry Daake Lonnie Davis Jr.  
 Michael C. Inscoe D. Michael Rainey

**City Attorney**  
 John H. Zollcoffer, Jr.

**City Clerk**  
 Pamela E. Glover

**City Manager**  
 Ray Griffin

**Executive Assistant**  
 Beverly Jackson

**Assistant City Manager**  
 Frank Frazier

**Finance**  
 Sandra Wilkerson  
 Budget  
 Rev Collection  
 Customer Service  
 Cash Management  
 Payroll  
 Accounting  
 Business License

**Special Projects**  
 Vacant

**Human Resources**  
 Cathy Brown  
 Recruitment  
 Orientation  
 Evaluation  
 Employee Relations  
 Benefits Adm.

**Recreation & Parks**  
 W. Alan Gill  
 Adult/Youth Activities  
 Sr. Citizens Programs  
 Cultural Arts  
 Grounds Maintenance  
 Weed & Seed  
 Aquatics  
 Youth Services

**Police**  
 Keith Sidwell  
 Administration  
 Patrol/ Drug  
 Enforcement

**Fire & Rescue**  
 Danny Wilkerson  
 Suppression  
 Rescue  
 Training  
 Fire Protection  
 Inspection

**Code Compliance**  
 Corey Williams  
 Code Enforcement  
 Minimum Housing  
 Abandoned Structures

**Water Distribution & Sewer Collection**  
 Andy Penkinson  
 Distribution  
 Collection  
 Training  
 Meter Reading

**Planning & C.D.**  
 Ernie Dunston  
 Long/Short  
 Range Planning  
 CDBG Housing  
 Main Street

**Water Reclamation**  
 Tom Spain  
 Treatment  
 Testing  
 Monitoring  
 I & I

**Regional Water**  
 Chrissy Lipscomb  
 Treatment  
 Testing  
 Monitoring

**Engineering**  
 Vacant  
 Surveying  
 Mapping  
 Construction  
 Mgmt/Eng  
 services  
 Public Buildings

**Public Works**  
 Linda Leyen  
 Fleet Maintenance  
 Street  
 Sanitation  
 Cemetery  
 Grounds Maintenance

CITY OF HENDERSON, NORTH CAROLINA

MAYOR

James D. O'Geary

CITY COUNCIL

Mary Emma Evans

D. Bernard Alston

Garry D. Daeke

D. Michael Rainey

Brenda G. Peace

Michael C. Inscoc

Lonnie Davis, Jr.

George M. Daye

CITY ADMINISTRATION

City Manager – Ray Griffin

City Attorney – John H. Zollicoffer, Jr.

City Clerk – Pamela E. Glover

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, 2008

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.



A stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

President

A handwritten signature in black ink that reads "Jeffrey R. Ennis".

Executive Director

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

Drawer 1359 • 349 Ruin Creek Rd. • Henderson, NC 27536  
252-438-8154 • Wats 800-356-7674 • Fax 252-492-5066

Ronald S. Dorsey, CPA  
Susan R. Waters, CPA  
Michael H. Brafford, CPA  
Franklin L. Irvin, Jr., CPA  
Janet N. Green, CPA

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

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, 2009, 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, 2009, 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 November 19, 2009 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 1-26, 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.

*Phillips, Dorsey, Thomas, Waters & Brafford, P.A.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2009

**City of Henderson  
Management's Discussion and Analysis  
June 30, 2009**

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, 2009. 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**

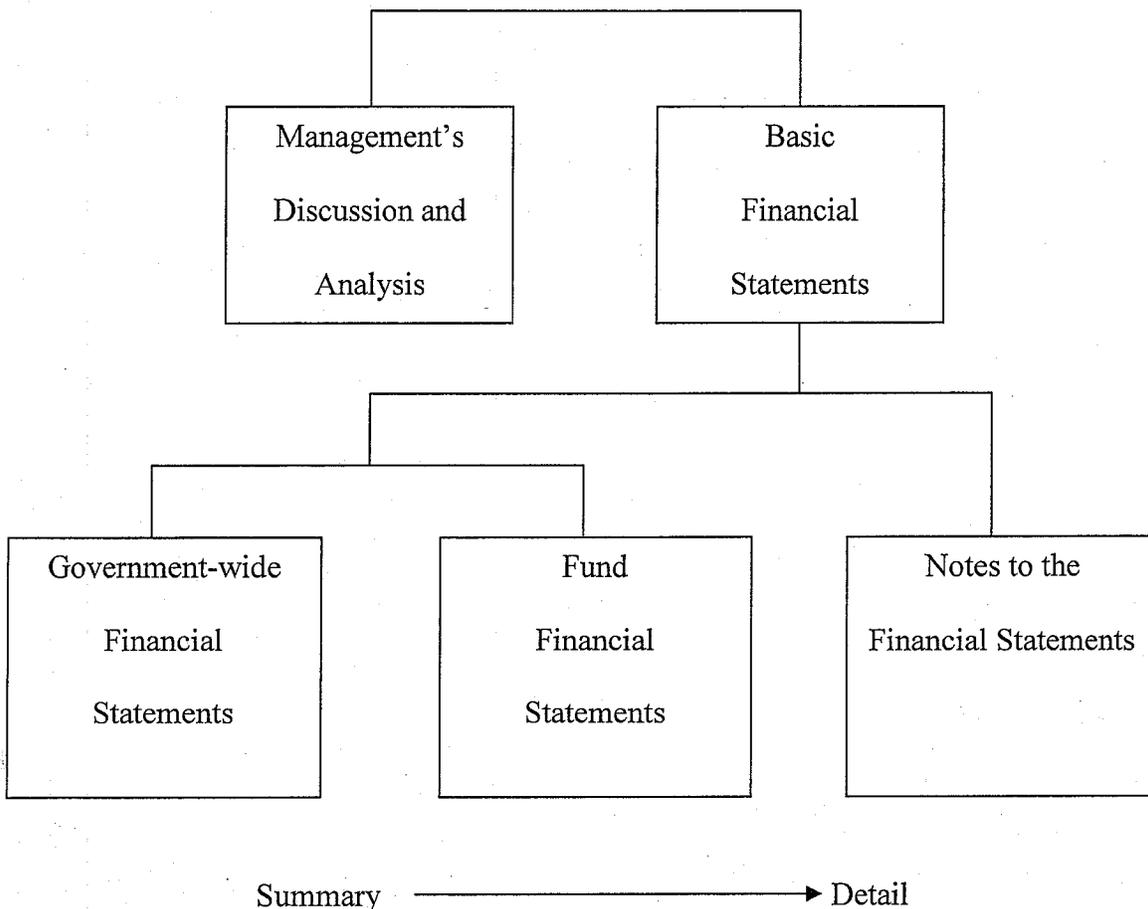
- The assets of the City of Henderson exceeded its liabilities at the close of the fiscal year by \$71,569,174.
- The government's total net assets increased by \$2,110,738.
- As of the close of the current fiscal year, the City of Henderson's governmental funds reported combined ending fund balances of \$4,766,183, a decrease of \$1,166,189 in comparison with the prior year.
- For the year ending June 30, 2009, the City of Henderson's fund balance available for appropriation in the general fund totaled \$3,125,175 or 22.76 percent of expenditures. This is a decrease from prior year's 24.02 percent. Excluding Powell Bill reserves of \$259,709 and Drug forfeiture reserves of \$791,870 the remaining fund balance available for appropriation in the general fund totaled \$2,073,596.
- The City of Henderson's total long-term liabilities outstanding debt increased by \$471,248 (7.87%) during the current fiscal year.
- The City of Henderson has maintained its A2, A, and A+ bond rating for the 8<sup>th</sup> consecutive year.

**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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 6,758,156	\$ 7,788,809	\$ 6,504,196	\$ 5,277,382	\$ 13,262,352	\$ 13,066,191
Capital assets	20,458,590	18,473,405	67,081,155	67,521,246	87,539,745	85,994,651
Restricted assets	-	-	2,031,412	2,683,448	2,031,412	2,683,448
Total Assets	<u>\$ 27,216,746</u>	<u>\$ 26,262,214</u>	<u>\$ 75,616,763</u>	<u>\$ 75,482,076</u>	<u>\$ 102,833,509</u>	<u>\$ 101,744,290</u>
Long-term liabilities						
outstanding	\$ 7,233,674	\$ 6,701,202	\$ 22,062,033	\$ 23,915,383	\$ 29,295,707	\$ 30,616,585
Other liabilities	1,061,828	968,920	906,800	700,349	1,968,628	1,669,269
Total Liabilities	<u>\$ 8,295,502</u>	<u>\$ 7,670,122</u>	<u>\$ 22,968,833</u>	<u>\$ 24,615,732</u>	<u>\$ 31,264,335</u>	<u>\$ 32,285,854</u>
Net Assets:						
Investment in capital assets, net of related debt	\$ 14,582,291	\$ 12,257,263	\$ 45,375,752	\$ 43,605,863	\$ 59,958,043	\$ 55,863,126
Restricted	1,899,503	1,893,464	-	225,065	1,899,503	2,118,529
Unrestricted	2,439,450	4,441,365	7,272,178	7,035,416	9,711,628	11,476,781
Total Net Assets	<u>\$ 18,921,244</u>	<u>\$ 18,592,092</u>	<u>\$ 52,647,930</u>	<u>\$ 50,866,344</u>	<u>\$ 71,569,174</u>	<u>\$ 69,458,436</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 \$71,569,174 as of June 30, 2009. 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 \$59,958,043 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	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 5,102,264	\$ 4,672,331	\$ 12,513,643	\$ 12,262,768	\$ 17,615,907	\$ 16,935,099
Operating grants and contributions	937,300	2,615,917	-	-	937,300	2,615,917
Capital grants and contributions	261,250	1,269,099	-	-	261,250	1,269,099
General Revenues:						
Property taxes	5,236,164	5,106,455	-	-	5,236,164	5,106,455
Other taxes	3,440,264	3,707,404	-	-	3,440,264	3,707,404
Other	168,335	959,418	620,231	261,887	788,566	1,221,305
<b>Total Revenues</b>	<b>\$ 15,145,577</b>	<b>\$ 18,330,624</b>	<b>\$ 13,133,874</b>	<b>\$ 12,524,655</b>	<b>\$ 28,279,451</b>	<b>\$ 30,855,279</b>
<b>Expenses:</b>						
General government	\$ 909,799	\$ 3,462,318	\$ -	\$ -	\$ 909,799	\$ 3,462,318
Public safety	6,968,586	5,690,650	-	-	6,968,586	5,690,650
Economic and physical dev.	498,004	2,079,810	-	-	498,004	2,079,810
Transportation and utilities	1,936,074	2,130,965	-	-	1,936,074	2,130,965
Environmental protection	1,309,976	1,132,792	-	-	1,309,976	1,132,792
Cultural recreation	2,006,921	2,467,644	-	-	2,006,921	2,467,644
Human services	604,768				604,768	
Interest on long-term debt	283,950	371,805	998,630	-	1,282,580	371,805
Water	-	-	3,930,233	4,717,789	3,930,233	4,717,789
Sewer	-	-	3,793,028	3,576,100	3,793,028	3,576,100
Regional water system	-	-	2,638,057	2,530,113	2,638,057	2,530,113
<b>Total Expenses</b>	<b>\$ 14,518,078</b>	<b>\$ 17,335,984</b>	<b>\$ 11,359,948</b>	<b>\$ 10,824,002</b>	<b>\$ 25,878,026</b>	<b>\$ 28,159,986</b>
<b>Increase in Net Assets</b>						
Before Transfers	\$ 627,499	\$ 994,640	\$ 1,773,926	\$ 1,700,653	\$ 2,401,425	\$ 2,695,293
Transfers	(7,660)	(482,577)	7,660	53,500	-	(429,077)
<b>Increase in Net Assets</b>	<b>\$ 619,839</b>	<b>\$ 512,063</b>	<b>\$ 1,781,586</b>	<b>\$ 1,754,153</b>	<b>\$ 2,401,425</b>	<b>\$ 2,266,216</b>
Net Assets, July 1	18,592,092	17,312,461	50,866,344	49,144,021	69,458,436	66,456,482
Prior Period Adjustment (Note III.D.)	(290,687)	767,568	-	(31,830)	(290,687)	735,738
<b>Net Assets, June 30</b>	<b>\$ 18,921,244</b>	<b>\$ 18,592,092</b>	<b>\$ 52,647,930</b>	<b>\$ 50,866,344</b>	<b>\$ 71,569,174</b>	<b>\$ 69,458,436</b>

**Governmental activities:** Governmental activities increased the City's net assets by \$329,152. A key element of this increase is as follows:

- Increased charges for services revenue due to growth in the City.

**Business-type activities:** Business-type activities increased the City of Henderson's net assets by \$1,781,586. 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 \$2,073,596 while total fund balance in the General Fund reached \$4,303,070. 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 21 percent of the total General Fund's expenditures, while total fund balance represents 29 percent of that same amount.

At June 30, 2009, the governmental funds of the City of Henderson reported a combined fund balance of \$4,766,183, a 20 percent decrease over last year. Included in this change in fund balance are decreases 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 \$7,272,178. The

total increase in net assets for the business-type activities was \$1,781,586. 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, 2009, totaled \$87,539,745 (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: \$3,738,856.
- Equipment and vehicles for business-type activities: \$1,112,728.

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

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 4,131,513	\$ 1,604,875	\$ 2,128,378	\$ 2,128,378	\$ 6,259,891	\$ 3,733,253
Buildings	10,037,953	9,463,536	18,475,404	19,077,478	28,513,357	28,541,014
Distribution systems	-	-	43,696,451	36,201,861	43,696,451	36,201,861
Furniture and equipment	-	-	668,442	344,506	668,442	344,506
Construction in progress	2,324,330	3,296,647	2,112,479	9,769,023	4,436,809	13,065,670
Other improvements	1,718,444	2,550,445	-	-	1,718,444	2,550,445
Equipment and vehicles	2,246,350	1,557,902	-	-	2,246,350	1,557,902
<b>Total</b>	<b>\$ 20,458,590</b>	<b>\$ 18,473,405</b>	<b>\$ 67,081,154</b>	<b>\$ 67,521,246</b>	<b>\$ 87,539,744</b>	<b>\$ 85,994,651</b>

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, 2009, the City of Henderson had total debt outstanding of \$27,581,702. Of this, \$16,081,702 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	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Capital leases	\$ 437,685	\$ 382,011	\$ 461,896	\$ 391,445	\$ 899,581	\$ 773,456
Installment loans	5,438,614	5,834,131	9,743,507	11,313,464	15,182,121	17,147,595
Revenue bonds	-	-	11,500,000	12,205,000	11,500,000	12,205,000
<b>Total</b>	<b>\$ 5,876,299</b>	<b>\$ 6,216,142</b>	<b>\$ 21,705,403</b>	<b>\$ 23,909,909</b>	<b>\$ 27,581,702</b>	<b>\$ 30,126,051</b>

The City of Henderson’s total debt decreased by \$2,977,732 (9%) 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 9<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 A+ from Fitch Ratings. 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 \$66,119,802.

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 46-51) (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 13%.
- Retail continues to grow within the City.

## **Budget Highlights for the Fiscal Year Ending June 30, 2010**

**Governmental Activities:** Property taxes are expected to remain constant. Also, sales taxes are expected to remain constant 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 \$14,414,088.

### **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, 2009**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,725,832	\$ 4,812,900	\$ 9,538,732
Taxes receivables (net)	827,497	-	827,497
Accrued interest receivable on taxes	102,650	-	102,650
Accounts receivable (net)	1,045,674	1,720,137	2,765,811
Inventories		27,662	27,662
Internal balances	56,503	(56,503)	
Restricted cash and cash equivalents	-	2,031,412	2,031,412
Total current assets	<u>\$ 6,758,156</u>	<u>\$ 8,535,608</u>	<u>\$ 15,293,764</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	\$ 6,455,843	\$ 2,998,055	\$ 9,453,898
Other capital assets, net of depreciation	14,002,747	64,083,100	78,085,847
Total capital assets	<u>\$ 20,458,590</u>	<u>\$ 67,081,155</u>	<u>\$ 87,539,745</u>
Total assets	<u>\$ 27,216,746</u>	<u>\$ 75,616,763</u>	<u>\$ 102,833,509</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,025,648	\$ 700,874	\$ 1,726,522
Accrued interest payable	-	174,683	174,683
Customer deposits	-	31,243	31,243
Unearned revenue	36,180	-	36,180
Current portion of long-term liabilities	772,324	2,476,168	3,248,492
Total current liabilities	<u>\$ 1,834,152</u>	<u>\$ 3,382,968</u>	<u>\$ 5,217,120</u>
Long-term liabilities:			
Due in more than one year	6,461,350	19,585,865	26,047,215
Total liabilities	<u>\$ 8,295,502</u>	<u>\$ 22,968,833</u>	<u>\$ 31,264,335</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 14,582,291	\$ 45,375,752	\$ 59,958,043
Restricted for:			
Expendable			
Capital projects	330,089	-	330,089
Elmwood Cemetery Fund	429,610	-	429,610
Public Safety	791,870	-	791,870
Transportation	332,429	-	332,429
Economic Development	15,505	-	15,505
Unrestricted	2,439,450	7,272,178	9,711,628
Total net assets	<u>\$ 18,921,244</u>	<u>\$ 52,647,930</u>	<u>\$ 71,569,174</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, 2009

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	Total	
<b>Primary Government:</b>									
Governmental Activities:									
General government	\$ 909,799	\$ -	\$ 119,572	\$ -	\$ (909,799)	\$ -	\$ -	\$ (909,799)	
Public safety	6,968,586	523,420	-	261,250	(6,064,344)	-	-	(6,064,344)	
Economic and physical development	498,004	16,810	266,728	-	(214,466)	-	-	(214,466)	
Transportation and utilities	1,936,074	572,373	507,059	-	(856,642)	-	-	(856,642)	
Environmental protection	1,309,976	2,853,864	7,593	-	1,551,481	-	-	1,551,481	
Cultural and recreation	2,006,921	1,135,797	1,528	-	(869,596)	-	-	(869,596)	
Human Services	604,768	-	34,820	-	(569,948)	-	-	(569,948)	
Interest on long-term debt	283,950	-	-	-	(283,950)	-	-	(283,950)	
<b>Total Governmental Activities</b>	<b>\$ 14,518,078</b>	<b>\$ 5,102,264</b>	<b>\$ 937,300</b>	<b>\$ 261,250</b>	<b>\$ (8,217,264)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,217,264)</b>	
<b>Business-type Activities:</b>									
Water	\$ 3,930,233	\$ 4,902,256	\$ -	\$ -	\$ -	\$ 972,023	\$ -	\$ 972,023	
Sewer	3,793,028	4,173,551	-	-	-	380,523	-	380,523	
Regional water system	2,638,057	3,437,836	-	-	-	799,779	-	799,779	
Interest expense	998,630	-	-	-	-	(998,630)	-	(998,630)	
<b>Total Business-type Activities</b>	<b>\$ 11,359,948</b>	<b>\$ 12,513,643</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,153,695</b>	<b>\$ -</b>	<b>\$ 1,153,695</b>	
<b>Total Primary Government</b>	<b>\$ 25,878,026</b>	<b>\$ 17,615,907</b>	<b>\$ 937,300</b>	<b>\$ 261,250</b>	<b>\$ (8,217,264)</b>	<b>\$ 1,153,695</b>	<b>\$ (8,217,264)</b>	<b>\$ (7,063,569)</b>	
<b>General Revenues:</b>									
<b>Taxes:</b>									
Property taxes, levied for general purpose					\$ 5,236,164	\$ -	\$ -	\$ 5,236,164	
Other taxes and licenses					3,440,264	-	-	3,440,264	
Investment earnings					73,336	140,683	214,019	214,019	
Miscellaneous					94,999	479,548	574,547	574,547	
Transfers					(7,660)	7,660	-	-	
<b>Total general revenues and transfers</b>					<b>\$ 8,837,103</b>	<b>\$ 627,891</b>	<b>\$ 9,464,994</b>	<b>\$ 9,464,994</b>	
<b>Change in net assets</b>					<b>\$ 619,839</b>	<b>\$ 1,781,586</b>	<b>\$ 2,401,425</b>	<b>\$ 2,401,425</b>	
<b>Net assets, beginning</b>					<b>18,592,092</b>	<b>50,866,344</b>	<b>69,458,436</b>	<b>69,458,436</b>	
<b>Prior period adjustment (Note III. D.)</b>					<b>(290,687)</b>	<b>-</b>	<b>(290,687)</b>	<b>(290,687)</b>	
<b>Net assets, ending</b>					<b>\$ 18,921,244</b>	<b>\$ 52,647,930</b>	<b>\$ 71,569,174</b>	<b>\$ 71,569,174</b>	

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

**City of Henderson, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	<u>General</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,835,051	\$ 890,781	\$ 4,725,832
Property tax receivable, net	827,497	-	827,497
Accounts receivable, net	1,032,167	13,507	1,045,674
Due from other funds	145,728	-	145,728
Total assets	<u>\$ 5,840,443</u>	<u>\$ 904,288</u>	<u>\$ 6,744,731</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 650,448	\$ 375,200	\$ 1,025,648
Due to other funds	23,248	65,975	89,223
Deferred revenue	827,497	-	827,497
Unearned revenue	36,180	-	36,180
Total liabilities	<u>\$ 1,537,373</u>	<u>\$ 441,175</u>	<u>\$ 1,978,548</u>
Fund balances:			
Reserved for:			
Encumbrances	\$ -	\$ -	\$ -
State statute	1,177,895	-	1,177,895
Public safety	791,870	-	791,870
Streets-Powell Bill	259,709	-	259,709
Perpetual maintenance	-	429,610	429,610
Unreserved, General Fund:			
Designated for subsequent year's expenditures	55,774	-	55,774
Undesignated	2,017,822	-	2,017,822
Unreserved, reported in:			
Special Revenue funds	-	64,607	64,607
Capital Projects Fund	-	(31,104)	(31,104)
Total fund balances	<u>\$ 4,303,070</u>	<u>\$ 463,113</u>	<u>\$ 4,766,183</u>
Total liabilities and fund balances	<u>\$ 5,840,443</u>	<u>\$ 904,288</u>	<u>\$ 6,744,731</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.	20,458,590
Liabilities for earned but deferred revenues are reported in the fund statements.	827,495
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>(7,233,674)</u>
Net assets of governmental activities	<u>\$ 18,921,244</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, 2009**

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,193,534	\$ -	\$ 5,193,534
Local option sales taxes	2,482,544	-	2,482,544
Unrestricted intergovernmental	1,000,133	-	1,000,133
Restricted intergovernmental	507,059	647,550	1,154,609
Permits and fees	106,870	-	106,870
Sales and services	4,568,346	10,498	4,578,844
Investment earnings	70,107	3,229	73,336
Miscellaneous	493,079	-	493,079
Total revenues	<u>\$ 14,421,672</u>	<u>\$ 661,277</u>	<u>\$ 15,082,949</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 1,849,839	\$ -	\$ 1,849,839
Public safety	6,498,584	-	6,498,584
Environmental protection	900,958	-	900,958
Planning and community development	133,661	-	133,661
Cemetery	128,321	-	128,321
Code compliance	176,752	-	176,752
Donations to local agencies	666,044	-	666,044
Economic and physical development	57,845	1,294,630	1,352,475
Transportation and utilities	1,886,579	-	1,886,579
Cultural and recreational	1,711,381	-	1,711,381
Non-departmental	42,404	-	42,404
Debt service:			
Principal	716,573	-	716,573
Interest and other charges	283,950	-	283,950
Total expenditures	<u>\$ 15,052,891</u>	<u>\$ 1,294,630</u>	<u>\$ 16,347,521</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (631,219)</u>	<u>\$ (633,353)</u>	<u>\$ (1,264,572)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	\$ 159,118	\$ 238,358	\$ 397,476
Transfers to other funds	(369,051)	(16,085)	(385,136)
Notes payable proceeds	163,750	-	163,750
Installment financing	63,980	149,000	212,980
Total other financing sources (uses)	<u>\$ 17,797</u>	<u>\$ 371,273</u>	<u>\$ 389,070</u>
Net change in fund balance	<u>\$ (613,422)</u>	<u>\$ (262,080)</u>	<u>\$ (875,502)</u>
Fund balances, beginning as previously reported	\$ 5,207,179	\$ 725,193	\$ 5,932,372
Prior period adjustment (Note III.D.)	(290,687)	-	(290,687)
Fund balances, beginning as restated	<u>\$ 4,916,492</u>	<u>\$ 725,193</u>	<u>\$ 5,641,685</u>
Fund balances, ending	<u>\$ 4,303,070</u>	<u>\$ 463,113</u>	<u>\$ 4,766,183</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, 2009**

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

Net changes in fund balances - total governmental funds \$ (875,502)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 3,738,856	
Depreciation expense for governmental assets	(1,670,421)	
Disposal of assets	<u>(83,250)</u>	\$ 1,985,185

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

Change in deferred revenue for tax revenues	\$ 930,147	
	<u>(887,519)</u>	\$ 42,628

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.

New long-term debt issued	\$ (376,730)	
Principal payments on long-term debt	<u>716,573</u>	339,843

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

Compensated absences	\$ (37,812)	
Net OPEB obligation	(777,401)	
Net pension obligation	<u>(57,102)</u>	\$ (872,315)

Net revenue of internal service funds determined to be governmental-type. -

Total changes in net assets of governmental activities \$ 619,839

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, 2009**

	General Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 5,172,185	\$ 5,172,185	\$ 5,193,534	\$ 21,349
Local option sales taxes	2,703,000	2,703,000	2,482,544	(220,456)
Unrestricted intergovernmental	874,600	874,600	1,000,133	125,533
Restricted intergovernmental	520,000	520,000	507,059	(12,941)
Permits and fees	105,000	105,000	106,870	1,870
Sales and services	4,573,639	4,583,124	4,568,346	(14,778)
Investment earnings	155,900	125,900	70,107	(55,793)
Miscellaneous	880,950	1,130,729	493,079	(637,650)
Total revenues	<u>\$ 14,985,274</u>	<u>\$ 15,214,538</u>	<u>\$ 14,421,672</u>	<u>\$ (792,866)</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 1,820,110	\$ 1,827,760	\$ 1,849,839	\$ (22,079)
Public safety	7,035,870	6,718,326	6,498,584	219,742
Environmental protection	880,402	857,972	900,958	(42,986)
Planning and Community Development	157,120	157,120	133,661	23,459
Cemetery	128,920	138,405	128,321	10,084
Code Compliance	203,590	203,590	176,752	26,838
Donations to Local Agencies	972,577	684,295	666,044	18,251
Economic and physical development	50,720	59,840	57,845	1,995
Transportation and utilities	2,210,880	2,122,342	1,886,579	235,763
Cultural and recreational	1,788,670	1,718,789	1,711,381	7,408
Non-Departmental	95,527	42,500	42,404	96
Contingency	-	30,748	-	30,748
Debt service:	-	-	-	-
Principal	-	716,370	716,573	(203)
Interest and other charges	-	295,490	283,950	11,540
Total expenditures	<u>\$ 15,344,386</u>	<u>\$ 15,573,547</u>	<u>\$ 15,052,891</u>	<u>\$ 520,656</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (359,112)</u>	<u>\$ (359,009)</u>	<u>\$ (631,219)</u>	<u>\$ (272,210)</u>
Other financing sources (uses):				
Transfers from other funds	\$ 146,592	\$ 168,792	\$ 159,118	\$ (9,674)
Transfers to other funds	-	(338,050)	(369,051)	(31,001)
Notes payable proceeds	-	-	163,750	163,750
Proceeds from capital lease	-	-	63,980	63,980
Total other financing sources (uses)	<u>\$ 146,592</u>	<u>\$ (169,258)</u>	<u>\$ 17,797</u>	<u>\$ 187,055</u>
Fund balance appropriated	<u>212,520</u>	<u>528,267</u>		<u>(528,267)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (613,422)</u>	<u>\$ (613,422)</u>
Fund balances, beginning as previously reported				
			\$ 5,207,179	
Prior period adjustment (Note III.D.)				
			<u>(290,687)</u>	
Fund balances, beginning as restated				
			\$ 4,916,492	
Fund balances, ending				
			<u>\$ 4,303,070</u>	

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, 2009

	Water Fund	Sewer Fund	Regional Water System Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,242,342	\$ 618,850	\$ 2,951,708	\$ 4,812,900
Accounts receivable (net)	702,742	900,345	117,050	1,720,137
Due from other funds	138,865	246,172	22	385,059
Inventories	-	6,544	21,118	27,662
Restricted cash and cash equivalents	-	2,031,412	-	2,031,412
Total current assets	<u>\$ 2,083,949</u>	<u>\$ 3,803,323</u>	<u>\$ 3,089,898</u>	<u>\$ 8,977,170</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	\$ 1,761,570	\$ 1,080,813	\$ 155,672	\$ 2,998,055
Other capital assets, net of depreciation	16,657,869	24,514,515	22,910,716	64,083,100
Total capital assets	<u>\$ 18,419,439</u>	<u>\$ 25,595,328</u>	<u>\$ 23,066,388</u>	<u>\$ 67,081,155</u>
Total assets	<u>\$ 20,503,388</u>	<u>\$ 29,398,651</u>	<u>\$ 26,156,286</u>	<u>\$ 76,058,325</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 34,937	\$ 424,468	\$ 241,469	\$ 700,874
Accrued interest payable	99,097	12,925	62,661	174,683
Due to General Fund	275,859	160,489	5,214	441,562
Customer deposits	31,243	-	-	31,243
Current portion of long-term liabilities	1,101,099	370,652	1,004,417	2,476,168
Compensated absences payable	21,659	48,403	26,832	96,894
Total current liabilities	<u>\$ 1,563,894</u>	<u>\$ 1,016,937</u>	<u>\$ 1,340,593</u>	<u>\$ 3,921,424</u>
Long-term liabilities:				
Other postemployment benefits	\$ 63,523	\$ 137,284	\$ 58,929	\$ 259,736
Due in more than one year	11,679,535	1,874,707	5,674,993	19,229,235
Total long-term liabilities	<u>\$ 11,743,058</u>	<u>\$ 2,011,991</u>	<u>\$ 5,733,922</u>	<u>\$ 19,488,971</u>
Total liabilities	<u>\$ 13,306,952</u>	<u>\$ 3,028,928</u>	<u>\$ 7,074,515</u>	<u>\$ 23,410,395</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 5,638,805	\$ 23,349,969	\$ 16,386,978	\$ 45,375,752
Unrestricted	1,557,631	3,019,754	2,694,793	7,272,178
Total net assets	<u>\$ 7,196,436</u>	<u>\$ 26,369,723</u>	<u>\$ 19,081,771</u>	<u>\$ 52,647,930</u>
Total Liabilities and Net Assets	<u>\$ 20,503,388</u>	<u>\$ 29,398,651</u>	<u>\$ 26,156,286</u>	<u>\$ 76,058,325</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, 2009**

	Water Fund	Sewer Fund	Regional Water System Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,792,146	\$ 4,162,456	\$ 3,430,862	\$ 12,385,464
Tap fees	36,790	7,720	-	44,510
Other operating revenues	73,320	3,375	6,974	83,669
<b>Total operating revenues</b>	<b>\$ 4,902,256</b>	<b>\$ 4,173,551</b>	<b>\$ 3,437,836</b>	<b>\$ 12,513,643</b>
<b>OPERATING EXPENSES</b>				
Administration	\$ 131,059	\$ -	\$ -	\$ 131,059
Water treatment and distribution	3,490,542	-	-	3,490,542
Regional water system	-	-	2,158,930	2,158,930
Waste water treatment	-	2,418,890	-	2,418,890
Sewer Collection	-	486,638	-	486,638
Sewer Collection I&I	-	122,440	-	122,440
Depreciation	308,632	765,060	479,127	1,552,819
<b>Total operating expenses</b>	<b>\$ 3,930,233</b>	<b>\$ 3,793,028</b>	<b>\$ 2,638,057</b>	<b>\$ 10,361,318</b>
<b>Operating income (loss)</b>	<b>\$ 972,023</b>	<b>\$ 380,523</b>	<b>\$ 799,779</b>	<b>\$ 2,152,325</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	\$ 14,076	\$ 85,941	\$ 40,666	\$ 140,683
Mobile agreements	39,018	-	-	39,018
Vance County	-	184,771	-	184,771
Sales tax refund	-	-	-	-
Insurance proceeds	8,297	-	-	8,297
Gain (loss) from sale of assets	-	-	-	-
Interest and other charges	(655,300)	(101,743)	(241,587)	(998,630)
Workers comp. Reimbursement	-	184	-	184
Other nonoperating income	-	247,278	-	247,278
<b>Total nonoperating revenue (expenses)</b>	<b>\$ (593,909)</b>	<b>\$ 416,431</b>	<b>\$ (200,921)</b>	<b>\$ (378,399)</b>
<b>Income (loss) before contributions and transfers</b>	<b>\$ 378,114</b>	<b>\$ 796,954</b>	<b>\$ 598,858</b>	<b>\$ 1,773,926</b>
Transfers from other funds	687,419	185,000	416,670	1,289,089
Transfers to other funds	(76,239)	(772,520)	(432,670)	(1,281,429)
<b>Change in net assets</b>	<b>\$ 989,294</b>	<b>\$ 209,434</b>	<b>\$ 582,858</b>	<b>\$ 1,781,586</b>
<b>Total net assets, beginning</b>	<b>6,207,142</b>	<b>26,160,289</b>	<b>18,498,913</b>	<b>50,866,344</b>
<b>Total net assets, ending</b>	<b>\$ 7,196,436</b>	<b>\$ 26,369,723</b>	<b>\$ 19,081,771</b>	<b>\$ 52,647,930</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, 2009

	Regional Water			
	Water Fund	Sewer Fund	System Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 5,042,550	\$ 3,987,632	\$ 3,432,638	\$ 12,462,820
Cash paid for goods and services	(3,096,382)	(1,844,581)	(1,548,604)	(6,489,567)
Cash paid to or on behalf of employees for services	(501,826)	(1,057,477)	(440,165)	(1,999,468)
Net cash provided (used) by operating activities	\$ 1,444,342	\$ 1,085,574	\$ 1,443,869	\$ 3,973,785
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Other nonoperating income	\$ 47,315	\$ 432,049	\$ -	\$ 479,364
Transfers from other funds	687,419	185,000	416,670	1,289,089
Transfers to other funds	(76,239)	(772,520)	(432,670)	(1,281,429)
Total cash flows from noncapital financing activities	\$ 658,495	\$ (155,471)	\$ (16,000)	\$ 487,024
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	\$ (33,241)	\$ (733,981)	\$ (76,735)	\$ (843,957)
Principal paid on bond maturities and equipment contracts	(1,070,217)	(384,959)	(963,587)	(2,418,763)
Interest paid on bond maturities and equipment contracts	(647,512)	(103,796)	(249,650)	(1,000,958)
Capital lease proceeds	34,700	151,439	-	186,139
Net cash provided (used) by capital and related financing activities	\$ (1,716,270)	\$ (1,071,297)	\$ (1,289,972)	\$ (4,077,539)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	\$ 14,076	\$ 85,941	\$ 40,667	\$ 140,684
Net increase (decrease) in cash and cash equivalents	\$ 400,643	\$ (55,253)	\$ 178,564	\$ 523,954
Balances, beginning	841,699	2,705,515	2,773,144	6,320,358
Balances, ending	\$ 1,242,342	\$ 2,650,262	\$ 2,951,708	\$ 6,844,312

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

Exhibit 8

City of Henderson, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For The Fiscal Year Ended June 30, 2009

	Regional Water			Total
	Water Fund	Sewer Fund	System Fund	
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 972,023	\$ 380,523	\$ 799,779	\$ 2,152,325
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	\$ 308,632	\$ 765,060	\$ 479,127	\$ 1,552,819
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	140,294	(185,919)	(5,198)	(50,823)
Increase (decrease) in allowance for doubtful accounts	-	-	-	-
(increase) decrease in inventory	-	-	-	-
(Increase) in prepaid items	-	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(41,776)	(19,151)	105,216	44,289
Increase in customer deposits	-	-	-	-
Increase in accrued OPEB liability	63,523	137,284	58,929	259,736
Increase in accrued vacation pay	1,646	7,777	6,016	15,439
Total adjustments	\$ 472,319	\$ 705,051	\$ 644,090	\$ 1,821,460
Net cash provided by operating activities	\$ 1,444,342	\$ 1,085,574	\$ 1,443,869	\$ 3,973,785

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, 2009**

---

	<b>Pension Trust Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 208,367
Total assets	\$ 208,367
<b>Net Assets</b>	
Held in trust for Employees' pension benefits	\$ 208,367
Total net assets	\$ 208,367

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, 2009**

---

	<b>Pension Trust Fund</b>
<b>Additions</b>	
Investment earnings	\$ 3,737
<b>Deductions</b>	
Transfer to general fund	20,000
<b>Changes in net assets held in trust for:</b>	
Employees' pension benefits	\$ (16,263)
Net assets-Beginning	224,630
Net assets-Ending	\$ 208,367

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

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

---

**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. 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, 2009

---

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 advalorem 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, 2009

---

**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, 2009

---

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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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, 2009

---

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, 2009

---

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; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008.

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, 2009

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.

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

---

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.

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

---

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 2009-2010 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, 2009, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for the general government, environmental protection and debt service. Management will more closely review the budget reports to ensure compliance in future years.

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

---

### Deficit in Fund Balance or Net Assets of Individual Funds

The Governor's Crime Commission Grant Fund and the General Capital Projects 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, 2009, the City's deposits had a carrying amount of \$4,529,122 and a bank balance of \$4,876,424. Of the bank balance, \$281,887 was covered by federal depository insurance. The rest of which was covered under by collateral held under the pooling method.

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009.

At June 30, 2009, the City's investments were as follows:

<u>Reported Value</u>	<u>Fair Value</u>
\$7,249,389	\$7,249,389

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, 2009</u>
Property Taxes Receivable and Sanitation-General Fund	\$ 306,358
Accounts Receivable-Enterprise Funds	<u>355,155</u>
Total	<u>\$ 661,513</u>

Receivables at the government-wide level at June 30, 2009, 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	\$ 1,175,827	\$ 997,497	\$ -	\$ 2,173,324
Allowance for doubtful accounts	<u>(143,660)</u>	<u>(170,000)</u>	<u>-</u>	<u>(306,358)</u>
Total Governmental Activities	<u>\$ 1,032,167</u>	<u>\$ 827,497</u>	<u>\$ -</u>	<u>\$ 1,866,966</u>
Business-Type Activities				
Water Fund	\$ 859,973	\$ -	\$ -	\$ 859,973
Sewer Fund	1,098,269	-	-	1,098,269
Regional Water System Fund	117,050	-	-	117,050
Allowance for doubtful accounts	<u>(355,155)</u>	<u>-</u>	<u>-</u>	<u>(355,155)</u>
Total Business-Type Activities	<u>\$ 1,720,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,720,137</u>

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2009, 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	\$ 604,699	\$ 3,549,314	\$ 22,500	\$ 4,131,513
Land (CIP)	1,000,176	-	1,000,176	-
Construction in progress	<u>3,296,647</u>	<u>312,371</u>	<u>1,284,688</u>	<u>2,324,330</u>
Total Capital Assets Not Being Depreciated	<u>\$ 4,901,522</u>	<u>\$ 3,861,685</u>	<u>\$ 2,307,364</u>	<u>\$ 6,455,843</u>
Capital Assets Being Depreciated				
Buildings	\$ 10,428,306	\$ 732,054	\$ 202,500	\$ 10,957,860
Other improvements	12,445,360	23,560	-	12,468,920
Equipment and vehicles	<u>7,755,223</u>	<u>1,406,421</u>	<u>-</u>	<u>9,161,644</u>
Total Capital Assets Being Depreciated	<u>\$ 30,628,889</u>	<u>\$ 2,162,035</u>	<u>\$ 202,500</u>	<u>\$ 32,588,424</u>
Less Accumulated Depreciation For:				
Buildings	\$ 964,770	\$ 96,887	\$ 141,750	\$ 919,907
Other improvements	9,894,915	855,561	-	10,750,476
Equipment and vehicles	<u>6,197,321</u>	<u>717,973</u>	<u>-</u>	<u>6,915,294</u>
Total Accumulated Depreciation	<u>\$ 17,057,006</u>	<u>\$ 1,670,421</u>	<u>\$ 141,750</u>	<u>\$ 18,585,677</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 13,571,883</u>			<u>\$ 14,002,747</u>
Governmental Activity Capital Assets, Net	<u>\$ 18,473,405</u>			<u>\$ 20,458,590</u>
General Government	\$ 744,959			
Public Safety	627,116			
Environment Protection	91,739			
Recreation and parks	<u>206,607</u>			
Total Depreciation Expense	<u>\$ 1,670,421</u>			

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Business-Type Activities	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water Fund</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,761,570	\$ -	\$ -	\$ 1,761,570
Capital Assets Being Depreciated				
Buildings	\$ 1,830,858	\$ -	\$ -	\$ 1,830,858
Distribution system	18,582,723	-	-	18,582,723
Furniture and equipment	518,629	34,326	-	552,955
Total Capital Assets Being Depreciated	\$ 20,932,210	\$ 34,326	\$ -	\$ 20,966,536
Less Accumulated Depreciation For:				
Buildings	\$ 297,851	\$ 43,490	\$ -	\$ 341,341
Distribution systems	3,011,841	487,202	-	3,499,043
Equipment and vehicles	690,343	43,347	265,407	468,283
Total Accumulated Depreciation	\$ 4,000,035	\$ 574,039	\$ 265,407	\$ 4,308,667
Total Capital Assets Being Depreciated, Net	\$ 16,932,175			\$ 16,657,869
Water Fund Capital Assets, Net	\$ 18,693,745			\$ 18,419,439
<b>Regional Water System Fund</b>				
Capital Assets Not Being Depreciated				
Land	\$ 155,672	\$ -	\$ -	\$ 155,672
Construction in progress	5,725,705	-	4,482,903	1,242,802
Total Capital Assets Not Being Depreciated	\$ 5,881,377	\$ -	\$ 4,482,903	\$ 1,398,474
Capital Assets Being Depreciated				
Buildings	\$ 6,808,289	\$ -	\$ -	\$ 6,808,289
Distribution system	16,456,631	4,482,903	-	20,939,534
Furniture and equipment	587,481	76,735	-	664,216
Total Capital Assets Being Depreciated	\$ 23,852,401	\$ 4,559,638	\$ -	\$ 28,412,039
Less Accumulated Depreciation For:				
Buildings	\$ 3,176,454	\$ 101,117	\$ -	\$ 3,277,571
Distribution systems	2,798,205	332,896	-	3,131,101
Furniture and equipment	290,341	45,113	-	335,454
Total Accumulated Depreciation	\$ 6,265,000	\$ 479,126	\$ -	\$ 6,744,126
Total Capital Assets Being Depreciated, Net	\$ 17,587,401			\$ 21,667,913
Regional Water System Fund Cap. Assets, Net	\$ 23,468,778			\$ 23,066,387

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Business-Type Activities</u>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Sewer Fund</b>				
Capital Assets Not Being Depreciated				
Land	\$ 187,886	\$ -	\$ -	\$ 187,886
Land (CIP)	23,250	-	-	23,250
Construction in progress	4,043,318	849,767	4,023,408	869,677
Total Capital Assets Not Being Depreciated	<u>\$ 4,254,454</u>	<u>\$ 849,767</u>	<u>\$ 4,023,408</u>	<u>\$ 1,080,813</u>
Capital Assets Being Depreciated				
Buildings	\$ 22,992,934	\$ -	\$ -	\$ 22,992,934
Distribution system	9,050,364	4,023,408	-	13,073,772
Furniture and equipment	1,688,907	151,900	-	1,840,807
Total Capital Assets Being Depreciated	<u>\$ 33,732,205</u>	<u>\$ 4,175,308</u>	<u>\$ -</u>	<u>\$ 37,907,513</u>
Less Accumulated Depreciation For:				
Buildings	\$ 9,080,298	\$ 457,467	\$ -	\$ 9,537,765
Distribution systems	2,077,812	191,622	-	2,269,434
Equipment and vehicles	1,469,827	115,972	-	1,585,799
Total Accumulated Depreciation	<u>\$ 12,627,937</u>	<u>\$ 765,061</u>	<u>\$ -</u>	<u>\$ 13,392,998</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 21,104,268</u>			<u>\$ 24,514,515</u>
Sewer Fund Capital Assets, Net	<u>\$ 25,358,722</u>			<u>\$ 25,595,328</u>
Total Business Type Activities	<u>\$ 67,521,245</u>			<u>\$ 67,081,154</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 Annual Financial Report (CAFR) for the State of North Carolina. The

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 4.96% 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, 2009, 2008, and 2007 was \$370,840, \$342,532 and \$353,426, 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, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>53</u>
 Total	 <u>56</u>

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2008, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% 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	\$57,738
Interest on net pension obligation	6,440
Adjustment to annual required contribution	( 5,431)
Annual pension cost	\$58,747
Contributions made	( 6,573)
Increase (decrease) in net pension obligation	\$52,174
Net pension obligation beginning of year	88,831
Net pension obligation end of year	<u>\$141,005</u>

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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>
2007	46,216	2.01%	37,722
2008	51,109	9.64%	83,903
2009	58,747	11.19%	141,005

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, 2009 were \$192,125, which consisted of \$106,895 from the City and \$85,230 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

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.

f. Other Postemployment Benefits

1. 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. 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, 2006, the date of the last actuarial valuation:

	General	Law
	Employees:	Enforcement
		Officers:
Retirees and dependents receiving benefits	65	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	188	52
Total	253	52

*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 18.45% of annual covered payroll. For the current year, the city contributed \$273,325 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 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	\$ 1,312,462
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>\$ 1,312,462</u>
Contributions made	<u>(275,325)</u>
Increase (decrease) in net OPEB obligation	\$ 1,037,137
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 1,037,137</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

For Year Ended 30-Jun	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2006	\$ 1,312,462	20.98%	\$ 1,037,137

*Funded Status and Funding Progress.* As of December 31, 2006, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$ 14,970,034. The covered payroll (annual payroll of active employees covered by the plan) was \$ 7,111,936, and the ratio of the UAAL to the covered payroll was 210.50 %. 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, 2006 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 12.00 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, 2006 was 30 years.

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

---

2. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000. 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 4.96% 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.

3. Deferred Revenues

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

Taxes Receivable (General Fund)	\$ 827,497
---------------------------------	------------

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.

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.

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
Rodder/Furnace AA Lab Equipment	8/11/2005	5 annual payments of \$20,612
Ford Van and Ford F – 250	1/29/2007	3 annual payments of \$27,949
Portable Sewer Jet	8/16/2007	3 annual payments of \$12,718
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

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 889,183	\$405,021	\$484,162
Vehicles and motorized equipment	<u>1,240,542</u>	<u>770,873</u>	<u>469,669</u>
Total	<u>\$2,129,725</u>	<u>\$1,175,894</u>	<u>\$953,831</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2009 are as follows:

<u>Year Ending June 30</u>	
2010	\$309,860
2011	276,530
2012	176,075
2013	141,317
2014	<u>67,301</u>
Total Minimum Lease Payments	\$971,083
Less amount representing interest	( 71,506)
Present Value of Minimum Lease Payment	<u>\$899,577</u>

b. Notes Payable and Revolving Loans

At June 30, 2009, the City of Henderson had a legal debt margin of \$ 66,119,802.

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. \$ 1,849,862

\$4,840,000 note payable to Wachovia Bank due in semi-annual installments ranging from \$304,036 to

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

\$505,770 including interest at 4.84% for a police station.	3,425,000
\$163,750 note payable to Vance County due in annual installments of \$32,750 with no interest.	163,750
<u>Serviced by the Sewer Fund:</u>	
\$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.	686,860
\$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.	922,280
\$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.	\$ 435,589
<u>Serviced by Water Fund:</u>	
\$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.	336,784
\$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.	887,310
<u>Serviced by Regional Water Fund:</u>	
\$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.	1,687,000
\$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.	3,201,000

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

\$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.	<u>1,586,686</u>
Total	<u>\$15,182,121</u>

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>
2010	\$ 637,017	\$ 266,776	\$ 1,599,813	\$ 315,367
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
2015-2019	<u>2,213,532</u>	<u>281,899</u>	<u>2,461,734</u>	<u>169,371</u>
	<u>\$5,438,613</u>	<u>\$1,304,013</u>	<u>\$9,743,508</u>	<u>\$1,232,461</u>

c. Revenue Bond

\$15,630,000 Water and Sewer Revenue Bonds Series 2001, \$11,500,000 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:

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 730,000	\$ 572,858	\$ 1,302,858
2011	765,000	542,198	1,307,198
2012	790,000	509,686	1,299,686
2013	825,000	474,926	1,299,926
2014	875,000	431,612	1,306,612
2015-2019	5,095,000	1,420,966	6,515,966
2020-2022	2,420,000	183,000	2,603,000
	<u>\$ 11,500,000</u>	<u>\$ 4,135,246</u>	<u>\$ 15,635,246</u>

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, 2009, are as follows:

Income (Loss) Before	
Contributions and Transfers	\$ 1,175,068
Add Back:	
Interest and Other Charges	757,043
Depreciation	<u>1,073,692</u>
Net Revenues	<u>\$3,005,803</u>

Parity Debt	
Debt Service, Principal and Interest (Revenue Bond Only)	<u>\$1,306,764</u>

Debt Coverage Ratio	<u>2.30</u>
---------------------	-------------

Required Debt Coverage Ratio	<u>1.25</u>
------------------------------	-------------

Subordinate Debt	
Debt Service, Principal and Interest All (Includes Capital Leases)	\$2,208,062
Subtract Parity Debt	<u>( 1,306,764)</u>
Debt Service, Principal and Interest (All, excluding Parity Debt)	<u>\$ 901,298</u>

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Debt Coverage Ratio	
Net Revenues	\$3,005,803
Less: Parity Debt	(1,306,764)
Subtotal	<u>\$1,699,039</u>
Debt Service, Principal and Interest (All, excluding Parity Debt)	<u>\$ 901,298</u>
Debt Coverage Ratio	<u>1.88</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 customer net revenues and are payable through 2022. The total principal and interest remaining to be paid on the bond is \$15,535,246. Principal and interest paid for the current year was \$1,306,764.

d. Changes in General Long-Term Debt

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Current</u> <u>Portion</u>
<b>Governmental Activities:</b>					
Notes Payable	\$5,834,131	\$ 163,750	(\$ 559,267)	\$ 5,438,614	\$ 637,017
Capital Leases	382,011	212,980	( 157,306)	437,685	135,307
Net Pension					
Obligation	83,903	57,102	-0-	141,005	-0-
Other Post-employment					
Benefits		777,401		777,401	-0-
Compensated					
absences	401,157	37,811	-0-	438,968	-0-
Governmental activity					
long-term liabilities	<u>\$6,701,202</u>	<u>\$1,249,044</u>	<u>(\$ 716,573)</u>	<u>\$ 7,233,673</u>	<u>\$ 772,324</u>

CITY OF HENDERSON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Business-type Activities:**

Notes Payable	\$ 11,313,464	\$	(\$1,569,957)	\$ 9,743,507	\$1,599,813
Revenue Bond	12,205,000	-0-	( 705,000)	11,500,000	730,000
Capital Leases	391,445	193,700	( 123,249)	461,896	146,355
Other Post-employment Benefits		259,736		259,736	-0-
Compensated absences	81,455	15,439		96,894	-0-
Business-type activity long-term liabilities	<u>\$ 23,991,364</u>	<u>\$ 468,875</u>	<u>(\$2,398,206)</u>	<u>\$22,062,033</u>	<u>\$2,476,168</u>

Compensated absences typically have been liquidated in the general fund.

**C. Interfund Balances and Activity**

Transfers From/To Other Funds at June 30, 2009 consists of the following:

From the Capital Project – GF to General Fund to match expenditures	\$ 15,990
From the Water and Sewer Funds to General Fund to supplement other funding sources	123,128
From the Pension Trust Fund to General Fund	20,000
From General Fund to Capital Projects-General Fund	( 369,051)
	<u>(\$ 209,933)</u>
Interfund balances	<u>\$ 145,728</u>

**D. Prior Period Adjustment**

During the fiscal year ended June 30, 2009, the City determined that certain accounts receivable that were subject to accrual in the General Fund as of June 30, 2008, on a modified accrual basis of accounting, had been recorded twice. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect of which decreased beginning fund balance by \$290,687.

**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

CITY OF HENDERSON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

---

member to the Council's governing board. The City paid membership fees of \$8,691 to the Council during the fiscal year ended June 30, 2009.

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, 2009.

In accordance with the intergovernmental agreement between the participating governments, the City appropriated \$262,260 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, 2009.

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, 2009**

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)
1999	\$ 239,558	\$ 219,868	\$ (19,690)	108.96%	\$ 1,465,972	-1.34%
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%

**City of Henderson, North Carolina  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
June 30, 2009**

---



---

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
1999	\$ 19,804	4.07	\$ 80,637
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

---

**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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay Closed
Remaining amortization period	22 Years
Asset valuation method	Market value
<b>Actuarial assumptions:</b>	
Investment rate of return*	0.07
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%

**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

**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	12/31/2006
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	12.00% - 5.00%
Year of Ultimate trend rate	2014
Includes inflation at	3.75%
Cost-of living adjustments	None

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, 2009  
With Comparative Totals For the Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)	2008 Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Current year		\$ 4,759,265		\$ 4,749,230
Prior years		348,920		307,079
Penalties and Interest		85,349		81,939
Total	\$ 5,172,185	\$ 5,193,534	\$ 21,349	\$ 5,138,248
Other taxes and licenses:				
ABC net revenues		\$ 34,820		\$ 36,949
Local option sales tax		2,339,532		2,509,029
Privilege licenses		83,630		88,204
Solid waste disposal tax		7,593		-
Vehicle rental tax		16,969		20,256
Total	\$ 2,703,000	\$ 2,482,544	\$ (220,456)	\$ 2,654,438
Unrestricted intergovernmental:				
Payments in lieu of taxes		\$ 3,810		\$ 5,053
Vance County ABC-5%		1,897		2,002
Franchise tax		921,156		848,530
Bear and wine tax		73,270		75,775
Total	\$ 874,600	\$ 1,000,133	\$ 125,533	\$ 931,360
Restricted intergovernmental:				
State Street Aid grant		\$ 507,059		\$ 572,013
Bullet Proof Vest Grant		-		875
Total	\$ 520,000	\$ 507,059	\$ (12,941)	\$ 572,888
Permits and fees:				
Cable T.V. franchise		\$ -		\$ 17,265
Auto Tags		106,870		104,341
Total	\$ 105,000	\$ 106,870	\$ 1,870	\$ 121,606
Sales and services:				
Recreation		\$ 79,767		\$ 65,985
Refuse collections		1,608,385		1,829,397
Misc. refuse collections		7,113		11,384
Recycling rebates		455		415
Debt setoff-refuse collections		7,027		5,495
Street cuts and sidewalks		125		395
Bad debt recovery		1,962		4,919
Cemetery interment		19,672		21,850
Street Maintenance and onstruction		20,525		10,911
Aquatics Center		69,948		65,624
Police Training Central Rental		-		800
Rental Ramsey street		4,800		3,000

**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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Rental-Fox Pond Park		756		1,314
Demolition and lot cleaning		8,247		4,070
Administration Fees		1,190,380		1,167,512
Garage fees		551,848		480,475
County contracts		980,526		977,292
Zoning and reclassification		16,810		21,493
Total	\$ 4,583,124	\$ 4,568,346	\$ (14,778)	\$ 4,672,331
Investment earnings				
General Fund		\$ 63,006		\$ 160,651
Powell Bill		7,074		20,800
Library		27		172
Total	\$ 125,900	\$ 70,107	\$ (55,793)	\$ 181,623
Miscellaneous:				
Parking violations		\$ 4,223		\$ 2,347
Civil penalties		450		650
Liens collected		3,078		6,951
Drug tax/Forfeitures		384,979		1,280,943
North Carolina sales tax refund		1,658		4,695
Court fees and charges		19,770		12,937
Fire code violations		4,050		400
Recreation donations		1,528		2,231
Fire Department donations		-		36
Miscellaneous		20,775		3,374
Insurance proceeds		17,623		19,864
Vance County		-		553
Workers compensation reimbursement		16,667		14,132
Embassy foundation reimbursement		18,278		62,067
Sale of assets		-		762,086
Total	\$ 1,130,729	\$ 493,079	\$ (637,650)	\$ 2,173,266
Total revenues	\$ 15,214,538	\$ 14,421,672	\$ (792,866)	\$ 16,445,760
Expenditures:				
General government:				
Governing Body		\$ 477,698		\$ 669,557
Administration		523,800		324,769
Human Resources		57,061		71,150
Finance		504,448		493,376
Rental		-		45,900
Public Buildings		286,832		97,734
Total	\$ 1,827,760	\$ 1,849,839	\$ (22,079)	\$ 1,702,486

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, 2009  
With Comparative Totals For the Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Public safety:				
Police		\$ 4,533,588		\$ 4,101,309
Fire		1,964,996		1,893,116
Total	\$ 6,718,326	\$ 6,498,584	\$ 219,742	\$ 5,994,425
Planning and Community Development	\$ 157,120	\$ 133,661	\$ 23,459	\$ 152,710
Cemetery	\$ 138,405	\$ 128,321	\$ 10,084	\$ 134,119
Code Compliance	\$ 203,590	\$ 176,752	\$ 26,838	\$ 188,301
Donations to Local Agencies	\$ 684,295	\$ 666,044	\$ 18,251	\$ 681,102
Economic and Physical Development	\$ 59,840	\$ 57,845	\$ 1,995	\$ 49,365
Transportation and Utilities				
Street Repair and Construction		\$ 997,073		\$ 1,205,062
City Garage		652,322		721,866
Administration-Public Works		211,162		293,864
Airport		26,022		29,793
Total	\$ 2,122,342	\$ 1,886,579	\$ 235,763	\$ 2,250,585
Environmental Protection	\$ 857,972	\$ 900,958	\$ (42,986)	\$ 998,673
Culture and recreation:				
Recreation and Parks		\$ 909,652		\$ 852,474
Aycock Aquatics Center		336,926		273,630
Recreation-Youth		202,543		194,830
Donation to Library		262,260		289,890
Total	\$ 1,718,789	\$ 1,711,381	\$ 7,408	\$ 1,610,824
Non-Departmental				
Insurance Deductible		\$ 12,149		\$ 13,519
Information deductible		30,255		16,500
Total	\$ 42,500	\$ 42,404	\$ 96	\$ 30,019
Debt service:				
Principal retirement		\$ 716,573		\$ 794,491
Interest and other charges		283,950		371,805
Total debt service	\$ 1,011,860	\$ 1,000,523	\$ 11,337	\$ 1,166,296
Contingency	\$ 30,748	\$ -	\$ 30,748	\$ -

**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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Total expenditures	\$ 15,573,547	\$ 15,052,891	\$ 520,656	\$ 14,958,905
Revenues over (under) expenditures	\$ (359,009)	\$ (631,219)	\$ (272,210)	\$ 1,486,855
Other financing sources (uses):				
Transfers to/from other funds:				
Water Fund	\$ 61,646	\$ 44,875	\$ -	\$ 42,131
Sewer Fund	49,646	40,193	-	23,361
Water/Sewer/Street	37,500	38,060	-	26,503
Pension Trust Fund	20,000	20,000	-	20,000
Capital Projects - General		1,397	-	
Capital Projects - Powell Bill		14,472	-	
Bureau of Justice 2004		121	-	
Weed and Seed	-	(17,263)	-	-
US Depart of Homeland Security		(13,750)	-	
Zene Street	(1,000)	(1,000)	-	
Capital Projects-General Fund	-	-	-	(634,608)
Capital Projects - Beckford Drive	(206,250)	(206,250)	-	
Capital Projects-Powell Bill	-	-	-	
Water Fund	(130,800)	(130,788)	-	
Governor's Crime Commission	-	-	-	
Notes Payable Proceeds		163,750	-	
Proceeds from capital lease	-	63,980	-	118,620
Fund Balance Appropriated	528,267	-	-	-
Total	\$ 359,009	\$ 17,797	\$ (341,212)	\$ (403,993)
Net change in fund balance	\$ -	\$ (613,422)	\$ (613,422)	\$ 1,082,862
Fund balances, beginning as previously reported		5,207,179		3,356,749
Prior period adjustment		(290,687)		767,568
Fund balances, beginning as restated		\$ 4,916,492		\$ 4,124,317
Fund balances, ending		\$ 4,303,070		\$ 5,207,179

City of Henderson, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009  
 With Comparative Totals For the Year Ended June 30, 2008

	Bureau of Justice Grant-03	Bureau of Justice Grant-04	Bureau of Justice Grant-05	Bureau of Justice Grant-06	Bureau of Justice Grant-07	David Street Project	Cary Chapel Crossing Project	Capital Reserve General
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	15,505	\$ 56,364
Accounts receivable, not Due from general fund	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,505</b>	<b>\$ 56,364</b>				
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Overdraft	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				
<b>Fund balances:</b>								
Reserved for perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:								
Designated for subsequent years' expenditures	-	-	-	-	-	-	15,505	56,364
<b>Total Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,505</b>	<b>\$ 56,364</b>				
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,505</b>	<b>\$ 56,364</b>				

City of Henderson, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009  
 With Comparative Totals For the Year Ended June 30, 2008

							June 30, 2009	June 30, 2008
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
\$ -	\$ -	\$ -	\$ 71,869	\$ 316,582	\$ 72,720	\$ 429,610	\$ 890,781	\$ 1,017,090
-	-	-	-	13,507	-	-	13,507	-
\$ -	\$ -	\$ -	\$ 71,869	\$ 330,089	\$ 72,720	\$ 429,610	\$ 904,288	\$ 1,017,090
\$ 7,262	\$ -	\$ -	\$ 7,262	\$ 58,713	\$ -	\$ -	\$ 65,975	\$ -
-	-	-	-	375,200	-	-	375,200	3,972
\$ 7,262	\$ -	\$ -	\$ 7,262	\$ 433,913	\$ -	\$ -	\$ 441,175	\$ 291,897
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 429,610	\$ 429,610	\$ 419,112
(7,262)	-	-	64,607	(103,824)	72,720	-	33,503	306,081
\$ (7,262)	\$ -	\$ -	\$ 64,607	\$ (103,824)	\$ 72,720	\$ 429,610	\$ 463,113	\$ 725,193
\$ -	\$ -	\$ -	\$ 71,869	\$ 330,089	\$ 72,720	\$ 429,610	\$ 904,288	\$ 1,017,090

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, 2009  
 With Comparative Totals For the Year Ended June 30, 2008

	Bureau of Justice Grant-03	Bureau of Justice Grant-04	Bureau of Justice Grant-05	Bureau of Justice Grant-06	Bureau of Justice Grant-07	David Street Project	Cary Chapel Crossing Project
<b>Revenues:</b>							
Restricted intergovernmental							
Revenues							
Public Safety Grants	\$ -	\$ -	\$ (1,718)	\$ -	\$ -	\$ -	\$ -
Dept. of Commerce Grant	-	-	-	-	-	(6,003)	-
Weed and Seed Donation	-	-	-	-	-	-	-
Weed and Seed Grant	-	-	-	-	-	-	-
FEMA Grant	-	-	-	-	-	-	-
CDBG A.L. Harris Housing Development	-	-	-	-	-	-	-
Rural Center Grant	-	-	-	-	-	-	-
Federal Highway Admin. Grant	-	-	-	-	-	-	-
US Dept. of Homeland Security	-	-	-	-	-	-	-
Us Dept of Housing and Urban Dev	-	-	-	-	-	-	-
Cemetery Revenues	-	-	-	-	-	-	-
NC Sales Tax Refund	-	-	-	-	-	-	-
Public Donations	-	-	-	-	-	-	-
Sales of Assets	-	-	-	-	-	-	-
Investment earnings	-	-	8	(147)	-	-	-
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,710)</b>	<b>\$ (147)</b>	<b>\$ -</b>	<b>\$ (6,003)</b>	<b>\$ -</b>
<b>Expenditures:</b>							
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rehabilitation	-	-	-	-	-	3,500	-
Capital Outlay	-	-	1,524	27	12,923	-	6,724
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,524</b>	<b>\$ 27</b>	<b>\$ 12,923</b>	<b>\$ 3,500</b>	<b>\$ 6,724</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,234)</b>	<b>\$ (174)</b>	<b>\$ (12,923)</b>	<b>\$ (9,503)</b>	<b>\$ (6,724)</b>
<b>Other Financing Sources</b>							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	\$ (62)	\$ (155)	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>\$ (62)</b>	<b>\$ (155)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ (62)</b>	<b>\$ (155)</b>	<b>\$ (3,234)</b>	<b>\$ (174)</b>	<b>\$ (12,923)</b>	<b>\$ (9,503)</b>	<b>\$ (6,724)</b>
<b>Fund Balance-July 1</b>	<b>62</b>	<b>155</b>	<b>3,234</b>	<b>174</b>	<b>12,923</b>	<b>9,503</b>	<b>22,229</b>
<b>Fund Balance-June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,505</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, 2009  
 With Comparative Totals For the Year Ended June 30, 2008

								2009	2008
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
\$ -	\$ 15,071	\$ -	\$ -	\$ 13,353	\$ -	\$ -	\$ -	\$ 13,353	\$ 34,723
-	-	-	-	(6,003)	-	-	-	(6,003)	673,532
-	-	-	-	-	106,219	-	-	106,219	205,174
-	-	-	-	-	261,250	-	-	261,250	-
-	-	-	-	-	172,731	-	-	172,731	23,150
-	-	-	-	-	-	-	-	-	18,950
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	100,000	-	-	100,000	76,711
-	-	-	-	-	-	-	10,498	10,498	-
-	-	-	-	-	-	-	-	-	11,760
-	-	-	-	-	-	-	-	-	741
-	-	-	-	-	-	-	-	-	224,358
-	-	-	-	-	-	-	-	-	638,280
314	-	6	-	181	1,646	1,402	-	3,229	9,278
\$ 314	\$ 15,071	\$ 6	\$ -	\$ 7,531	\$ 641,846	\$ 1,402	\$ 10,498	\$ 661,277	\$ 1,916,637
\$ -	\$ 11,143	\$ -	\$ -	\$ 11,143	\$ -	\$ -	\$ -	\$ 11,143	\$ 262,892
-	-	-	-	3,500	89,451	-	-	92,951	538,637
-	2,129	1,266	-	24,593	1,165,943	-	-	1,190,536	1,147,914
\$ -	\$ 13,272	\$ 1,266	\$ -	\$ 39,236	\$ 1,255,394	\$ -	\$ -	\$ 1,294,630	\$ 1,949,443
\$ 314	\$ 1,799	\$ (1,260)	\$ -	\$ (31,705)	\$ (613,548)	\$ 1,402	\$ 10,498	\$ (633,353)	\$ (32,786)
\$ -	\$ -	\$ 95	\$ -	\$ 95	\$ 238,263	\$ -	\$ -	\$ 238,358	\$ 40,036
-	-	-	-	(217)	(1,396)	(14,472)	-	(16,085)	-
-	-	-	-	-	149,000	-	-	149,000	-
\$ -	\$ -	\$ 95	\$ -	\$ (122)	\$ 385,867	\$ (14,472)	\$ -	\$ 371,273	\$ 40,036
\$ 314	\$ 1,799	\$ (1,165)	\$ -	\$ (31,827)	\$ (227,681)	\$ (13,070)	\$ 10,498	\$ (262,080)	\$ 7,250
56,050	(9,061)	1,165	-	96,434	123,857	85,790	419,112	725,193	717,943
\$ 56,364	\$ (7,262)	\$ -	\$ -	\$ 64,607	\$ (103,824)	\$ 72,720	\$ 429,610	\$ 463,113	\$ 725,193

**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, 2009**

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Grant 03	\$ 32,595	\$ 32,595	\$ -	\$ 32,595	\$ -
Investment Earnings	-	101	-	101	101
Total Revenues	<u>\$ 32,595</u>	<u>\$ 32,696</u>	<u>\$ -</u>	<u>\$ 32,696</u>	<u>\$ 101</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)	\$ -	\$ (3,560)	\$ 62
Other Financing Sources (Used)					
Transfers in (out)	<u>3,622</u>	<u>3,622</u>	<u>(62)</u>	<u>3,560</u>	<u>(62)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ (62)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>62</u>		
Fund Balance, Ending			<u>\$ -</u>		

City of Henderson, North Carolina  
 Special Revenue Fund - Grant Project Fund - Bureau of Justice Grant 04  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and For the Fiscal Year Ended June 30, 2009

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Grant 04	\$ 9,000	\$ 9,048	\$ -	\$ 9,048	\$ 48
Investment Earnings	-	320	-	320	320
Total Revenues	<u>\$ 9,000</u>	<u>\$ 9,368</u>	<u>\$ -</u>	<u>\$ 9,368</u>	<u>\$ 368</u>
<b>Expenditures:</b>					
Public Safety					
Departmental supplies	\$ 600	\$ 563	\$ -	\$ 563	\$ 37
Capital outlay	9,300	9,550	-	9,550	(250)
Total Expenditures	<u>\$ 9,900</u>	<u>\$ 10,113</u>	<u>\$ -</u>	<u>\$ 10,113</u>	<u>\$ (213)</u>
Revenues Over (Under) Expenditures	\$ (900)	\$ (745)	\$ -	\$ (745)	\$ 155
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	<u>900</u>	<u>900</u>	<u>(155)</u>	<u>745</u>	<u>(155)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ (155)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>155</u>		
Fund Balance, Ending			<u>\$ -</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, 2009**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Grant 05	\$ 41,471	\$ 41,471	\$ (1,718)	\$ 39,753	\$ (1,718)
Investment Earnings	-	1,710	8	1,718	1,718
Total Revenues	<u>\$ 41,471</u>	<u>\$ 43,181</u>	<u>\$ (1,710)</u>	<u>\$ 41,471</u>	<u>\$ -</u>
<b>Expenditures:</b>					
Public Safety					
Departmental Supplies	\$ -	\$ 8,962	\$ -	\$ 8,962	\$ (8,962)
Capital outlay	24,882	14,396	1,524	15,920	8,962
Vance Co. Grant Share	16,589	16,589	-	16,589	-
Total Expenditures	<u>\$ 41,471</u>	<u>\$ 39,947</u>	<u>\$ 1,524</u>	<u>\$ 41,471</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	\$ -	\$ 3,234	\$ (3,234)	\$ -	\$ -
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 3,234</u>	<u>\$ (3,234)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>3,234</u>		
Fund Balance, Ending			<u>\$ -</u>		

City of Henderson, North Carolina  
 Special Revenue Fund - Grant Project Fund - Bureau of Justice Grant 06  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and For the Fiscal Year Ended June 30, 2009

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Grant 06	\$ 15,831	\$ 15,831	\$ -	\$ 15,831	\$ -
Investment Earnings	-	147	(147)	-	-
Total Revenues	<u>\$ 15,831</u>	<u>\$ 15,978</u>	<u>\$ (147)</u>	<u>\$ 15,831</u>	<u>\$ -</u>
<b>Expenditures:</b>					
Public Safety					
Departmental Supplies	\$ -	\$ -	\$ -	\$ -	-
Capital outlay	9,498	9,471	27	9,498	-
Vance Co. Grant Share	6,333	6,333	-	6,333	-
Total Expenditures	<u>\$ 15,831</u>	<u>\$ 15,804</u>	<u>\$ 27</u>	<u>\$ 15,831</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	\$ -	\$ 174	\$ (174)	\$ -	\$ -
Other Financing Sources (Used)					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 174</u>	<u>\$ (174)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			174		
Fund Balance, Ending			<u>\$ -</u>		

**City of Henderson, North Carolina**  
**Special Revenue Fund - Grant Project Fund - Bureau of Justice Grant 07**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2009**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
BJA Grant 07	\$ 21,539	\$ 21,539	\$ -	\$ 21,539	\$ -
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 21,539</u>	<u>\$ 21,539</u>	<u>\$ -</u>	<u>\$ 21,539</u>	<u>\$ -</u>
<b>Expenditures:</b>					
Public Safety					
Capital outlay	\$ 12,923	\$ -	\$ 12,923	\$ 12,923	-
Vance Co. Grant Share	8,616	8,616	-	8,616	-
Total Expenditures	<u>\$ 21,539</u>	<u>\$ 8,616</u>	<u>\$ 12,923</u>	<u>\$ 21,539</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	\$ -	\$ 12,923	\$ (12,923)	\$ -	\$ -
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 12,923</u>	<u>\$ (12,923)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			12,923		
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, 2009**

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Dept. of Commerce Grant	\$ 653,449	\$ 653,278	\$ (6,003)	\$ 647,275	\$ (6,174)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 653,449</u>	<u>\$ 653,278</u>	<u>\$ (6,003)</u>	<u>\$ 647,275</u>	<u>\$ (6,174)</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	326,229	3,500	329,729	20,070
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>\$ 731,375</u>	<u>\$ 3,500</u>	<u>\$ 734,875</u>	<u>\$ 6,174</u>
Revenues Over (Under) Expenditures	\$ (87,600)	\$ (78,097)	\$ (9,503)	\$ (87,600)	\$ -
<b>Other Financing Sources (Used)</b>					
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>\$ 9,503</u>	<u>\$ (9,503)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>9,503</u>		
Fund Balance, Ending			<u>\$ -</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, 2009**

	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	\$ 1,546	\$ -	\$ 1,546	\$ 16,394
Advertising	1,500	268	-	268	1,232
Construction	227,079	219,755	6,724	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>\$ 418,129</u>	<u>\$ 6,724</u>	<u>\$ 424,853</u>	<u>\$ 18,226</u>
Revenues Over (Under) Expenditures	\$ -	\$ 22,229	\$ (6,724)	\$ 15,505	\$ 15,505
Other Financing Sources (Used)					
Transfers in (out)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 22,229</u>	<u>\$ (6,724)</u>	<u>\$ 15,505</u>	<u>\$ 15,505</u>
Fund Balance, Beginning			<u>22,229</u>		
Fund Balance, Ending			<u>\$ 15,505</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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Total
Revenues:				
Restricted intergovernmental:				
Investment Earnings	\$ 700	\$ 314	\$ (386)	\$ 763
Other Financing Sources (Uses)				
Transfer to General Fund	\$ -	\$ -	\$ -	\$ -
Fund balance appropriated	700	-	(700)	-
Total Other Financing Sources (Uses)	700	-	(700)	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ 1,400</u>	\$ 314	<u>\$ (1,086)</u>	\$ 763
Fund balance, beginning		<u>56,050</u>		<u>55,287</u>
Fund balance, ending		<u>\$ 56,364</u>		<u>\$ 56,050</u>

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, 2009

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Revenues					
Governor's Crime Commission	\$ 42,343	\$ 13,184	\$ 15,071	\$ 28,255	\$ (14,088)
JAG 06 Grant	9,988	9,988	-	9,988	-
Investment Earnings	-	-	-	-	-
Total Revenues	<u>\$ 52,331</u>	<u>\$ 23,172</u>	<u>\$ 15,071</u>	<u>\$ 38,243</u>	<u>\$ (14,088)</u>
<b>Expenditures:</b>					
Public Safety					
Operating Cost - JAG 06	\$ 13,317	\$ 13,317	\$ -	\$ 13,317	\$ -
Operating Cost - Crime Commission	49,257	31,300	11,143	42,443	6,814
Capital Outlay - Crime Commission	7,200	5,059	2,129	7,188	12
Total Expenditures	<u>\$ 69,774</u>	<u>\$ 49,676</u>	<u>\$ 13,272</u>	<u>\$ 62,948</u>	<u>\$ 6,826</u>
Revenues Over (Under) Expenditures	\$ (17,443)	\$ (26,504)	\$ 1,799	\$ (24,705)	\$ (7,262)
<b>Other Financing Sources (Used)</b>					
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>\$ (9,061)</u>	<u>\$ 1,799</u>	<u>\$ (7,262)</u>	<u>\$ (7,262)</u>
Fund Balance, Beginning			(9,061)		
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, 2009**

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
Revenues					
Highway Safety Grant	\$ 12,970	\$ 12,638	\$ -	\$ 12,638	\$ (332)
Investment Earnings	-	229	6	235	235
Total Revenues	<u>\$ 12,970</u>	<u>\$ 12,867</u>	<u>\$ 6</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	9,902	1,266	11,168	9,302
Total Expenditures	<u>\$ 20,470</u>	<u>\$ 19,202</u>	<u>\$ 1,266</u>	<u>\$ 20,468</u>	<u>\$ 2</u>
Revenues Over (Under) Expenditures	\$ (7,500)	\$ (6,335)	\$ (1,260)	\$ (7,595)	\$ (95)
<b>Other Financing Sources (Used)</b>					
Transfers in (out)	<u>7,500</u>	<u>7,500</u>	<u>95</u>	<u>7,595</u>	<u>95</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 1,165</u>	<u>\$ (1,165)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning			<u>1,165</u>		
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, 2009

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
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>
<b>Expenditures:</b>					
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	67,500	60,224	-	60,224	7,276
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
<b>Other Financing Sources (Used)</b>					
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			<u>-</u>		
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, 2009**

	Project Authorization	Prior Years	Actual		Total to Date	Variance Positive (Negative)
			Revenues/ Expenditures	Closed		
<b>Revenues:</b>						
Investment earnings	\$ 160,649	\$ 167,740	\$ 1,646	\$ -	\$ 169,386	\$ 8,737
Rental revenue	26,207	26,208	-	-	26,208	1
Sales tax refunds	109,246	131,178	-	-	131,178	21,932
Private fund raising	-	550	-	-	550	550
Donations - Weed and Seed Grant	515	515	-	-	515	-
Rural Center Grant - PD/SNB Project	-	18,950	-	(18,950)	-	-
Weed and Seed Grant	95,566	98,719	(3,153)	-	95,566	-
Weed and Seed Grant 07-08	189,360	120,696	68,664	-	189,360	-
Weed and Seed Grant 08-09	149,945	-	40,708	-	40,708	(109,237)
CDBG A.L. Harris Housing Development	195,881	23,150	172,731	-	195,881	-
Donations	40,660	-	-	-	-	(40,660)
Safetee- Lu - Beckford Drive Widening	825,000	-	-	-	-	(825,000)
FEMA Grant	261,250	-	261,250	-	261,250	-
Sale of Land	628,280	628,280	-	-	628,280	-
Sale of Assets	10,000	10,000	-	-	10,000	-
US Dept. of Homeland Security - Fire	-	80,494	-	(80,494)	-	-
NC Rural Center - Zene Street	29,000	-	-	-	-	(29,000)
US Dept. of Housing and Urban Dev	1,000,000	-	100,000	-	100,000	(900,000)
Embassy Square HUD Grant	-	72,168	-	(72,168)	-	-
<b>Total Revenues</b>	<b>\$ 3,721,559</b>	<b>\$ 1,378,648</b>	<b>\$ 641,846</b>	<b>\$ (171,612)</b>	<b>\$ 1,848,882</b>	<b>\$ (1,872,677)</b>
<b>Expenditures:</b>						
General Fire Exhaust Grant						
Supplies	\$ -	\$ 23,869	\$ -	\$ (23,869)	\$ -	\$ -
Capital outlay	-	60,859	-	(60,859)	-	-
Rural Center Grant - PD/SNB Project						
Professional services	-	20,056	-	(20,056)	-	-
Weed and Seed Grant						
Operating expenses	108,794	108,687	107	-	108,794	-
Weed and Seed Grant 07-08						
Operating expenses	206,623	158,348	48,275	-	206,623	-
Weed and Seed Grant 08-09						
Operating expenses	149,945	-	40,914	-	40,914	109,031
Zene Street Redevelopment						
Site Planning & Engineering	30,000	-	-	-	-	30,000
CDBG A.L. Harris Housing Development						
Contracted Services	16,900	14,865	1,960	-	16,825	75
Administration	907	768	155	-	923	(16)
Capital Improvements	218,734	19,283	169,747	-	189,030	29,704
Beckford Drive Widening						
Administration	66,000	-	-	-	-	66,000
Construction	965,250	-	-	-	-	965,250
US Homeland Security						
Capital outlay	424,000	-	424,000	-	424,000	-
City Hall Renovation						
Construction	660,559	556,506	459,961	-	1,016,467	(355,908)
Embassy Revitalization						
Construction	-	72,168	-	(72,168)	-	-
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	-

**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, 2009**

	Actual					Variance Positive (Negative)
	Current Year					
	Project Authorization	Prior Years	Revenues/ Expenditures	Closed	Total to Date	
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	-	110,275	889,725
Total Expenditures	<u>\$ 5,642,032</u>	<u>\$ 2,829,728</u>	<u>\$ 1,255,394</u>	<u>\$ (176,952)</u>	<u>\$ 3,908,170</u>	<u>\$ 1,733,862</u>
Revenues Over (Under) Expenditures	\$ (1,920,473)	\$ (1,451,080)	\$ (613,548)	\$ 5,340	\$ (2,059,288)	\$ (138,815)
Other Financing Sources (Used)						
Transfer from General Fund	\$ 238,263	\$ 6,736	\$ 238,263	\$ (6,736)	\$ 238,263	\$ -
Transfer from Cemetery Fund	\$ -	820	-	-	820	820
Transfer to General Fund	\$ -	-	\$ (1,396)	\$ 1,396	-	-
Transfer from General Fund (FB)	1,533,210	1,533,211	-	-	1,533,211	1
Proceeds from Capital Lease	149,000	-	149,000	-	149,000	-
Total Other Financing Sources	<u>\$ 1,920,473</u>	<u>\$ 1,540,767</u>	<u>\$ 385,867</u>	<u>\$ (5,340)</u>	<u>\$ 1,921,294</u>	<u>\$ 821</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 89,687</u>	<u>\$ (227,681)</u>	<u>\$ -</u>	<u>\$ (137,994)</u>	<u>\$ (137,994)</u>
Fund Balance, Beginning			123,857			
Fund Balance, Ending			<u>\$ (103,824)</u>			

**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, 2009**

	Actual					
	Current Year					
	Project Authorization	Prior Years	Revenues/ Expenditures	Closed	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>						
Investment earnings	\$ -	\$ 19,635	\$ 1,402	\$ -	\$ 21,037	\$ 21,037
Sales tax refunds	-	388	-	-	388	388
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 20,023</b>	<b>\$ 1,402</b>	<b>\$ -</b>	<b>\$ 21,425</b>	<b>\$ 21,425</b>
<b>Expenditures:</b>						
High Street						
Planning/design	\$ 6,485	\$ 4,448	\$ -	\$ -	\$ 4,448	\$ 2,037
Capital outlay - land	26,892	-	-	-	-	26,892
Spring Street Storm Sewer						
Planning/design	-	7,140	-	(7,140)	-	-
Construction	-	53,388	-	(53,388)	-	-
<b>Total Expenditures</b>	<b>\$ 33,377</b>	<b>\$ 64,976</b>	<b>\$ -</b>	<b>\$ (60,528)</b>	<b>\$ 4,448</b>	<b>\$ 28,929</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (33,377)</b>	<b>\$ (44,953)</b>	<b>\$ 1,402</b>	<b>\$ 60,528</b>	<b>\$ 16,977</b>	<b>\$ 50,354</b>
<b>Other Financing Sources (Used)</b>						
Transfer from General Fund	\$ 33,377	\$ 50,000	\$ -	\$ (16,623)	\$ 33,377	\$ -
Transfer to General Fund	-	-	(14,472)	-	(14,472)	(14,472)
Transfer from Powell Bill	-	58,377	-	(58,377)	-	-
<b>Total Other Financing Sources</b>	<b>\$ 33,377</b>	<b>\$ 108,377</b>	<b>\$ (14,472)</b>	<b>\$ (75,000)</b>	<b>\$ 18,905</b>	<b>\$ (14,472)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 63,424</b>	<b>\$ (13,070)</b>	<b>\$ (14,472)</b>	<b>\$ 35,882</b>	<b>\$ 35,882</b>
<b>Fund Balance, Beginning</b>			<b>85,790</b>			
<b>Fund Balance, Ending</b>			<b>\$ 72,720</b>			

**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, 2009**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Revenues:				
Restricted intergovernmental:				
Cemetery revenues	\$ 14,000	\$ 10,498	\$ (3,502)	\$ 11,760
Expenditures				
Maintenance	-	-	-	-
Revenues Over (Under) Expenditures	\$ 14,000	\$ 10,498	\$ (3,502)	\$ 11,760
Other Financing Sources (Uses)				
Fund balance appropriated	14,000	-	14,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	\$ 10,498	<u>\$ 10,498</u>	\$ 11,760
Fund Balance, Beginning		<u>419,112</u>		<u>407,352</u>
Fund Balance, Ending		<u>\$ 429,610</u>		<u>\$ 419,112</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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
<b>Revenues:</b>				
<b>Operating Revenues</b>				
Charge for Services				
Water Charges	\$ 4,287,060	\$ 4,435,884	\$ 148,824	\$ 4,281,967
Debt setoff - water charges	700	12,163	11,463	13,692
Sprinklers and hydrants	110,000	110,142	142	109,106
Bad debts recovery	7,500	6,461	(1,039)	7,049
Returned check fees	5,000	7,963	2,963	7,075
Tapping	35,000	36,790	1,790	38,389
Reconnection	25,000	76,424	51,424	66,586
Set up charges	12,000	11,228	(772)	11,814
Overpayments utilities	-	2,067	2,067	-
Past due charges	102,000	129,814	27,814	92,837
Total	<u>\$ 4,584,260</u>	<u>\$ 4,828,936</u>	<u>\$ 244,676</u>	<u>\$ 4,628,515</u>
<b>Other operating revenues</b>				
Sale of materials	\$ 1,500	\$ 2,855	\$ 1,355	\$ 1,590
Admin Support	70,000	70,000	-	70,000
Miscellaneous	1,300	231	(1,069)	1,032
Over-short	-	234	234	27
Total	<u>\$ 72,800</u>	<u>\$ 73,320</u>	<u>\$ 520</u>	<u>\$ 72,649</u>
Total Operating Revenues	<u>\$ 4,657,060</u>	<u>\$ 4,902,256</u>	<u>\$ 245,196</u>	<u>\$ 4,701,164</u>
<b>Nonoperating revenues:</b>				
Interest on investments	\$ 25,000	\$ 14,076	\$ (10,924)	\$ 42,747
Insurance proceeds	-	8,297	8,297	5,133
Workers comp. Reimbursement	-	-	-	566
Proceeds from capital leases	-	-	-	-
T-Mobile Agreement	-	15,326	15,326	-
Sprint PCS Site Agreement	23,100	23,692	592	22,496
Total Nonoperating Revenues	<u>\$ 48,100</u>	<u>\$ 61,391</u>	<u>\$ 13,291</u>	<u>\$ 70,942</u>
Total Revenues	<u>\$ 4,705,160</u>	<u>\$ 4,963,647</u>	<u>\$ 258,487</u>	<u>\$ 4,772,106</u>
<b>Expenditures:</b>				
<b>Administration and Engineering</b>				
Salaries and employee benefits	\$ 169,571	\$ 115,931	\$ 53,640	\$ 162,897
Supplies	7,530	5,357	2,173	7,855
Telephone	2,200	1,914	286	2,123
Contracted Services	3,000	1,867	1,133	2,247

**City of Henderson, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Insurance	1,980	1,420	560	1,576
Capital outlay - noncapital	3,549	2,499	1,050	-
Other administration expenses	3,570	3,717	(147)	1,595
Total	<u>\$ 191,400</u>	<u>\$ 132,705</u>	<u>\$ 58,695</u>	<u>\$ 178,293</u>
<b>Water Distribution</b>				
Salaries and employee benefits	\$ 413,530	\$ 387,541	\$ 25,989	\$ 368,196
Purchases for resale	2,250,000	2,145,779	104,221	2,286,428
Supplies	45,420	45,272	148	64,911
Maintenance	18,700	9,565	9,135	18,955
Bad debt expense	30,000	107,937	(77,937)	30,103
Administration support	467,900	467,900	-	458,860
Contracted services	38,600	33,565	5,035	46,560
Reimbursement - Water	80,000	49,302	30,698	-
Capital outlay - noncapital	5,200	3,977	1,223	-
Other expenses	42,890	38,084	4,806	42,314
Contingency	4,500	-	4,500	-
Total	<u>\$ 3,396,740</u>	<u>\$ 3,288,922</u>	<u>\$ 107,818</u>	<u>\$ 3,316,327</u>
<b>Budgetary Appropriations</b>				
Interest and fees	\$ 345,990	\$ 649,090	\$ (303,100)	\$ 692,020
Principal	711,670	1,070,217	(358,547)	1,023,716
Capital outlay	-	-	-	-
Equipment - Admin. Engineer	-	33,241	(33,241)	-
Equipment - Water Distrib.	-	-	-	10,363
Water line repairs	91,890	81,704	10,186	88,706
Water taps	57,300	56,393	907	52,939
Total	<u>\$ 1,206,850</u>	<u>\$ 1,890,645</u>	<u>\$ (683,795)</u>	<u>\$ 1,867,744</u>
Total Expenditures	<u>\$ 4,794,990</u>	<u>\$ 5,312,272</u>	<u>\$ (517,282)</u>	<u>\$ 5,362,364</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	\$ -	\$ -	\$ -	\$ -
Transfer to other funds	(96,640)	(76,239)	(20,401)	(68,461)
Transfer from other funds	16,000	687,419	671,419	683,755
Total	<u>\$ (80,640)</u>	<u>\$ 611,180</u>	<u>\$ 691,820</u>	<u>\$ 615,294</u>
<b>Revenues and Other Sources Over (Under)</b>				
Expenses and Other Uses	\$ (170,470)	\$ 262,555	\$ 433,025	\$ 25,036
Appropriated Fund Balance	<u>170,470</u>	<u>-</u>	<u>(170,470)</u>	<u>-</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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	\$ -	\$ 262,555	\$ 262,555	\$ 25,036

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

Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	\$ 262,555
Budgetary Appropriations:	
Capital Outlay	\$ 33,241
Principal Payments	1,070,217
Adjustments:	
Change in accrued vacation	1,646
Change in accrued interest	(6,210)
Change in accrued OPEB Liability	(63,523)
Depreciation	(308,632)
Total reconciling items	\$ 726,739
Change in net assets	\$ 989,294

**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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
<b>Revenues:</b>				
<b>Operating Revenues</b>				
Charge for Services				
Water charges	\$ 3,675,000	\$ 3,428,104	\$ (246,896)	\$ 3,475,589
Other operating revenues				
Miscellaneous	4,000	6,974	2,974	5,298
<b>Total Operating Revenues</b>	<b>\$ 3,679,000</b>	<b>\$ 3,435,078</b>	<b>\$ (243,922)</b>	<b>\$ 3,480,887</b>
<b>Nonoperating revenues:</b>				
Interest on investments	\$ 65,000	\$ 26,021	\$ (38,979)	\$ 71,063
Workers comp. Reimbursement	-	-	-	613
Sale of asset	-	-	-	20
<b>Total Nonoperating Revenues</b>	<b>\$ 65,000</b>	<b>\$ 26,021</b>	<b>\$ (38,979)</b>	<b>\$ 71,696</b>
<b>Total Revenues</b>	<b>\$ 3,744,000</b>	<b>\$ 3,461,099</b>	<b>\$ (282,901)</b>	<b>\$ 3,552,583</b>
<b>Expenditures:</b>				
<b>Regional Water System</b>				
Salaries and employee benefits	\$ 490,440	\$ 440,165	\$ 50,275	\$ 438,146
Supplies	373,215	369,525	3,690	277,599
Maintenance	105,600	110,054	(4,454)	69,797
Insurance	46,620	41,272	5,348	41,614
Utilities	371,000	352,451	18,549	352,810
Administration support	284,200	284,200	-	280,000
Contracted services	321,840	323,634	(1,794)	346,601
Capital outlay noncapital	4,400	5,174	(774)	21,158
Capital outlay	77,600	76,735	865	13,275
Other expenses	21,680	20,360	1,320	19,852
Contingency	1,250	-	1,250	-
<b>Total</b>	<b>\$ 2,097,845</b>	<b>\$ 2,023,570</b>	<b>\$ 74,275</b>	<b>\$ 1,860,852</b>
<b>Budgetary Appropriations</b>				
Interest and fees	\$ 232,920	\$ 249,650	\$ (16,730)	\$ 272,595
Principal	980,565	963,587	16,978	930,638
<b>Total</b>	<b>\$ 1,213,485</b>	<b>\$ 1,213,237</b>	<b>\$ 248</b>	<b>\$ 1,203,233</b>
<b>Total Expenditures</b>	<b>\$ 3,311,330</b>	<b>\$ 3,236,807</b>	<b>\$ 74,523</b>	<b>\$ 3,064,085</b>
<b>Other financing sources (uses):</b>				

**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, 2009  
With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Bond Proceeds	\$ -	\$ -	\$ -	\$ -
Transfer to other funds	(432,670)	(432,670)	-	(286,242)
Transfer from other funds	-	-	-	-
Total	<u>\$ (432,670)</u>	<u>\$ (432,670)</u>	<u>\$ -</u>	<u>\$ (286,242)</u>
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	\$ -	\$ (208,378)	\$ (357,424)	\$ 202,256
Appropriated Fund Balance	-	-	-	-
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (208,378)</u>	<u>\$ (357,424)</u>	<u>\$ 202,256</u>

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

Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	<u>\$ (208,378)</u>
Budgetary Appropriations:	
Capital Outlay	\$ 223,885
Principal Payments	963,587
Adjustments:	
Change in accrued vacation	(6,016)
Change in accounts payable	139,773
Change in accrued interest	8,063
Change in accrued OPEB liability	(58,929)
Depreciation	<u>(479,127)</u>
Total reconciling items	<u>\$ 791,236</u>
Change in net assets	<u>\$ 582,858</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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
<b>Revenues:</b>				
<b>Operating Revenues</b>				
Charge for Services				
Sewer Charges	\$ 3,570,190	\$ 3,590,844	\$ 20,654	\$ 3,341,555
Sewer surcharges	15,000	20,730	5,730	-
Debt setoff - water charges	15,000	16,456	1,456	26,660
Sprinklers and hydrants	-	-	-	19,560
Bad debts recovery	13,000	11,938	(1,062)	12,955
Tapping	6,500	7,720	1,220	12,781
Reconnection	130,000	178,658	48,658	155,367
Code violations	-	6,096	6,096	-
Set up charges	27,000	26,992	(8)	27,566
Past due charges	226,000	310,742	84,742	216,619
Total	<u>\$ 4,002,690</u>	<u>\$ 4,170,176</u>	<u>\$ 167,486</u>	<u>\$ 3,813,063</u>
<b>Other Operating Revenues</b>				
Sale of materials	\$ -	\$ -	\$ -	\$ -
Miscellaneous	5,000	3,375	(1,625)	13,911
Over-short	-	-	-	-
Total	<u>\$ 5,000</u>	<u>\$ 3,375</u>	<u>\$ (1,625)</u>	<u>\$ 13,911</u>
Total Operating Revenues	<u>\$ 4,007,690</u>	<u>\$ 4,173,551</u>	<u>\$ 165,861</u>	<u>\$ 3,826,974</u>
<b>Nonoperating Revenues:</b>				
Interest on investments	\$ 18,000	\$ 6,193	\$ (11,807)	\$ 126,559
Miscellaneous	-	-	-	143
Insurance proceeds	-	-	-	14,832
Sale of assets	-	-	-	1,418
Proceeds from capital leases	-	151,439	151,439	35,519
Workers comp. Reimbursement	-	184	184	3,312
Vance County	184,767	184,771	4	200,900
Total Nonoperating Revenues	<u>\$ 202,767</u>	<u>\$ 342,587</u>	<u>\$ 139,820</u>	<u>\$ 382,683</u>
Total Revenues	<u>\$ 4,210,457</u>	<u>\$ 4,516,138</u>	<u>\$ 305,681</u>	<u>\$ 4,209,657</u>
<b>Expenditures:</b>				
<b>Waste Water Treatment</b>				
Salaries and employee benefits	\$ 840,000	\$ 807,134	\$ 32,866	\$ 781,927
Supplies	235,000	222,384	12,616	225,482
Telephone	14,800	14,070	730	14,131
Bad debt expense	50,000	139,982	(89,982)	17,896
Contracted Services	191,500	174,675	16,825	183,963
Maintenance	271,800	245,378	26,422	237,144
Utilities	304,000	290,157	13,843	278,763
Insurance	91,940	85,401	6,539	83,449
Administration support	283,000	283,000	-	277,772
Other expenses	14,710	11,648	3,062	16,980

**City of Henderson, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Contingency	2,980	-	2,980	-
Total	<u>\$ 2,299,730</u>	<u>\$ 2,273,829</u>	<u>\$ 25,901</u>	<u>\$ 2,117,507</u>
<b>Sewer Collection</b>				
Salaries and employee benefits	\$ 163,390	\$ 160,376	\$ 3,014	\$ 158,899
Insurance	22,350	19,679	2,671	17,663
Supplies	36,320	26,773	9,547	50,362
Maintenance	28,000	25,608	2,392	34,159
Telephone	2,200	2,200	-	3,394
Administration support	225,280	225,280	-	220,880
Reimbursement - Utility policy	21,090	927	20,163	28,247
Contracted services	10,350	3,526	6,824	1,659
Bad debts	15,000	-	15,000	-
Capital outlay - noncapital	5,500	150	5,350	-
Other expenses	7,460	6,138	1,322	11,803
Contingency	2,730	-	2,730	-
Total	<u>\$ 539,670</u>	<u>\$ 470,657</u>	<u>\$ 69,013</u>	<u>\$ 527,066</u>
<b>Sewer Collection I &amp; I</b>				
Salaries and employee benefits	\$ 97,200	\$ 89,967	\$ 7,233	\$ 92,269
Insurance	8,210	7,749	461	7,294
Supplies	10,520	7,368	3,152	9,026
Maintenance	15,500	13,679	1,821	10,352
Contracted services	5,000	27	4,973	12,099
Capital outlay - noncapital	3,000	2,000	1,000	-
Other expenses	2,800	1,650	1,150	1,892
Contingency	930	-	930	-
Total	<u>\$ 143,160</u>	<u>\$ 122,440</u>	<u>\$ 20,720</u>	<u>\$ 132,932</u>
<b>Budgetary Appropriations</b>				
Interest and fees	\$ 338,940	\$ 103,796	\$ 235,144	\$ 107,478
Principal	717,310	384,959	332,351	383,026
Capital outlay				
Equipment - Sewer Collection	4,640	130,958	(126,318)	44,393
Equipment - Waste Water Treatment	-	20,941	(20,941)	11,996
Water line repairs	16,000	9,983	6,017	-
Water taps	6,000	5,998	2	-
Total	<u>\$ 1,082,890</u>	<u>\$ 656,635</u>	<u>\$ 426,255</u>	<u>\$ 546,893</u>
<b>Total Expenditures</b>	<u>\$ 4,065,450</u>	<u>\$ 3,523,561</u>	<u>\$ 541,889</u>	<u>\$ 3,324,398</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	\$ -	\$ -	\$ -	\$ -
Transfer to other funds	(234,640)	(772,520)	(537,880)	(598,000)
Transfer from other funds	-	-	-	-
Total	<u>\$ (234,640)</u>	<u>\$ (772,520)</u>	<u>\$ (537,880)</u>	<u>\$ (598,000)</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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Revenues and Other Sources Over (Under) Expenses and Other Uses	\$ (89,633)	\$ 220,057	\$ 309,690	\$ 287,459
Appropriated Fund Balance	89,633	-	(89,633)	-
Revenues, Other Sources, and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	\$ -	\$ 220,057	\$ 220,057	\$ 287,459

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

Revenues, Other Sources and Appropriated Fund Balance Over (Under) Expenditures and Other Uses	\$ 220,057
Budgetary Appropriations:	
Capital Outlay	\$ 733,981
Principal Payments	384,959
Adjustments:	
Change in accrued vacation	(7,777)
Change in accounts payable	(70,056)
Capital lease proceeds	(151,439)
Change in accrued interest	2,053
Change in accrued OPEB liability	(137,284)
Depreciation	(765,060)
Total reconciling items	\$ (10,623)
Change in net assets	\$ 209,434

**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, 2009**

	Project Authorization	Actual			Total to Date	Variance Positive (Negative)
		Prior Years	Current Year	Closed		
<b>Revenues:</b>						
Restricted intergovernmental:						
NC grant - USEPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	172,710	191,968	11,219	-	203,187	30,477
Sales tax refund	150,600	175,299	-	-	175,299	24,699
<b>Total Revenues</b>	<b>\$ 323,310</b>	<b>\$ 367,267</b>	<b>\$ 11,219</b>	<b>\$ -</b>	<b>\$ 378,486</b>	<b>\$ 55,176</b>
<b>Expenditures:</b>						
Engineering	\$ 1,177,332	\$ 1,048,556	\$ 147,150	\$ -	\$ 1,195,706	\$ (18,374)
Construction	-	-	-	-	-	-
Planning/design	133,636	133,623	-	-	133,623	13
Insurance costs	-	-	-	-	-	-
Legal/Admin	60,622	60,623	-	-	60,623	(1)
Contingency	171,224	-	-	-	-	171,224
<b>Total Expenditures</b>	<b>\$ 1,542,814</b>	<b>\$ 1,242,802</b>	<b>\$ 147,150</b>	<b>\$ -</b>	<b>\$ 1,389,952</b>	<b>\$ 152,862</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (1,219,504)</b>	<b>\$ (875,535)</b>	<b>\$ (135,931)</b>	<b>\$ -</b>	<b>\$ (1,011,466)</b>	<b>\$ 208,038</b>
<b>Other Financing Sources (Used)</b>						
Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer from Regional Water	1,184,044	1,026,522	262,340	-	1,288,862	104,818
Transfer from other funds	300,000	150,000	150,000	-	300,000	-
Fund balance appropriated	(264,540)	-	-	-	-	264,540
Other	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>\$ 1,219,504</b>	<b>\$ 1,176,522</b>	<b>\$ 412,340</b>	<b>\$ -</b>	<b>\$ 1,588,862</b>	<b>\$ 369,358</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 300,987</b>	<b>\$ 276,409</b>	<b>\$ -</b>	<b>\$ 577,396</b>	<b>\$ 577,396</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, 2009

	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	\$ -	\$ 247,278	\$ (181,722)
NC Rural center grant	500,000	-	-	-	-	(500,000)
CWMT grant UV System	1,581,000	-	-	-	-	(1,581,000)
Investment Income	48,994	759,750	79,748	-	839,498	790,504
Other	66,000	95,959	-	-	95,959	29,959
<b>Total Revenues</b>	<b>\$ 2,624,994</b>	<b>\$ 855,709</b>	<b>\$ 327,026</b>	<b>\$ -</b>	<b>\$ 1,182,735</b>	<b>\$ (1,442,259)</b>
<b>Expenditures:</b>						
Engineering	\$ 186,070	\$ -	\$ 128,613	\$ -	\$ 128,613	\$ 57,457
Construction	2,051,681	43,160	508,640	-	551,800	1,499,881
Inspection	175,000	-	161,708	-	161,708	13,292
Legal/Admin	197,600	-	50,806	-	50,806	146,794
Contingency	199,643	-	-	-	-	199,643
<b>Total Expenditures</b>	<b>\$ 2,809,994</b>	<b>\$ 43,160</b>	<b>\$ 849,767</b>	<b>\$ -</b>	<b>\$ 892,927</b>	<b>\$ 1,917,067</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (185,000)</b>	<b>\$ 812,549</b>	<b>\$ (522,741)</b>	<b>\$ -</b>	<b>\$ 289,808</b>	<b>\$ 474,808</b>
<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
<b>Total Other Financing Sources</b>	<b>\$ 185,000</b>	<b>\$ 1,315,190</b>	<b>\$ 185,000</b>	<b>\$ -</b>	<b>\$ 1,500,190</b>	<b>\$ 1,315,190</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 2,127,739</b>	<b>\$ (337,741)</b>	<b>\$ -</b>	<b>\$ 1,789,998</b>	<b>\$ 1,789,998</b>

**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, 2009**  
**With Comparative Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
<b>Revenues:</b>				
Investment earnings	\$ 4,000	\$ 3,152	\$ (848)	\$ 5,093
Acreage charges	2,000	2,758	758	4,013
Total	<u>\$ 6,000</u>	<u>\$ 5,910</u>	<u>\$ (90)</u>	<u>\$ 9,106</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Water Fund	\$ -	\$ -	\$ -	\$ 26,330
Transfer from Sewer Fund	-	-		36,958
Fund balance appropriated	(6,000)	-	6,000	-
Total	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ 63,288</u>
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	<u>\$ -</u>	\$ 5,910	<u>\$ 5,910</u>	\$ 72,394
Fund Balance, Beginning		<u>195,355</u>		<u>122,961</u>
Fund Balance, Ending		<u>\$ 201,265</u>		<u>\$ 195,355</u>

**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, 2009**  
**With Comparatives Totals For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive (Negative)	2008 Actual
Revenues:				
Investment earnings	\$ 500	\$ 275	\$ (225)	\$ 542
Other Financing Sources (Uses):				
Transfer from Regional Water	\$ 4,330	\$ 4,330	\$ -	\$ 4,330
Fund balance appropriated	(4,830)	-	4,830	-
Total	\$ (500)	\$ 4,330	\$ 4,830	\$ 4,330
Revenues and Other Sources Over (Under)				
Expenses and Other Uses	\$ -	\$ 4,605	\$ 4,605	\$ 4,872
Fund Balance, Beginning		13,890		9,018
Fund Balance, Ending		\$ 18,495		\$ 13,890

**City of Henderson, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2009**

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections And Credits	Uncollected Balance June 30, 2009
2008-2009	\$ -	\$ 5,165,139	\$ 4,759,265	\$ 405,874
2007-2008	344,490	-	215,079	129,411
2006-2007	123,514	--	38,778	84,736
2005-2006	101,892	--	33,696	68,196
2004-2005	99,187	--	29,293	69,894
2003-2004	59,708	--	18,786	40,922
2002-2003	37,218	--	8,135	29,083
2001-2002	81,360	--	17,315	64,045
2000-2001	33,624	--	15,975	17,649
1999-2000	22,015	--	2,255	19,760
1998-1999	23,511	--	23,511	-
	<u>\$ 926,519</u>	<u>\$ 5,165,139</u>	<u>\$ 5,162,088</u>	<u>\$ 929,570</u>
Less: allowance for uncollectible accounts:				(170,000)
Plus: Uncollected Motor Vehicles for 2008 Levy				<u>67,927</u>
Ad valorem taxes receivable - net				<u>\$ 827,497</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 5,162,088
Reconciling items:				
Interest collected				85,349
Taxes written off				(23,511)
Releases				(30,392)
Total collections and credits				<u>\$ 5,193,534</u>

**City of Henderson, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**For the Fiscal Year Ended June 30, 2009**

	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	\$ 910,161,991	\$ 0.565	\$ 5,219,097	\$ 4,749,021	\$ 470,076
Penalties	-		3,733	3,733	-
Total	<u>\$ 910,161,991</u>		<u>\$ 5,222,830</u>	<u>\$ 4,752,754</u>	<u>\$ 470,076</u>
Discoveries:					
Current year taxes	\$ 3,777	\$ 0.565	\$ 21	\$ 21	\$ -
Penalties	-		-	-	-
Total	<u>\$ 3,777</u>		<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ -</u>
Abatements	(10,214,510)	\$ 0.565	(57,712)	(57,712)	-
Total property valuation	<u>\$ 899,951,258</u>				
Net levy			\$ 5,165,139	\$ 4,695,063	\$ 470,076
Less Uncollected taxes at June 30, 2009			<u>405,874</u>	<u>293,335</u>	<u>112,539</u>
Current year's taxes collected			<u>\$ 4,759,265</u>	<u>\$ 4,401,728</u>	<u>\$ 357,537</u>
Current levy collection percentage			92.14%	93.75%	76.06%
Tax Rate per \$100					
General Fund	\$ 0.525				
Public Library Fund	0.040				
Total	<u>\$ 0.565</u>				

Table 1

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

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities</b>							
Invested in capital assets, net of related debt	\$ 14,582,291	\$ 12,257,263	\$ 12,719,614	\$ 13,815,383	\$ 14,067,229	\$ 12,717,286	\$ 12,164,082
Restricted	1,899,503	1,893,464	1,981,404	1,670,187	1,244,796	781,456	518,537
Unrestricted (deficit)	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>\$ 18,921,244</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	\$ 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)	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>\$ 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	\$ 59,958,043	\$ 55,863,126	\$ 51,795,925	\$ 57,763,419	\$ 53,951,073	\$ 52,181,250	\$ 48,963,754
Restricted	1,899,503	2,118,529	2,197,119	1,908,910	1,479,944	1,291,189	3,194,302
Unrestricted (deficit)	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>\$ 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						
	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities Expenses</b>							
General government	\$ 909,799	\$ 3,462,318	\$ 3,519,455	\$ 3,012,332	\$ 3,014,699	\$ 2,957,638	\$ 2,963,230
Public safety	6,968,586	5,690,650	5,905,905	5,504,781	5,362,047	5,101,413	4,986,679
Environmental protection	1,309,976	1,132,792	972,879	960,518	1,000,729	1,040,312	966,250
Economic and physical development	498,004	2,079,810	140,137	127,149	122,097	160,636	-
Cultural and recreational	2,006,921	2,467,644	2,034,274	2,519,676	2,552,649	2,375,373	2,527,801
Transportation and utilities	1,936,074	2,130,965	2,409,306	1,994,972	1,733,424	1,866,926	2,178,063
Human Services	604,768	-	-	-	-	-	-
Interest on Long-Term Debt	283,950	371,805	327,287	406,453	482,669	539,223	630,044
<b>Total Government Activities Expense</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>							
Charges for Services							
General government	\$ -	\$ 2,156,793	\$ 2,060,967	\$ -	\$ -	\$ -	\$ -
Public safety	523,420	800	23,237	77,457	79,612	87,983	82,240
Environmental protection	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	16,810	-	-	-	-	-	-
Transportation and utilities	572,373	491,781	515,003	449,676	418,441	376,595	378,795
Cultural and recreational	1,135,797	132,923	159,531	144,088	144,616	153,724	172,538
Operating Grants and Contributions	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>\$ 6,300,814</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>\$ (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>							
Taxes:							
Property taxes, levied for general purpose	\$ 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	2,482,544	2,509,029	2,105,076	2,280,608	2,344,576	2,304,889	1,971,472
Other taxes and licenses	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	73,336	190,901	166,086	87,432	48,270	13,231	30,950
Sale of capital assets	-	638,280	-	-	-	-	-
Miscellaneous, unrestricted	94,999	130,237	39,218	1,276,304	1,282,593	1,309,726	1,207,452
Transfers	(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>\$ 8,837,103</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>\$ 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						
	2009	2008	2007	2006	2005	2004	2003
<b>Business-type Activities</b>							
<b>Expenses</b>							
Water	\$ 11,359,948	\$ 10,824,002	\$ 10,098,559	\$ 8,632,687	\$ 8,287,232	\$ 8,797,390	\$ 8,526,768
<b>Revenues</b>							
Charges for Services	\$ 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	\$ 12,513,643	\$ 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	\$ 1,153,695	\$ 1,438,766	\$ 1,277,248	\$ 3,988,343	\$ 1,204,599	\$ 823,825	\$ 1,013,818
<b>Other Changes in Net Assets</b>							
Miscellaneous, unrestricted Transfers	620,231	315,387	294,887	422,928	537,897	463,958	417,489
	7,660	-	-	(961,309)	(1,229,799)	(1,351,585)	(945,199)
Total Business-type Activities Change in Net Assets	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	\$ 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						
	2009	2008	2007	2006	2005	2004	2003
General Fund							
Reserved	\$ 2,229,474	\$ 2,963,811	\$ 2,124,600	\$ 2,157,749	\$ 2,196,659	\$ 1,208,290	\$ 1,828,736
Unreserved	2,073,596	2,243,368	1,232,149	808,870	22,268	464,163	1,332,014
Total General Fund	<u>\$ 4,303,070</u>	<u>\$ 5,207,179</u>	<u>\$ 3,356,749</u>	<u>\$ 2,966,619</u>	<u>\$ 2,218,927</u>	<u>\$ 1,672,453</u>	<u>\$ 3,160,750</u>
All other Governmental Funds							
Reserved	\$ 429,610	\$ 419,112	\$ 407,352	\$ 391,548	\$ 375,942	\$ 361,848	\$ 342,756
Unreserved, reported in:							
Capital Projects Funds	(31,104)	209,647	185,434	258,752	129,007	148,815	(804,463)
Special Revenue Funds	64,607	96,434	125,157	99,827	69,530	95,354	175,781
Total All Other Governmental Funds	<u>\$ 463,113</u>	<u>\$ 725,193</u>	<u>\$ 717,943</u>	<u>\$ 750,127</u>	<u>\$ 574,479</u>	<u>\$ 606,017</u>	<u>\$ (285,926)</u>

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						
	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>							
Ad valorem taxes	\$ 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	2,482,544	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	1,000,133	931,360	773,610	724,941	712,996	723,482	841,626
Restricted intergovernmental	507,059	572,888	527,811	557,016	566,308	721,164	1,078,804
Permits and fees	106,870	121,606	239,282	237,976	239,373	221,911	227,069
Sales and services	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	70,107	181,623	154,968	109,763	52,879	16,442	34,019
Miscellaneous	492,953	2,173,266	1,012,085	696,676	465,020	287,302	159,332
<b>Total Revenues</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	\$ 1,686,089	\$ 1,702,486	\$ 1,580,409	\$ 1,640,613	\$ 1,706,300	\$ 1,713,906	\$ 1,754,055
Public safety	6,512,334	5,994,425	5,486,023	5,165,341	5,446,529	5,060,207	4,842,616
Environmental protection	900,958	998,673	974,812	959,435	1,096,460	1,135,812	966,250
Economic and physical development	57,845	49,365	50,846	86,644	87,050	91,995	93,587
Non-Departmental	42,404	30,019	35,079	35,501	4,878	2,766	12,465
Transportation and Utilities	1,886,579	2,250,585	2,079,036	1,900,408	1,639,158	1,931,594	2,073,299
Cultural and recreational	2,816,159	2,767,056	2,703,844	2,510,555	2,489,159	2,390,098	2,358,298
Debt Service:							
Principal	704,857	794,491	784,413	741,986	623,929	669,230	597,665
Interest	304,665	371,805	355,836	406,453	482,669	506,762	630,044
<b>Total Expenditures</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>\$ (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						
	2009	2008	2007	2006	2005	2004	2003
Other Financing Sources							
Transfer from other funds	\$ 159,244	\$ 111,995	\$ 192,336	\$ 1,198,626	\$ 1,317,801	\$ 1,469,478	\$ 1,245,031
Transfers to other funds	(355,301)	(634,608)	(260,244)	(135,191)	(140,751)	(1,607,057)	(354,140)
Intsallment Financing	72,979	118,620	79,886	-	553,250	411,707	69,121
Total Other Financing Sources and Uses	<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>\$ (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>
Debt Service as a Percentage of Noncapital Expenditures	7.26%	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
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
2000	\$ 436,081,179	\$ 203,310,234	\$ 7,833,230	\$ 631,558,183	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
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
2000	\$ 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.

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

Taxpayer	2009 Assessed Valuation	Taxes
Carolina Telephone	\$ 17,941,239	\$ 101,368
Progress Energy	16,803,540	94,940
Royal Home Fashions Inc	13,958,584	78,866
Walmart	12,980,000	73,337
Galileo Henderson, LP	9,061,770	51,199
W & W Properties & Rentals LLC	8,371,681	47,300
Lowe's	7,174,513	40,536
Rosemyr Corporation	6,567,611	37,107
Henderson Country Club	6,176,991	34,900
Crawford Properties	5,225,664	29,525
L.I.C. Associates	4,846,195	27,381
Ruin Creek Properties	4,832,743	27,305
Henderson Fields LLC	4,247,788	24,000
MDJ Partnership LLC	4,066,549	22,976
Foxs Pond Co. LTD Partnership	4,010,973	20,662
	<u>\$ 126,265,841</u>	<u>\$ 711,402</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
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%
2000	1999	\$ 3,852,505	\$ 3,624,340	94.08%

Table 9

**City of Henderson, North Carolina  
Ratio of Outstanding Debt by Type  
Last Six 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	Revenue Bonds				
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 Six Fiscal Years**

---



---

Fiscal Year Ended June 30,	General Oblication Debt	Percentage of Actual Taxable Value of Property	Debt Per Capita
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.

**City of Henderson, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**General Obligation Bonds**  
**June 30, 2009**

---



---

Fiscal Year Ended June 30,	Net General Obligation Bonded Debt	Percentage Applicable to Vance County	Amount Applicable to Vance County
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%	-
2000	-	84.000%	-

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

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value		\$	<u>899,951,258</u>
Debt Limit - Eight Percent (8%) of Assessed Value			71,996,101
Amount of Debt Applicable to Debt Limit			
Lease financing agreements		\$	5,876,299
Revolving Loan			-
Total Debt		\$	<u>5,876,299</u>
Less - Statutory Deductions			<u>-</u> <u>5,876,299</u>
Legal Debt Margin		\$	<u>66,119,802</u>

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt Limit	\$ 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>(5,876,299)</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>\$ 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	8.16%	10.23%	11.32%	11.49%	14.06%	14.14%

**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)
2009	15,850	N/A	14.40%	20,459	7,380
2008	15,897	N/A	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
2000	16,661	\$20,991	8.70%	19,600	7,952

<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

COMPLIANCE SECTION

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

Drawer 1359 • 349 Ruin Creek Rd. • Henderson, NC 27536  
252-438-8154 • Wats 800-356-7674 • Fax 252-492-5066

Ronald S. Dorsey, CPA  
Susan R. Waters, CPA  
Michael H. Brafford, CPA  
Franklin L. Irvin, Jr., CPA  
Janet N. Green, CPA

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

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, 2009, which collectively comprises the City of Henderson, North Carolina's basic financial statements, and have issued our report thereon dated November 19, 2009. 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 first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when designed 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,

To the Council  
City of Henderson, North Carolina  
Page 2

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 09-01 and 09-02, 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 09-01 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 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 any other than these specified parties.

*Phillips, Dorsey, Thomas, Waters & Brafford, P.A.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2009

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

Drawer 1359 • 349 Ruin Creek Rd. • Henderson, NC 27536  
252-438-8154 • Wats 800-356-7674 • Fax 252-492-5066

Ronald S. Dorsey, CPA  
Susan R. Waters, CPA  
Michael H. Brafford, CPA  
Franklin L. Irvin, Jr., CPA  
Janet N. Green, CPA

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

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 are applicable to each of its major federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

This report is intended solely for the information and use of 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 any other than these specified parties.

*Phillips, Dorsey, Thomas, Waters + Brafford, P.A.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2009

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

Drawer 1359 • 349 Ruin Creek Rd. • Henderson, NC 27536  
252-438-8154 • Wats 800-356-7674 • Fax 252-492-5066

Ronald S. Dorsey, CPA  
Susan R. Waters, CPA  
Michael H. Brafford, CPA  
Franklin L. Irvin, Jr., CPA  
Janet N. Green, CPA

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

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 are applicable to each of its major State programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which is described in

To the Council  
City of Henderson, North Carolina  
Page 2

the accompanying schedule of findings and questioned costs as item 08-04.

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 requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as we discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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.

*Phillips, Dorsey, Thomas, Waters & Brafford, P.A.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2009

CITY OF HENDERSON, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2009

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?        yes   x   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

CFDA Numbers

Name of Federal Program or Cluster

Identification of major federal programs:

97.004	State Domestic Preparedness Equipment Support Program
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

CITY OF HENDERSON, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2009

State Awards

Internal Control Over State Programs:

- Material weakness (es) identified? \_\_\_\_\_yes        x  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

09-01

Criteria: Management is responsible for establishing and maintaining internal control, including monitoring, and for the fair presentation in the financial statements of financial position of the governmental activities and the fund information and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

At times management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the entity. Management is as responsible for outsourced functions performed by a service provider as it would be for such functions performed internally. Specifically, management is responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

CITY OF HENDERSON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

---

**Condition:** As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements.

**Effect:** The absence of controls over the preparation of the financial statements 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 by the entity's internal control.

**Recommendation:** The City Finance Officer should prepare the audit report.

**Management Response and Corrective Action Plan:** Management plans to continue to review financial statements with the auditors and make any necessary changes before the final draft is released and presented to the City Council.

**Name of contact person:** Sandra Wilkerson, City Finance Director

09-02

**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 general government, environmental protection, 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: general government, environmental protection, 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.

CITY OF HENDERSON, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

---

D. State Award Findings and Questioned Costs

None reported.

E. Summary of Prior Audit Findings

Finding 2008-1 (Financial Statement Preparation)

Status: The City has not corrected this finding. See current year finding 09-01 for management's response.

Finding 2008-2 (Prior Period Adjustment)

Status: The City has corrected this finding.

Finding 2008-3 (Expenditures in Excess of Appropriations)

Status: The City has not corrected this finding. See current year finding 09-02 for management's response.

Finding 2008-4 (Grant Funds Expended Incorrectly)

Status: The City has corrected this finding.

**City of Henderson, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2009**

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 - 07	2007-WS-Q7-0076	16.595	\$ 68,663	\$ -	\$ 17,263
Weed and Seed - 08	2007-WS-QX-0047	16.595	40,708		
Bureau of Justice Grant 07	2007-DJ-BX-1247	16.595	12,923		
Bureau of Justice Assistance					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Byrne Justice Assistance Grants		16.738	-	-	-
U.S. Department of Homeland Security					
Federal Emergency Management Agency					
Direct Program:					
Fire Pumper Grant	EMW-2007-FV-00958	97.044	261,250	-	162,750
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	172,731	-	-
URP - Hope VI	NC19URD27536M07	14.228	100,000		
<b>State Grants:</b>					
NC Department of Crime Control and Public Safety					
Gang Violence Project				15,071	
N.C. Department of Transportation					
NC Hwy Safety Grant				1,268	
N.C. Department of Transportation					
Powell Bill			-	717,953	-
N.C. Department of Environment & Natural Resources					
CWMT Grant			-	247,278	-
Total assistance			<u>\$ 656,275</u>	<u>\$ 981,570</u>	<u>\$ 180,013</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.