

**THE CITY OF HENDERSON
REDEVELOPMENT AGENCY**
(A Component Unit of the City of Henderson, Nevada)

JUNE 30, 2009

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

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INDEPENDENT AUDITOR'S REPORT

Members of the City of Henderson
Redevelopment Agency Board

We have audited the accompanying financial statements of the City of Henderson Redevelopment Agency (Agency), a component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

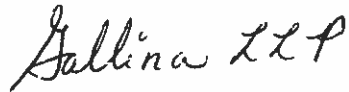
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. 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 the information and express no opinion on it.

Members of the City of Henderson
Redevelopment Agency Board

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2009, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the Agency's basic financial statements. The supplemental information identified in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. The supplemental information, identified as the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance by Project Area have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
October 27, 2009

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Management's Discussion and Analysis
June 30, 2009

As management of the City of Henderson Redevelopment Agency's (Agency) finances, we offer readers of the City of Henderson Redevelopment Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the City of Henderson Redevelopment Agency's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$23,332,073.
- The City of Henderson Redevelopment Agency's total liabilities on the Statement of Net Assets decreased by \$520,136 (2.6 percent) during the current fiscal year.
- As of the close of the current fiscal year, the City of Henderson Redevelopment Agency's governmental fund reported ending fund balances of \$37,954,767 a decrease of \$9,337,247 in comparison with the prior year. Approximately 50.6% of this amount is unreserved fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Henderson Redevelopment Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Henderson Redevelopment Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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Both of the government-wide financial statements show all five of the redevelopment areas (Downtown, Cornerstone, Tuscany, Eastside, and Lakemoor Canyon), which are principally supported by tax increment from ad valorem receipts. All redevelopment activity of the Agency, regardless of area, is included in the general government function, since the Agency is a single-purpose entity.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements. 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 Redevelopment Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the activity of the Agency is recorded in the governmental fund category.

Governmental Funds. The governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The Agency maintains one governmental fund, the General Fund.

The City of Henderson Redevelopment Agency adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements (and reconciliations to the government-wide financial statements) can be found on pages 11 through 15 of this report.

Notes to Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-33 of this report.

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Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net assets of the City of Henderson Redevelopment Agency's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$23,332,074. The net assets include the Agency's investment in capital assets (e.g., equipment, land), less any related debt used to acquire those assets that is still outstanding. There was no debt related to capital assets outstanding at June 30, 2009, and as such, the Agency's investment in capital assets as of June 30, 2009 was \$203,959. The Agency acquired these capital assets for two purposes: (1) to assist in creating opportunity sites for redevelopment in the Downtown Redevelopment Area; and (2) to undertake special events to bring vitality to Downtown.

City of Henderson Redevelopment Agency's Net Assets

	Governmental Activities	
	2009	2008
Current and other assets	\$42,327,229	\$33,788,709
Capital assets	203,959	211,513
Total assets	42,531,188	34,000,222
Long-term liabilities	17,682,541	18,342,947
Other liabilities	1,516,574	1,376,303
Total liabilities	19,199,115	19,719,250
Net assets:		
Invested in capital assets, net of related debt	203,959	211,513
Unrestricted	23,128,114	14,069,459
Total net assets	\$23,332,073	\$14,280,972

Total assets of the Agency at June 30, 2009, were \$42,531,188 with capital assets, net of accumulated depreciation, accounting for \$203,959 of that total. Of the total liabilities of \$19,199,115, approximately 92.1% represent liabilities related to long-term debt of the Agency.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Management's Discussion and Analysis
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City of Henderson Redevelopment Agency's Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues		
Charges for services	\$53,474	\$34,520
Operating grants and contributions	-	385,276
General revenues		
Property taxes	13,623,262	13,033,975
Unrestricted investment earnings	1,047,382	1,110,090
Charges for services	53,474	
Total revenues	14,724,118	14,563,861
Expenses:		
General government	5,673,017	5,115,638
Total expenses	5,673,017	5,115,638
Increase (Decrease) in net assets	9,051,101	9,448,223
Net assets, July 1	14,280,972	4,832,749
Net assets, June 30	\$23,332,073	\$14,280,972

Total revenues for the year ended June 30, 2009, were \$14,724,118 consisting primarily of taxes, while total expenses were \$5,673,016. This resulted in an increase in net assets of \$9,051,102 – primarily due to a 4.5% increase in property tax increment revenues offset by a 10.9% increase in project expenses.

At the end of the current fiscal year, the Agency is able to report a positive balance in both of its two categories of net assets, “invested in capital assets, net of related debt,” and “unrestricted.”

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Fund. The focus of the Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Agency's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City of Henderson Redevelopment Agency's governmental fund reported an ending fund balance of \$37,954,767, an increase of \$9,337,247 in comparison with the prior year. Approximately 50.6% of this amount is unreserved fund balances. The increase is a result of unspent property tax increment to be applied to redevelopment projects in future fiscal years.

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As a measure of the Agency's liquidity, it may be useful to compare the unreserved fund balance to fund expenditures. Unreserved fund balance represents 644% of total fund expenditures, including debt service expenditures. This increased fund balance will give the Agency's General Fund sufficient cash to meet its near-term operational obligations.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and final amended budget are summarized below.

- Revenue estimates increased by \$1,178,311, which was an increase in intergovernmental and interest revenue.
- Budgeted expenditures were increased by \$2,765,398 the majority representing a major infrastructure project for the Downtown redevelopment project area as well as to meet the estimated operational needs of the Agency.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Henderson Redevelopment Agency's investment in capital assets as of June 30, 2009, amounted to \$203,959 (net of accumulated depreciation). This investment in capital assets consists of equipment and leasehold improvements for the Agency's office. Additional information on the Agency's capital assets is provided in Note 6 of the notes to financial statements.

Long-Term Debt. At the end of the fiscal year, the City of Henderson Redevelopment Agency had total bonded debt outstanding of \$14,780,000. Of this amount, \$10,845,000 is considered tax allocation debt of senior bonds and \$3,935,000 is tax allocation debt of junior bonds. The remainder of long-term debt includes an advance from the City for the purchase of land to satisfy a redevelopment project loan guaranty and compensated absences and post employee benefits.

City of Henderson Redevelopment Agency's Outstanding Long-Term Debt

	Governmental Activities	
	2009	2008
Tax allocation bonds	\$14,780,000	\$15,320,000
Note payable/Advances from City	3,209,917	3,380,248
Compensated absences and other post employment benefits	270,482	191,933
Total	\$18,260,399	\$18,892,181

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In June 2002, the City of Henderson Redevelopment Agency received a bond rating of "AAA" on the Senior 2002 Bonds from Standard and Poor's. The junior bonds were not rated.

Additional information on the City of Henderson Redevelopment Agency's long-term debt can be found in Note 8 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Nevada's redevelopment agencies heavily rely upon tax increment, or the incremental value of ad valorem tax and personal property tax above the base year, as a primary revenue source. While tax increment for the Agency was anticipated to increase modestly, there is always the opportunity for casinos and other commercial taxpayers to request tax exemptions, which could adversely impact tax increment revenue for the Agency. No adjustments were realized in fiscal year 2009.

In the 2005 legislative session, the Nevada State Legislature passed a law to provide property tax relief to citizens. Assembly Bill 489, signed into law on April 6, 2005, provides a partial abatement of taxes by applying a 3% cap on the tax bill of the owner's primary residence (single-family house, townhouse, condominium or manufactured home). Only one property may be selected in the State of Nevada as a primary residence. Some rental dwellings that meet the low-income rent limits may also qualify for a 3% cap on the tax bill.

An 8% cap on the tax bill will be applied to residences that are not owner occupied. The 8% cap will also apply to land, commercial buildings, business personal property, aircraft, etc. New construction or property that has a change of use (zoning change or manufactured homed conversion) in the current year will not qualify for any cap until the following fiscal year.

This factor was considered in preparing the City of Henderson Redevelopment Agency budget for the 2009-2010 fiscal year.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Henderson Redevelopment Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Henderson Redevelopment Agency, Attn: Principal Redevelopment Administrator, P.O. Box 95050, MSC 116, Henderson, Nevada 89009-5050.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Cash and investments	\$ 23,974,491
Accounts receivable	12,049
Due from other governments	102,646
Interest receivable	122,345
Notes receivable	2,675,874
Land held for resale	14,916,151
Deferred charges	523,673
Capital assets (net of accumulated depreciation)	
Being depreciated	<u>203,959</u>
Total Assets	<u><u>42,531,188</u></u>
Liabilities	
Accounts payable and accrued wages	102,983
Accrued interest payable	580,321
Deposits held for others	200,000
Due to other agencies	55,412
Noncurrent liabilities:	
Due within one year - Notes, Bonds and Compensated Absences	577,858
Due in more than one year:	
Compensated absences	197,248
Other post employment benefit (OPEB) liability	60,376
Notes and Bonds payable	14,215,000
Advances from City of Henderson	<u>3,209,917</u>
Total Liabilities	<u><u>19,199,115</u></u>
Net assets	
Invested in capital assets, net of related debt	203,959
Unrestricted	<u>23,128,114</u>
Total Net Assets	<u><u>\$ 23,332,073</u></u>

The accompanying notes are an integral part of these financial statements.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

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	Governmental Activities
Primary government					
Governmental Activities:					
General government	\$ 4,657,434	\$ 53,474	\$ --	\$ --	\$ (4,603,960)
Interest and other fiscal charges	<u>1,015,583</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,015,583)</u>
	<u>\$ 5,673,017</u>	<u>\$ 53,474</u>	<u>\$ --</u>	<u>\$ --</u>	<u>(5,619,543)</u>
General Revenues:					
Tax increment					13,623,262
Unrestricted investment earnings					<u>1,047,382</u>
Total general revenues					<u>14,670,644</u>
Change in net assets					9,051,101
Net assets, beginning of year					<u>14,280,972</u>
Net assets, end of year					<u>\$ 23,332,073</u>

The accompanying notes are an integral part of these financial statements.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Balance Sheet
Governmental Fund-General Fund
June 30, 2009

	General Fund
ASSETS	
Cash and Investments	\$ 23,974,491
Accounts receivable	12,049
Interest receivable	122,345
Due from other governments	102,646
Notes receivable	2,395,397
Land held for resale	<u>14,916,151</u>
 Total assets	 <u><u>\$ 41,523,079</u></u>
LIABILITIES	
Accounts payable and accrued wages	\$ 102,983
Deposits held for others	200,000
Due to other agencies	55,412
Advances from City of Henderson	<u>3,209,917</u>
 Total liabilities	 <u>3,568,312</u>
FUND BALANCES	
Reserved for:	
Land held for resale	14,916,151
Debt service	1,377,783
Notes receivable	2,395,397
Encumbrances	76,136
Unreserved and undesignated	<u>19,189,300</u>
 Total fund balances	 <u>37,954,767</u>
 Total liabilities and fund balances	 <u><u>\$ 41,523,079</u></u>

The accompanying notes are an integral part of these financial statements.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Assets
June 30, 2009

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance for the governmental fund as shown on the balance sheet		\$ 37,954,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		
Capital assets	\$ 262,985	
Less: accumulated depreciation	<u>(59,026)</u>	203,959
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund		
Bond costs- deferred charges	\$ 708,503	
Less: amortization of bond costs	<u>(184,830)</u>	
Accrued interest on long-term notes receivable	<u>280,477</u>	804,150
Long-term liabilities and the related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental fund		
Bonds and notes payable	\$ (14,780,000)	
Accrued interest payable	(580,321)	
Compensated absences	(210,106)	
Other post employment benefit (OPEB) liability	<u>(60,376)</u>	<u>(15,630,803)</u>
Total net assets for governmental activities as shown on the Statement of Net Assets		<u><u>\$ 23,332,073</u></u>

The accompanying notes are an integral part of these financial statements.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Fund-General Fund
For the Year Ended June 30, 2009

	<u>General Fund</u>
Revenues	
Tax increment	\$ 13,623,262
Interest revenues	1,173,262
Intergovernmental	385,276
Miscellaneous	<u>53,474</u>
Total Revenues	<u>15,235,274</u>
Expenditures	
Current:	
General government:	
Salaries and wages	897,782
Employee benefits	328,534
Services and supplies	1,395,716
Program costs	<u>1,870,681</u>
Total General Government	<u>4,492,713</u>
Debt service:	
Principal payments	540,000
Interest payments	<u>865,314</u>
Total Debt Service	<u>1,405,314</u>
Total Expenditures	<u>5,898,027</u>
Net Change in Fund Balance	9,337,247
Fund balances, beginning of year	<u>28,617,520</u>
Fund balances, end of year	<u><u>\$ 37,954,767</u></u>

The accompanying notes are an integral part of these financial statements.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2009

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

Net change in fund balance for the governmental fund as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 9,337,247
The governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	<u>(7,554)</u>	(7,554)
Revenues in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental fund.		
Change in accrued interest on notes receivable	(204,498)	
Change in deferred revenue	<u>(385,276)</u>	(589,774)
The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on Net Assets.		
Accrued interest payable	(119,464)	
Repayment of principal	<u>540,000</u>	420,536
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 the governmental fund.		
Amortization of bond fees	(30,805)	
Change in other post employment (OPEB) liability	(32,162)	
Change in compensated absences	<u>(46,387)</u>	(109,354)
Changes in Net Assets of governmental activities as shown on the Statement of Activities		<u><u>\$ 9,051,101</u></u>

The accompanying notes are an integral part of these financial statements.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget to Actual
Governmental Fund-General Fund
For the Year Ended June 30, 2009

	2009 Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes	\$ 12,625,917	\$ 12,625,917	\$ 13,623,262	\$ 997,345
Interest and rent revenues	--	751,996	1,173,262	421,266
Intergovernmental	--	385,275	385,276	1
Miscellaneous	215,000	256,040	53,474	(202,566)
Total Revenues	12,840,917	14,019,228	15,235,274	1,216,046
Expenditures				
Current:				
General government:				
Salaries and wages	796,098	868,917	897,782	(28,865)
Employee benefits	357,590	370,561	328,534	42,027
Services and supplies	1,083,992	1,299,192	1,395,716	(96,524)
Program costs	2,095,374	5,256,532	1,870,681	3,385,851
Total General Government	4,333,054	7,795,202	4,492,713	3,302,489
Debt service:				
Principal payments	540,000	540,000	540,000	--
Interest payments	817,622	817,622	865,314	(47,692)
Total Debt Service	1,357,622	1,357,622	1,405,314	(47,692)
Capital Outlay	696,750	--	--	--
Total Expenditures	6,387,426	9,152,824	5,898,027	3,254,797
Net Change in Fund Balance	6,453,491	4,866,404	9,337,247	4,470,843
Fund balances, beginning of year	25,125,721	28,617,520	28,617,520	--
Fund balances, end of year	\$ 31,579,212	\$ 33,483,924	\$ 37,954,767	\$ 4,470,843

The accompanying notes are an integral part of these financial statements.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies**

The financial statements of the City of Henderson Redevelopment Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

The City of Henderson Redevelopment Agency is a blended component unit of the City of Henderson, Nevada and is governed by a five-member board composed of the four City Council members and the Mayor of the City of Henderson, Nevada.

On December 20, 1994, the City Council of the City of Henderson, acting pursuant to the provisions of the Nevada Community Redevelopment Law (NRS 279.382 to 279.680, inclusive), created by resolution the Henderson Redevelopment Agency (hereafter referred to as the Agency).

The Agency was established in the fiscal year 1996 as a separate and distinct legal entity to provide a diversified and strengthened economy in the central area of the City of Henderson, Nevada.

In October 1995, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Downtown Redevelopment Area. Subsequently, in November 2005, the Redevelopment Plan was amended to include 73.48 acres of newly annexed land to the Downtown Redevelopment Area.

In February 2001, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Cornerstone Redevelopment Area.

In March 2001, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Tuscany Redevelopment Area.

In February 2006, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Eastside Redevelopment Area.

In March 2009, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Eastside Redevelopment Area.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Government-Wide and Fund Financial Statements

The Statement of Activities demonstrates the degree to which the direct expenses of the General Government function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statement provides information about the governmental activity of the Agency. The Agency reports no business type activities.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies** (continued)

C. Measurement Focus and Basis of Accounting (continued)

susceptible to accrual because generally they are not measurable until received in cash.

Property tax revenue is recognized in the fiscal year in which the taxes become due to the extent they are collected during the fiscal year or soon enough thereafter that they can be used to finance current period expenditures (no later than sixty days after year-end).

The Agency reports deferred revenue in the fund financial statements balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Agency has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The Agency's General Fund is the primary operating fund. It accounts for all financial resources of the Agency.

E. Assets, Liabilities and Equity

1. Cash and Investments

The Agency participates in the City of Henderson's pooled cash fund. The City pools the majority of its cash resources with the cash resources of the Agency in order to facilitate the management of cash and maximize investment earning potential. Cash applicable to the Agency is readily identifiable. The balances in the pool are available to meet current operating requirements.

2. Property Taxes

The Agency's main source of revenue is ad valorem property taxes. The Nevada Tax Commission must certify all tax rates on June 25, and property is liened on July 1. Property taxes are levied in July and are payable to the County Treasurer in four installments during August, October, January and March. Apportionment of taxes by Clark County, to the Agency, is made on a monthly basis.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies** (continued)

E. Assets, Liabilities and Equity (continued)

The Agency receives that portion of ad valorem tax which is produced by the rate at which the tax is levied each year by all taxing entities in the redevelopment area, applied to that portion of the assessed valuation of all taxable property in the redevelopment area, which is in excess of the base year assessed valuation as certified by the Clark County Tax Assessor.

In the 2005 legislative session, the Nevada State Legislature passed a law to provide property tax relief to citizens. Assembly Bill 489, signed into law on April 6, 2005, provides a partial abatement of taxes by applying a 3% cap on the tax bill of the owner's primary residence (single-family house, townhouse, condominium or manufactured home). Only one property may be selected in the State of Nevada as a primary residence. Some rental dwellings that meet the low-income rent limits may also qualify for a 3% cap on the tax bill.

An 8% cap on the tax bill will be applied to residences that are not owner occupied. The 8% cap will also apply to land, commercial buildings, business personal property, aircraft, etc. New construction or property that has a change of use (zoning change or manufactured homed conversion) in the current year will not qualify for any cap until the following fiscal year.

3. Land Held for Resale

Land held for resale consists of property purchased in the defined redevelopment area with the intent that it will be transferred to the City or a developer in accordance with development agreements. The Development Disposition Agreements provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. The property is accounted for at the lower of cost, estimated net realizable value, or agreed-upon sales price if a disposition agreement has been made with a developer.

4. Capital Assets

Capital assets, which include land, improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies** (continued)

E. Assets, Liabilities and Equity (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

Improvements	5 to 15 years
Equipment	5 years

5. Compensated Absences

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick leave is accrued when incurred in the government-wide financial statements. In governmental funds, the current portion of compensated absences, vacation leave, and sick leave actually paid or accrued as a result of employees who have terminated, is recorded as a payroll expenditure.

6. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

For governmental fund types, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of bonds issued is reported as other financing sources, as are bond premiums. Bond discounts are recorded as other financing uses. Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

7. Equity Classifications

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 1: **Summary of Significant Accounting Policies** (continued)

E. Assets, Liabilities and Equity (continued)

7. Equity Classifications (continued)

- b. **Restricted Net Assets** – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Agency’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved. Reservations of fund balance consist of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

8. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2: **Stewardship, Compliance and Accountability**

A. Budgetary Information

An annual budget is legally adopted for the General Fund of the Agency on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

Prior to April 15, the Treasurer of the Agency submits a tentative budget for the Agency for the ensuing fiscal year to the Agency Board, the Nevada Department of Taxation and the Citizens via public hearings. The Nevada Department of Taxation notifies the Agency whether or not the budget is in compliance with the appropriate

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 2: **Stewardship, Compliance and Accountability**

A. **Budgetary Information** (continued)

regulations. Public hearings, at which all changes made to the tentative budget are indicated, are conducted on the third Tuesday in May. The Agency Board adopts the budget prior to June 1 and submits it to the Department of Taxation for final approval. The revenue classifications and expenditure functions shown in the financial statements are those prescribed by the Nevada Department of Taxation.

All revisions to the adopted budget are made a matter of public record by actions of the Agency Board. Per Nevada law, the budget officer is authorized to transfer budgeted amounts within functions if the Agency Board is notified at the next regular meeting and the action is noted in the official minutes. Revisions, which affect the total fund appropriations, are accomplished through formal Agency Board approval. Various supplemental appropriations were approved during the year to adjust resources available and to reflect corresponding changes in spending. Nevada law (NRS 354.626) requires budgetary control to be exercised at the function level in governmental funds.

The Agency uses an encumbrance system as an extension of normal budgetary accounting for the general fund. Under this system, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year end are recorded as reservations of fund balance as they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward in the ensuing year's budget.

B. **Compliance with the Nevada Revised Statutes and the Nevada Administrative Code**

The Agency conformed to all significant statutory constraints on its financial administration during the year.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 3: **Cash and Investments**

A. Summary of Deposit and Investment Balances

The following is a summary of the Agency's deposit and investment balances of the governmental activities as of June 30, 2009:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Pooled cash and investments held by the City of Henderson	\$ 694,897	\$ 21,477,183	\$ 22,172,080
Investments	<u>1,802,411</u>	<u>--</u>	<u>1,802,411</u>
	<u>\$ 2,497,308</u>	<u>\$ 21,477,183</u>	<u>\$ 23,974,491</u>

B. Deposits

State statutes govern the Agency's deposit policies. Agency monies must be deposited in insured banks and savings and loan associations. The Agency is authorized to use demand accounts, time accounts and certificates of deposit.

State statutes do not specifically require collateral for demand deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible state investments. Permissible state investments include obligations of the U.S. Treasury, certain farm loan bonds, certain securities issued by Nevada local governments, repurchase agreements, banker's acceptances, commercial paper, negotiable certificates of deposit, and money market mutual funds. Allowable Agency investments are similar except that some state investments are longer term and include securities issued by municipalities outside of Nevada.

The Agency invests monies on its own and through pooling of monies with the City of Henderson. The pooling of monies, referred to as an internal investment pool, is theoretically invested on the whole, as a combination of monies from each fund belonging to the pool. In this manner, the City of Henderson's Finance Director is able to invest the monies at a higher interest rate for a longer period of time. Interest revenue is apportioned monthly to each fund in the pool based on the average cash balance of the fund for the month.

C. Investments

State statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. Agencies having maturity dates that do not extend more than ten years from the date of purchase, the state treasurer's investment pool, negotiable notes or short-term negotiable bonds issued by other local governments of the State of Nevada, banker's acceptances not exceeding 180 days maturity and eligible by law for

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 3: **Cash and Investments** (continued)

C. Investments (continued)

rediscount with the Federal Reserve Banks and commercial paper issued by a corporation organized and operating in the U.S. that is purchased from a registered broker-dealer, with a remaining term of less than 270 days rated "A-1", "P-1" or better (purchases of banker's acceptances or commercial paper may not exceed 20 percent of the money available for local government investment). The Agency had no deposit or investment policy that addressed a specific type of risk.

At June 30, 2009, the Agency had the following investments:

	<u>Cost</u>	<u>Fair Value and Carrying Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Pooled cash and investments held by the City of Henderson	\$ 22,172,080	\$ 22,172,080	not rated	2.18
Investments held with Fiscal Agent Money market mutual fund	<u>1,802,411</u>	<u>1,802,411</u>	AAA	--
	<u>\$ 23,974,491</u>	<u>\$ 23,974,491</u>		

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 4: **Notes Receivable**

As incentives to accomplish redevelopment efforts, the Agency negotiates and issues low-interest notes to provide gap financing to developers; for business recruitment, retention and expansion; and, to owner-occupied residents for home improvements.

The Agency had notes receivable outstanding at June 30, 2009, as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Home Program Advances				
Principal	\$ 108,444	\$ --	\$ (35,547)	\$ 72,895
Interest	--	2,803	(2,803)	--
	<u>108,444</u>	<u>2,803</u>	<u>(38,350)</u>	<u>72,895</u>
Advances to individuals and businesses, payable in monthly installments for a term of generally five years, including interest at 6-8% ¹				
Principal	252,503	--	(135,299)	117,204
Accrued interest	--	7,626	(7,626)	--
	<u>252,503</u>	<u>7,626</u>	<u>(142,925)</u>	<u>117,204</u>
Advances to an LLC, maximum amount is \$950,000, payments deferred for five years. Accrued interest at 5.3% per year. ²				
Principal	950,000	--	(950,000)	--
Accrued interest	108,430	--	(108,430)	--
	<u>1,058,430</u>	<u>--</u>	<u>(1,058,430)</u>	<u>--</u>
Advances to an LLC, maximum amount is \$775,000, payments deferred 5 years. Accrued interest at 5.74% per year.				
Principal	775,000	--	--	775,000
Accrued interest	128,827	51,880	--	180,707
	<u>903,827</u>	<u>51,880</u>	<u>--</u>	<u>955,707</u>

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 4: **Notes Receivable** (continued)

	<u>Balance</u> <u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Investments in an LLC, no dividend participation during first 5 years. Redeemable at original investment plus 4% simple interest for first 5 years. Redeemable thereafter at equity share until 2014 ³				
Principal	\$ 600,000	\$ 850,000	\$ (600,000)	\$ 850,000
Interest	<u>50,000</u>	<u>24,000</u>	<u>(74,000)</u>	<u>--</u>
	<u>650,000</u>	<u>874,000</u>	<u>(674,000)</u>	<u>850,000</u>
Sale of land to an LLC, secured by guarantee agreement and deed of trust. Interest accrues at 4 84%. Principal and accrued interest are due April 10, 2012				
Principal	568,909	11,389	--	580,298
Interest	<u>65,514</u>	<u>34,256</u>	<u>--</u>	<u>99,770</u>
	<u>634,423</u>	<u>45,645</u>	<u>--</u>	<u>680,068</u>
Default loan, secured by lien on the Pinnacle building. Foreclosure proceedings were concluded during the year. ²				
Principal	2,613,086	--	(2,613,086)	--
Interest	<u>80,324</u>	<u>--</u>	<u>(80,324)</u>	<u>--</u>
	<u>2,693,410</u>	<u>--</u>	<u>(2,693,410)</u>	<u>--</u>
Total Balance Outstanding				
Principal	\$ 5,867,942	\$ 876,389	\$(4,348,932)	\$ 2,395,397
Accrued interest	<u>484,975</u>	<u>120,565</u>	<u>(273,183)</u>	<u>280,477</u>
	<u>\$ 6,352,917</u>	<u>\$ 996,954</u>	<u>\$(4,622,115)</u>	<u>\$ 2,675,874</u>

¹Due to the downturn in the economy, two businesses that received loans from the Agency failed. The Agency wrote off the loans in the principal amounts of \$54,343 and \$59,834, respectively. In both cases, the Agency received a partial collateral fulfillment of \$15,000 and \$35,450, respectively, from the businesses' assets.

²In 2004, the Agency approved the Disposition and Development Agreement for construction of the Pinnacle building located at 203 Water Street. The Agency provided the developer with a deferred loan of \$950,000 as well as a credit enhancement in the form of a guaranty agreement for the developer's construction and term loans in the event of default during construction, leasing or term out.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 4: **Notes Receivable** (continued)

In October 2007, the construction and term loans were in default and the developer was unable to cure the loans. It became necessary for the Agency to fulfill the guaranty on the loan with the lender, which when cured, would result in the Agency assuming ownership of the note. On December 31, 2007, the amount of \$2,588,656 was paid to the developer's lender. Payment resulted in the recording of a note receivable to the developer in the same amount plus default interest.

On August 29, 2008, the Agency implemented foreclosure proceedings against the developer by recording a notice of default under the terms of the deed of trust. The Agency retained the property acquired ownership through foreclosure on December 29, 2008, and, therefore, the notes were written off to land held for resale.

³On January 17, 2006, the Agency approved an Owner Participation Agreement with Asset Central LLC for the development of a three-story office building. Through the agreement, the Agency had a \$600,000 equity share of the project. The property was secured by a first deed of trust to a Nevada bank.

In February 2009, foreclosure proceedings were initiated by the Nevada bank against Asset Central LLC. The property consisting of vacant land was originally scheduled for sale in May 2009. To obtain control of the property before the foreclosure sale occurred, the Agency negotiated with the Nevada bank to purchase the note balance securing the first deed of trust for \$850,000. The purchase of the note resulted in the recording of a note receivable from Asset Central LLC in the same amount, as of June 30, 2009.

On July 18, 2009, the Agency implemented foreclosure proceedings against Asset Central LLC by recording a notice of default under the terms of the deed of trust. The default was not cured within the period allowed by law and the foreclosure sale occurred August 6, 2009 resulting in acquisition of the property for \$1.5 million by the Agency. At the time of acquisition, the outstanding balance of the notes, including interest was \$1,524,000; however, the Agency received an appraisal dated September 1, 2009 for the property in an amount of \$850,000. Therefore, the Agency completed a land write down as of June 30, 2009 to \$850,000 to more accurately reflect the Agency's financial position.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 5: Land Held for Resale

For the fiscal year ended June 30, 2009, the change in land held for resale consisted of the following:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Downtown Redevelopment Area:				
Water Street Commons	\$ 3,549,362	\$ --	\$ --	\$ 3,549,362
Lake Mead Parkway	195,721	--	--	195,721
Texas / Atlantic Parking	425,181	--	--	425,181
Pinnacle	--	3,934,751	--	3,934,751
Other	893,198	36,305	--	929,503
Total Downtown Area	5,063,462	3,971,056	--	9,034,518
Eastside Redevelopment Area	5,722,848	158,785	--	5,881,633
	<u>\$ 10,786,310</u>	<u>\$ 4,129,841</u>	<u>\$ --</u>	<u>\$ 14,916,151</u>

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, being depreciated:				
Building and improvements	\$ 226,621	\$ --	\$ --	\$ 226,621
Equipment	36,364	--	--	36,364
Total capital assets, being depreciated	262,985	--	--	262,985
Less accumulated depreciation:				
Building and improvements	(15,108)	(7,554)	--	(22,662)
Equipment	(36,364)	--	--	(36,364)
Total accumulated depreciation	(51,472)	(7,554)	--	(59,026)
Total capital assets, being depreciated, net	211,513	(7,554)	--	203,959
Governmental activities capital assets, net	<u>\$ 211,513</u>	<u>\$ (7,554)</u>	<u>\$ --</u>	<u>\$ 203,959</u>

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 7: Advances from City of Henderson

For the fiscal year ended June 30, 2009, the change in advances from the City of Henderson consisted of the following:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
\$733,536 2005 note payable, principal and interest deferred until September 2009 through September 2018, as amended, interest accrues at 6%.	\$ 791,593	\$ --	\$ (170,331)	\$ 621,262
\$2,588,656 note payable, principal and interest deferred until November 2012, or sale of property, whichever occurs first, interest accrues as 4.8%.	2,588,655	--	--	2,588,655
	<u>\$ 3,380,248</u>	<u>\$ --</u>	<u>\$ (170,331)</u>	<u>\$ 3,209,917</u>

On August 19, 2008, the Agency reevaluated the advance from the City dated September 15, 2004, in the amount of \$791,592. The Agency Board and City Council approved a loan amendment whereby the Agency would repay the Park Development Fund the principal amount of \$170,331 and accrued interest on the original maturity date of September 15, 2008. The remaining balance related to the Land Fund would receive the interest accrued through September 15, 2008 at that date, but the Agency would continue to owe the principal amount of \$621,262 at an interest rate of 6% to September 15, 2012, with the option to extend the maturity date two additional three-year periods at the sole option of the City. Interest would be accrued and paid upon maturity or at extension date.

On November 20, 2007, the Agency borrowed \$2,588,655 from the City of Henderson's Land fund. The purpose of the loan was to fund the payment of amounts due under a guarantee agreement entered into on July 13, 2005. Interest accrues at 4.8% per year. All principal outstanding and interest accrued are due and payable on the earlier of the sale of the Pinnacle Building property or November 20, 2012.

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Notes to Financial Statements
For The Year Ended June 30, 2009

Note 8: Long Term Liabilities

The following schedule summarizes the changes in long-term debt of the Agency:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Current Portion
\$4,295,000 2002 junior bonds due in annual installments beginning October 2006 through October 2025; interest varies between 5.1% and 7.2%	\$ 4,060,000	\$ --	\$ (125,000)	\$ 3,935,000	\$ 135,000
\$12,045,000 senior bonds due in annual installments beginning October 2006 through October 2025; interest varies between 3.5% and 5.25%	<u>11,260,000</u>	<u>--</u>	<u>(415,000)</u>	<u>10,845,000</u>	<u>430,000</u>
Total Long Term Debt	15,320,000	--	(540,000)	14,780,000	565,000
Compensated absences	163,719	55,621	(9,234)	210,106	12,858
OPEB	<u>28,214</u>	<u>36,157</u>	<u>(3,995)</u>	<u>60,376</u>	<u>--</u>
Total Long Term Liabilities	<u>\$ 15,511,933</u>	<u>\$ 91,778</u>	<u>\$ (553,229)</u>	<u>\$ 15,050,482</u>	<u>\$ 577,858</u>

The annual requirements to pay principal and interest on the outstanding bonds and notes payable are as follows:

Fiscal Year Ending	Bonds		
	Principal	Interest	Total
2010	\$ 565,000	\$ 793,175	\$ 1,358,175
2011	590,000	765,671	1,355,671
2012	615,000	735,127	1,350,127
2013	650,000	702,790	1,352,790
2014	680,000	669,121	1,349,121
2015-2019	3,975,000	2,761,069	6,736,069
2020-2024	5,190,000	1,505,891	6,695,891
2025-2027	<u>2,515,000</u>	<u>148,533</u>	<u>2,663,533</u>
	<u>\$ 14,780,000</u>	<u>\$ 8,081,377</u>	<u>\$ 22,861,377</u>

Note 9: Retirement Plan

The Agency, as a component unit of the City of Henderson, is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing multiple-employer defined benefit plan administered by PERS. All full-time employees are covered under the system. In addition, any part-time employees working at least twenty hours per week are covered. The City has no liability for unfunded obligations of the system as provided by Nevada Revised Statute (NRS) 286.110.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 9: **Retirement Plan** (continued)

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefits payments to which participants may be entitled under the Plan include pension benefits, disability benefits and death benefits.

Member contribution rates are established by NRS 286.450, which requires adjustments on each odd numbered year based on the actuarially determined contribution rate indicated in the biennial actuarial valuation. The Agency is enrolled in the employer pay contribution plan of PERS and is, therefore, required to contribute all amounts due under the Plan. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

The Agency's contribution rates and amounts contributed for the last three years are as follows:

<u>Fiscal Year</u>	<u>Contribution Rate</u>	<u>Total Required Contribution</u>	<u>Actual % Contributed of Required Contribution</u>
2008/09	20.50%	\$173,026	100%
2007/08	20.50%	\$149,746	100%
2006/07	19.75%	\$125,345	100%

Note 10: **Other Post-Employment Benefits (OPEB)**

The City of Henderson's annual OPEB cost for the fiscal year ended June 30, 2009, is \$6,175,050, of which the Agency's share is \$36,157. Amounts unpaid are recorded as a liability on the Statement of Net Assets.

The Agency's net OPEB obligation for the years ended June 30, 2009 and 2008, is as follows:

<u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation</u>
2009	\$ 36,157	\$ 3,995	11.05%	\$ 60,376
2008	30,506	2,292	7.51%	28,214

Additional information can be obtained from the City's Comprehensive Annual Financial Report, available from the Finance Department.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 11: Risk Management

The Agency is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions. The Agency is covered under the City of Henderson's insurance policies, which provide health insurance coverage for its employees. The City carries insurance policies for liability, fire, theft, auto, inland marine, workers' compensation and Directors' and Officers' coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years for the Agency.

Note 12: Commitments and Contingencies

The Agency has entered into tax increment subordinate lien notes as part of owner participation agreements. The notes varied by amount of indebtedness, interest rate and maturity date and have been allocated to various parcels of land in their respective redevelopment area. The indebtedness is payable solely and exclusively from a predetermined percentage of the site tax increment received by the Agency on those specific parcels and is not payable from any other source. Because the requirements to repay the notes are contingent on the Agency receiving sufficient site tax increment on the specific parcels, these potential future obligations of the Agency have not been reflected in the Agency's financial statements. Instead, payments are charged to program costs when paid. The following summarizes the unique terms of each note:

- CS Lot 1 Land Purchase Note – Promissory note entered into on March 20, 2001, in the amount of \$3,100,000, payable over ten years. Interest at 9.5% accrues unless the Developer fails to meet the Private Improvement Schedule set forth in the note. The percentage of Site Tax Increment from which the note is to be paid is 25%. The proceeds from the note were used to purchase land, upon which a public improvement project will be built by the Developer. All unpaid principal and interest that remains due thirty years (30) after the date of the adoption of the Cornerstone Redevelopment Plan will be forgiven and deemed paid in full.
- In 2005, the Agency entered into an agreement with Cornerstone Partners I, LLC to forgive \$744,486 in accrued interest to facilitate the rezoning of Lot 1 with residential improvements in exchange for the expected decrease in site tax increment. During the year, the Agency received site tax increment revenue and paid \$189,171 which was charged to program costs. Current balance on the CS Lot 1 Note at June 30, 2009 was \$3,477,448. Currently, interest is tolling since the developer has not met the private improvements criteria set forth in the note.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 12: **Commitments and Contingencies** (continued)

- Series B Bonds Note – Promissory note entered into on May 9, 2002, in the amount of \$6,250,000, payable over sixteen years. Interest at 6.9% accrues beginning December 1, 2002. The note is equal to the proceeds of the Series B Bonds issued by the City of Henderson. A separate agreement signed by the Developer and the City of Henderson assigned all payments on this note to the City of Henderson as an offset to the principal and interest payments the City is obligated to pay on the Series B Bonds. The percentage of Site Tax Increment from which the note is to be paid is 40%. During the year the Agency received site tax increment revenue and paid \$238,858 in interest which was charged to program costs.
- Shortfall Note – Promissory note, which provides that the property owners will advance the Agency the amount of the payments due on the Series B Bonds Note when due, reduced by the available site tax increment received by the Agency. Interest at 6.9% accrues unless the Developer fails to meet the Private Improvement Schedule set forth in the note. The amount from which the note is to be paid is the remainder of 40% of the site tax increment after payment on the Series B Bond Note. The property owners advanced the Agency \$361,891 for payment due on the Series B Bond Note during the fiscal year. Current balance on the shortfall note at June 30, 2009 was \$3,029,311. Currently, interest is tolling since the developer has not met the private improvements criteria set forth in the note.
- Promissory note entered into on April 10, 2007 with Diamond Cornerstone, LLC, in the amount of \$274,002, maturing October 1, 2030. Interest accrues at 4.51%. Repayment is due on April 1 and October 1 of each year. All amounts owing, including interest, are subordinate to CS Lot 1 Promissory Note, the Shortfall Promissory Note and the 18% housing set-aside and no payment is due until these existing indebtedness have been satisfied. The Agency's obligation is wholly contingent and dependent upon the receipt of site tax increment. Provided that there are no other defaults under the notes, the Developer is to forgive any and all amounts due under the notes, including accrued interest, penalties and fees. During the year the Agency received site tax increment revenue and paid \$2,471 in interest which was charged to program costs. Current balance on the Diamond Cornerstone at June 30, 2009 was \$300,150.

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Notes to Financial Statements
For The Year Ended June 30, 2009

Note 12: **Commitments and Contingencies** (continued)

- Commitment – On October 16, 2008, the Agency entered into an Owner Participation Agreement with Landwell LLC which provides that the Agency reimburse the developer up to \$170 million for public improvements from 50% of the tax increment received from the project. Interest is at 8% but will toll when interest reaches \$39 million in total. As of June 30, 2009, the Developer has not completed any public improvements, however the Agreement provides that the Agency set aside 50% of the tax increment received from the project on October 1 and April 1 as restricted cash until such times that a reimbursement is submitted and approved. To date, \$412,960 has been placed in the restricted cash account. The Agency's obligation is wholly contingent and dependent upon receipt of project site tax increment. All unpaid principal and interest that remains owed thirty (30) years after the date of adoption of the Eastside Redevelopment Plan will be forgiven and deemed paid in full.

Note 13: **Subsequent Events**

On January 17, 2006, the Agency approved an Owner Participation Agreement with Asset Central LLC for the development of a three-story office building. Through the agreement, the Agency had a \$600,000 equity share of the project. The property was secured by a first deed of trust to a Nevada bank.

In February 2009, foreclosure proceedings were initiated by the Nevada bank against Asset Central LLC. The property consisting of vacant land was originally scheduled for sale in May 2009. To obtain control of the property before the foreclosure sale occurred, the Agency negotiated with the Nevada bank to purchase the note balance securing the first deed of trust for \$850,000. The purchase of the note resulted in the recording of a note receivable from Asset Central LLC in the same amount, as of June 30, 2009.

On July 18, 2009, the Agency implemented foreclosure proceedings against Asset Central LLC by recording a notice of default under the terms of the deed of trust. The default was not cured within the period allowed by law and the foreclosure sale occurred August 6, 2009 resulting in acquisition of the property for \$1.5 million by the Agency. At the time of acquisition, the outstanding balance of the notes, including interest was \$1,524,000; however, the Agency received an appraisal dated October 1, 2009 for the property in an amount of \$850,000. Therefore, the Agency completed a land write down as of June 30, 2009, to \$850,000 to more accurately reflect the Agency's financial position.

SUPPLEMENTAL INFORMATION

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Balance Sheet - By Project Area
Governmental Fund-General Fund
June 30, 2009

	<u>Downtown</u>	<u>Tuscany</u>	<u>Cornerstone</u>	<u>Eastside</u>	<u>Administration</u>	<u>Total</u>
ASSETS						
Cash and Investments	\$ 8,631,603	\$ 8,847,478	\$ 931,836	\$ 5,563,574	\$ --	\$ 23,974,491
Accounts receivable	5,275	--	--	641	6,133	12,049
Interest receivable	41,441	50,108	3,565	27,231	--	122,345
Notes receivable	2,362,468	--	--	32,929	--	2,395,397
Due from other governments	50,091	4,183	3,386	44,986	--	102,646
Due to/from other funds	6,133	--	--	--	(6,133)	--
Land held for resale	<u>9,034,518</u>	<u>--</u>	<u>--</u>	<u>5,881,633</u>	<u>--</u>	<u>14,916,151</u>
Total assets	<u>\$ 20,131,529</u>	<u>\$ 8,901,769</u>	<u>\$ 938,787</u>	<u>\$ 11,550,994</u>	<u>\$ --</u>	<u>\$ 41,523,079</u>
LIABILITIES						
Accounts payable and accrued wages	\$ 27,706	\$ 1,380	\$ --	\$ 20,774	\$ 53,123	\$ 102,983
Deposits held for others	200,000	--	--	--	--	200,000
Due to other agencies	--	--	55,412	--	--	55,412
Advances from City of Henderson	<u>3,209,917</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,209,917</u>
Total liabilities	<u>3,437,623</u>	<u>1,380</u>	<u>55,412</u>	<u>20,774</u>	<u>53,123</u>	<u>3,568,312</u>
FUND BALANCES						
Reserved for:						
Land held for resale	9,034,518	--	--	5,881,633	--	14,916,151
Debt service	1,377,783	--	--	--	--	1,377,783
Notes receivable	2,362,468	--	--	32,929	--	2,395,397
Encumbrances	9,734	--	56,404	9,998	--	76,136
Unreserved and undesignated	<u>3,909,403</u>	<u>8,900,389</u>	<u>826,971</u>	<u>5,605,660</u>	<u>(53,123)</u>	<u>19,189,300</u>
Total fund balances	<u>16,693,906</u>	<u>8,900,389</u>	<u>883,375</u>	<u>11,530,220</u>	<u>(53,123)</u>	<u>37,954,767</u>
Total liabilities and fund balances	<u>\$ 20,131,529</u>	<u>\$ 8,901,769</u>	<u>\$ 938,787</u>	<u>\$ 11,550,994</u>	<u>\$ --</u>	<u>\$ 41,523,079</u>

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Statement of Revenues, Expenditures, and
Changes in Fund Balance - By Project Area
Governmental Fund - General Fund
For the Year Ended June 30, 2009

	Downtown	Tuscany	Cornerstone
Revenues			
Tax increment	\$ 4,405,124	\$ 2,986,101	\$ 1,207,757
Interest and rent revenue	645,936	324,510	26,050
Intergovernmental	385,276	--	--
Miscellaneous	53,474	--	--
Total Revenues	<u>5,489,810</u>	<u>3,310,611</u>	<u>1,233,807</u>
Expenditures			
Current:			
General government:			
Salaries and wages	154,998	--	--
Employee benefits	55,927	--	--
Services and supplies	722,829	2,480	11,014
Program costs	1,213,568	4,777	430,002
Total General Government	<u>2,147,322</u>	<u>7,257</u>	<u>441,016</u>
Debt service:			
Principal payments	540,000	--	--
Interest payments	865,314	--	--
Total Debt Service	<u>1,405,314</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>3,552,636</u>	<u>7,257</u>	<u>441,016</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,937,174</u>	<u>3,303,354</u>	<u>792,791</u>
Other Financing Sources and Uses:			
Transfer from other RDA funds	--	--	--
Transfer to other RDA funds	(221,160)	(298,610)	(60,388)
Total Other Financing Sources and Uses	<u>(221,160)</u>	<u>(298,610)</u>	<u>(60,388)</u>
Net Change in Fund Balance	1,716,014	3,004,744	732,403
Fund balances, beginning of year	<u>14,977,892</u>	<u>5,895,645</u>	<u>150,972</u>
Fund balances, end of year	<u>\$ 16,693,906</u>	<u>\$ 8,900,389</u>	<u>\$ 883,375</u>

continued

THE CITY OF HENDERSON REDEVELOPMENT AGENCY
(A Component Unit of the City of Henderson, Nevada)

Statement of Revenues, Expenditures, and
Changes in Fund Balance - By Project Area
Governmental Fund - General Fund (continued)
For the Year Ended June 30, 2009

	Eastside	Administration	Total
Revenues			
Tax increment	\$ 5,024,280	\$ --	\$ 13,623,262
Interest and rent revenue	176,551	215	1,173,262
Intergovernmental	--	--	385,276
Miscellaneous	--	--	53,474
Total Revenues	<u>5,200,831</u>	<u>215</u>	<u>15,235,274</u>
Expenditures			
Current:			
General government:			
Salaries and wages	112,370	630,414	897,782
Employee benefits	48,149	224,458	328,534
Services and supplies	271,259	388,134	1,395,716
Program costs	433,147	(210,813)	1,870,681
Total General Government	<u>864,925</u>	<u>1,032,193</u>	<u>4,492,713</u>
Debt service:			
Principal payments	--	--	540,000
Interest payments	--	--	865,314
Total Debt Service	<u>--</u>	<u>--</u>	<u>1,405,314</u>
Total Expenditures	<u>864,925</u>	<u>1,032,193</u>	<u>5,898,027</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,335,906</u>	<u>(1,031,978)</u>	<u>9,337,247</u>
Other Financing Sources and Uses:			
Transfer from other RDA funds	--	864,428	864,428
Transfer to other RDA funds	(284,270)	--	(864,428)
Total Other Financing Sources and Uses	<u>(284,270)</u>	<u>864,428</u>	<u>--</u>
Net Change in Fund Balance	4,051,636	(167,550)	9,337,247
Fund balances, beginning of year	<u>7,478,584</u>	<u>114,427</u>	<u>28,617,520</u>
Fund balances, end of year	<u>\$ 11,530,220</u>	<u>\$ (53,123)</u>	<u>\$ 37,954,767</u>

OTHER REPORTS



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

Members of the City of Henderson
Redevelopment Agency Board
City of Henderson, Nevada

We have audited the accompanying financial statements of the City of Henderson Redevelopment Agency (the "Agency"), a component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 27, 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 Agency's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Members of the City of Henderson
Redevelopment Agency Board
City of Henderson, Nevada

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Gallina LLP

Roseville, California
October 27, 2009

AUDITOR'S COMMENTS

AUDITOR'S COMMENTS

STATUTE COMPLIANCE

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 (b) to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

There were no potential statute violations reported in the June 30, 2008 audit report.

PRIOR YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 2008.

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within this audit report.