

**HENDERSON COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

**HENDERSON COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

Prepared by: Finance Department
Finance Director: J. Carey McLelland

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>	
Introductory Section:		
Letter of Transmittal	i-vii	
Organizational Chart	viii	
List of Principal Officials	ix	
2010 GFOA Certificate of Achievement for Excellence in Financial Reporting	x	
Financial Section:		
Independent Auditors' Report	1-2	
Management's Discussion and Analysis	3-15	
<u>Exhibit</u>		
Basic Financial Statements - Overview		
Government-Wide Financial Statements:		
A	Statement of Net Assets	16
B	Statement of Activities	17-18
Fund Financial Statements:		
C	Balance Sheet - Governmental Funds	19
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	21
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	22
G	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Annually Budgeted Major Special Revenue Fund	23
H	Statement of Net Assets - Proprietary Funds	24

HENDERSON COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Fund Financial Statements - continued:	
I	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	25
J	Statement of Cash Flows - Proprietary Funds	26-27
K	Statement of Fiduciary Net Assets - Fiduciary Funds	28
	Notes to the Financial Statements	29-70
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress	71
A-2	Other Post-Employment Benefits - Retiree Health Plan Required Supplementary Information - Schedule of Funding Progress	72
	Supplementary Information:	
	General Fund:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	73-83
	Major Funds:	
B-2	General Capital Projects Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	84
B-3	School Capital Projects Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	85

HENDERSON COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Special Revenue Funds:	
C-1	Combining Balance Sheet - Nonmajor Governmental Funds	86-87
C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	88-89
C-3	Revaluation Reserve Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
C-4	Travel and Tourism Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91
C-5	CDBG - Scattered Site Housing Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
C-6	CDBG - The Warm Company SBEA Projects: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
C-7	Mud Creek Watershed Restoration Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94
C-8	Emergency Telephone System Fund (E-911): Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95
C-9	Public Transit Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
C-10	Immigration Customs Enforcement Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	97

HENDERSON COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Supplementary Information - continued:	
C-11	CDBG - Water/Sewer Hookup: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	98
C-12	Capital Reserve Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	99
	Debt Service Fund:	
D-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	100
	Enterprise Funds:	
E-1	Landfill Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	101
E-2	Cane Creek Water and Sewer District Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	102
E-3	Justice Academy Sewer Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	103
	Agency Funds:	
F-1	Combining Statement of Changes in Asset and Liabilities	104-105
	Additional Financial Data:	
G-1	Schedule of Ad Valorem Taxes Receivable - General Fund	106
G-2	Analysis of Current Tax Levy	107
G-3	Analysis of Current Tax Levy - County-Wide Levy	108
H-1	Discretely Presented Component Unit - Henderson County Hospital Corporation Schedule of Revenues and Expenditures - Budget and Actual	109

HENDERSON COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

<u>Table</u>	Statistical Section:	<u>Page</u>
1	Net Assets by Components	110
2	Changes in Net Assets	111-112
3	Fund Balances, Governmental Funds	113-114
4	Changes in Fund Balances, Governmental Funds	115-116
5	Assessed Value and Estimated Actual Value of Taxable Property	117-118
6	Direct and Overlapping Property Tax Rates	119-120
7	Principal Property Taxpayers	121-122
8	Property Tax Levies and Collections	123-124
9	Ratio of Outstanding Debt by Type	125-126
10	Ratios of General Bonded Debt Outstanding	127
11	Legal Debt Margin Information	128-129
12	Direct and Overlapping Governmental Activities Debt	130
13	Demographic and Economic Statistics	131
14	Principal Employers	132
15	Full-Time Equivalent County Government Employees by Function/Program	133-134
16	Operating Indicators by Function	135-136
17	Capital Asset Statistics by Function	137-138

This page was left blank intentionally.

INTRODUCTORY SECTION

This page was left blank intentionally.

HENDERSON COUNTY
FINANCE DEPARTMENT

HISTORIC COURTHOUSE ANNEX
113 NORTH MAIN STREET
HENDERSONVILLE, NC 28792

PHONE: 828-697-4821
FAX: 828-697-4569

November 18, 2011

To the Henderson County Board of Commissioners and the
Citizens of Henderson County, North Carolina

The Comprehensive Annual Financial Report of Henderson County, North Carolina, for fiscal year ended June 30, 2011 is hereby submitted. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

However, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Henderson County. To provide a reasonable basis for making these representations, the management of Henderson County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operation of the various funds of Henderson County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The goal of the independent audit was to provide reasonable assurance that the financial statements of Henderson County for the fiscal year ended June 30, 2011 are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unqualified opinion that Henderson County's financial statements for the year ended June 30, 2011 are fairly presented in conformity with GAAP.

The County is required to undergo an annual single audit in conformity with the provisions of the Revised State Single Audit Implementation Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and independent auditors' reports on internal control and compliance with applicable laws and regulations are presented in the compliance section of this document.

For financial reporting purposes, in accordance with Governmental Accounting Standard Board, the County includes all funds of the primary government, as well as any component units. Component units are legally separate entities for which the primary government is financially accountable. For the fiscal year ended June 30, 2011, there is one blended component unit, the Cane Creek Water and Sewer District, and one discretely presented component unit, the Henderson County Hospital Corporation, which are required to be presented in the County's combined financial statements. The water and sewer district exists to provide and maintain water and sewer systems for county residents within the district. The County's Board of Commissioners serves as the governing board for the district. The district is reported as an Enterprise Fund in the County's financial statements. Henderson County Hospital Corporation is reported in the financial statements in a manner similar to a proprietary fund. The Board of Commissioners appoints the members of the Hospital Board. The County retains title to the Hospital facilities and leases them back to the Hospital for its operations. The Hospital has title to all personal property.

The Henderson County Industrial Facility and Pollution Control Financing Authority is also a component unit of Henderson County; however, this authority has no financial transactions or account balances and is therefore not reported in the financial statements.

The Henderson County Governmental Financing Corporation is also a component unit of Henderson County. The Corporation is governed by a board of directors whose three members serve for three years, or until successors are elected. The three members are appointed by the Henderson County Board of Commissioners. The Corporation has no assets or liabilities. All rights, title and interest to all financing contracts with the County have been assigned to various bank trustees. All financing arrangements with the County have been disclosed in the accompanying notes to the combined financial statements.

The Governmental Accounting Standards Board issued Statement 45 in 2004, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. FY2009 was the implementation year for Henderson County. Statement 45 requires the County to disclose an actuarial estimate of the net liability for other post-employment benefits (OPEB), i.e. health insurance coverage, for all eligible personnel at fiscal year end.

DESCRIPTION OF THE COUNTY

Henderson County was established in 1838 and is located in the western portion of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. It has land area of 375 square miles and a population of 107,177. There are five municipalities within the County, the largest being the city of Hendersonville, which serves as the county seat. The County has a commissioner/manager form of government. The five members of the Board of Commissioners are elected from districts on a partisan basis and serve staggered four-year terms. Commissioners hold policy-making and legislative authority. They are responsible for adopting the annual budget ordinance and appointing the county manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.

The County provides the citizens with a wide range of services that include public safety, health and social services, planning and development, environmental protection, cultural and recreational activities, and others. Public safety, human services, education and debt service represent the majority of the annual budget. This report includes all the County activities in maintaining these services. The County also extends financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. Among those receiving the largest support are the Henderson County Board of Public Education, Blue Ridge Community College and Western Highlands Local Management Entity.

ECONOMIC CONDITIONS AND OUTLOOK

The County, located just south of Asheville, North Carolina, is within one hours driving time of Asheville and Greenville or Spartanburg, South Carolina. The cities of Charlotte, North Carolina and Knoxville, Tennessee are approximately two hours driving distance away. The County's current economic condition is based on various factors, including the construction and remodeling values of new and existing homes and businesses, new and expanding manufacturing facilities, and unemployment rates.

A balanced economic base of agriculture, tourism and manufacturing contributes to growth in the local economy. There are currently 557 farms that generate over \$100 million in cash receipts annually while spending over \$80 million in cash receipts every year, most of it locally. There are 37,947 acres of active farmland which utilizes 16 percent of the County's 375 square mile land base. The main agricultural income in the County continues to be produced from greenhouses and nurseries at \$52.2 million and vegetables, tree fruits and commercial cranberry production at \$37.4 million.

Travel and tourism continues to be the second largest industry in North Carolina. The County's tourism industry continues to be strong due to its location, seasonal climate, and the variety of activities to do and sights to see. The travel and tourism industry employs more than 1,970 in Henderson County which ranks 16th in travel impact among North Carolina's 100 Counties. The benefit derived from tourists visiting the County in FY2011 increased by 3.1 percent over the previous fiscal year. Our local Travel and Tourism Department does an excellent job of promoting the County and surrounding areas. The County is home to the State Theater of North Carolina, the

Flat Rock Playhouse and Carl Sandburg’s Home, a national historic site. The world renowned Biltmore Estate is just a short drive in a neighboring County. There are a number of camps, hiking trails and waterfalls to view in and around the County. The most current value by the State of North Carolina of the economic impact of tourism to the County is estimated to be \$203.1 million

**HENDERSON COUNTY, NORTH CAROLINA
CHART OF NEW CONSTRUCTION VALUES AND UNEMPLOYMENT RATES**

<u>Fiscal Year</u>	<u>Permits</u>	<u>Dollar Value</u>	<u>Unemployment Rates</u>
2011	248	\$71,304,148	7.9%
2010	694	\$63,641,640	8.4%
2009	380	\$89,643,301	9.3%
2008	899	\$244,871,832	4.6%
2007	1,350	\$262,826,473	3.6%

The number of permits issued for new residential and commercial construction was down from FY2010; however the total dollar value of those new permits increased by \$7.6 million or 12 percent. The local unemployment rate improved slightly during the fiscal year, but still remained at a high level as employers continue to be cautious on expanding and hiring new employees due to the slow economic recovery.

Manufacturing continues to rank first in employment with a current annual estimated value of \$243.8 million. The County continues to offer and provide economic incentive payments to companies based on the number of new hires and the total new taxable investment planned in an effort to attract new industry and to help existing industry to expand. The primary reasons and criteria for offering these incentives are to attract industry with higher paying jobs that have operations which will cause little or no environmental impact. The expansion of existing industry has been the primary focus and recipient of economic incentive payments provided by the Board of Commissioners in the recent past. The following table lists the major manufacturing employers in the County:

<u>Company Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Wilsonart International	Laminated plastics	590
Continental Teves, Inc.	Automotive brake systems	584
Meritor Vehicle Systems	Truck axles	523
UPM Raflatac, Inc.	Paper products	400
Kimberly-Clark	Health products	191
Borg-Warner	Automotive cooling systems	190
Manual Woodworkers	Wooden crafts and woven products	182
Kyocera Feldmuehle, Inc.	Industrial ceramics	181
Printpack, Inc.	Paper products	133

MAJOR INITIATIVES

FOR THE YEAR. The Board of Commissioners adopted a balanced budget for the fiscal year with no change in the county-wide ad valorem property tax rate of 46.2 cents per \$100 dollars of valuation. Total General Fund revenues increased by only \$413,618 over the previous fiscal year or less than one percent. Total General Fund expenditures increased by \$2.7 million or 2.6 percent over FY2010 primarily due to new debt service for school system and community college capital projects. Total General Fund Balance increased by \$126,002 to \$37,168,139 while the Unassigned amount available for appropriation increased by \$3.35 million to \$26,849,372. All other Governmental Funds ended the fiscal year in a positive financial position. The County's three Enterprise Funds continued to be self-supporting in FY2011 while increasing net assets at fiscal year-end with exception of the Landfill Fund which has a funded \$4 million multi-year capital improvement project in process.

Construction of a new 60,000 square foot Law Enforcement Center to consolidate all of the Sheriff's Department Divisions and repairs and renovations to the former Public Health Department Building to be utilized as a Court Services Center began in the second quarter of FY2011. Both capital projects are expected to be completed in the first quarter of FY2012. A combination of \$7.5 million in financing by the County and funds from the County's Capital Reserve Fund were used to pay the capital costs for these two projects.

A total of \$6 million was financed by the County to repair facilities for the public schools system-wide and to repair facilities campus-wide at Blue Ridge Community College. The public school system repairs were completed in FY2011 while the community college facility repairs will be completed in FY2012.

A new classroom facility at Apple Valley Middle and North Henderson High Schools, which was constructed due to increased student growth in this area of the County, was completed in August 2011 in time for the start of the new school year. This two-story classroom building will be utilized by both schools on the existing co-located campus. Also, a major waterline infrastructure repair project at the same two schools was completed in FY2011. The County financed \$7 million to fund these school capital projects.

The Board's Debt Capacity Policy states that total outstanding debt may not exceed 3 percent of the total assessed property value for the fiscal year and total debt service payments may not exceed 15 percent of total General Fund expenditures. Both of these debt capacity measures were met for FY2011.

FOR THE FUTURE. The Board has again exercised caution in planning for the FY2012 budget by appropriating revenues more conservatively without any tax increase during the first year of a new revaluation cycle. County Departments, the public school system, the community college and other outside agencies were charged by the Board to cut operating budgets by 7.5 percent. However, the Board had to appropriate \$3.1 million in Unassigned General Fund Balance to balance the FY2012 budget primarily to cover a shortfall in sales tax revenues, a decrease in federal and state program revenues and additional debt service required for County capital projects. The continued slow economic recovery and the uncertainty in future sales tax revenues and federal and state appropriations, the current market values on real property coupled

with almost no turnaround in residential and commercial capital investment activity will continue to place pressure on the ad valorem property tax rate and the County's reserves if the County is to continue providing the current level of services without another major cut in future fiscal year operating budgets.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

FUND BALANCE. Fund balance should always be measured based on the portion that is available for appropriation at the end of the fiscal year. The Board's Fund Balance Policy is to have at least 12 percent in General Fund Unassigned Fund Balance available for appropriation at fiscal year-end. Henderson County had \$26.8 million in Unassigned General Fund Balance or 24.92 percent of total General Fund expenditures including transfers to other funds. The Local Government Commission of the North Carolina Department of State Treasurer recommends that local governments have at least 8 percent of General Fund Expenditures in Unassigned General Fund Balance available for appropriation.

OTHER POSTEMPLOYMENT BENEFITS. Henderson County maintains a retiree medical plan in which the County pays 100 percent of the employee-only coverage for retirees until age 65. In general, retirees must have at least 30 years of service with the County or are at least 55, but not Medicare eligible, with a minimum of 10 years of service with the County and have a combined age and years of service total of at least 70. Retired employees meeting these criteria will be provided hospitalization in the same manner as active County employees. The County pays 100 percent of the payments for any retiree with 30 or more years of service with the County or a combined age and years of service total of at least 80. Reduced contribution rates are made by the County for retirees with a combined age and years of service that total 70 or 75 at retirement. In fiscal year ended June 30, 2009, the County adopted procedures under Governmental Accounting Standards Board (GASB) Statements No. 43 and 45 for reporting and accounting for other post-employment benefits (OPEB). This is the second year the County has been reporting according to these OPEB requirements.

OTHER INFORMATION

INDEPENDENT AUDIT. State statutes require an annual audit by independent certified public accountants. The firm of Martin Starnes & Associates, CPAs, P.A. was selected by the government's management. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Revised State Single Audit Implementation Act of 1996 and the related U. S. Office of Management and Budget's Circular A-133. Auditing standards generally accepted in the United States of America and the standards set forth in Government Auditing Standards, issued by the Comptroller General of the United States, were used by the auditors in conducting the engagement. The auditor's report on the

general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in the compliance section of this report.

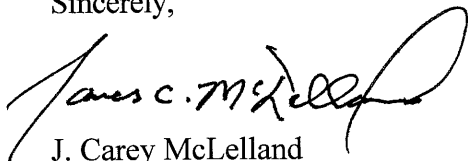
AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2010. This was the twenty-second consecutive year Henderson County received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

USE OF THE REPORT. The Government Finance Officers Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. We agree with this direction, and in keeping with our past practice, have made available a copy of this report to each of you, bond rating agencies, the Local Government Commission, and other financial institutions which have expressed an interest in Henderson County's financial affairs.

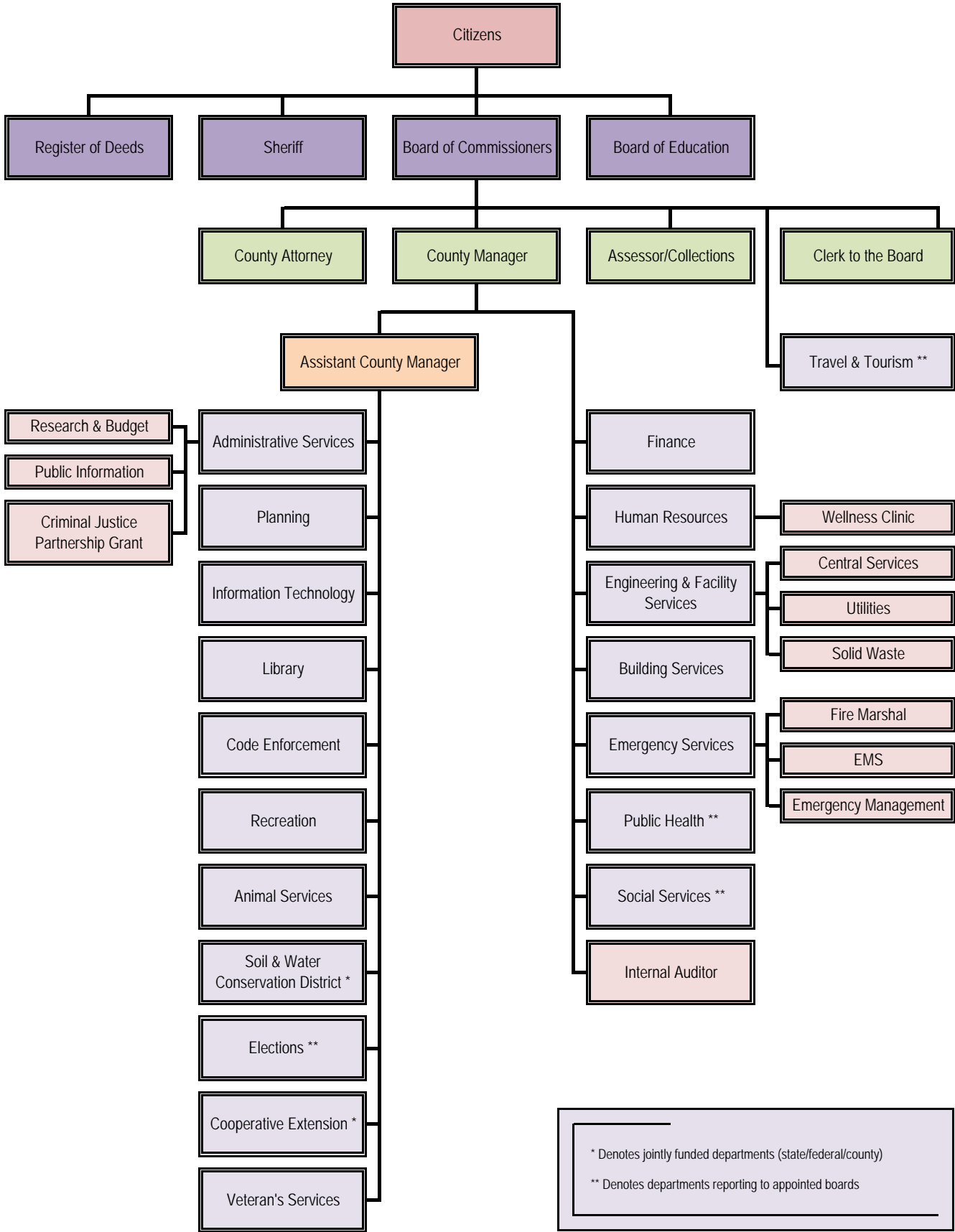
ACKNOWLEDGMENTS. A combined effort of Martin Starnes & Associates, CPAs, P.A., the Henderson County Finance Department Staff, the Internal Auditor and County Departments made preparation of this comprehensive annual financial report possible. Each has my sincere appreciation for their contributions made towards the completion of this report.

In closing, I wish to thank the Board of Commissioners for their leadership in making Henderson County a fiscally sound, well-governed community. Without the support of the Board of Commissioners and County Management, preparation of this report would not have been possible.

Sincerely,



J. Carey McLelland
Finance Director



HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2011

Board of Commissioners

Chairman.....	J. Michael Edney
Vice Chairman	Thomas H. Thompson
Commissioner	William O'Connor
Commissioner	Larry R. Young
Commissioner	Charles D. Messer

County Officials

County Manager.....	Steven D. Wyatt
Interim Assistant County Manager	David Whitton
Building Services Director.....	Thomas Staufner
Central Services Manager	Greg Wiggins
Clerk to the Board.....	Theresa Wilson
Clerk of Court	Kimberly G. Justice
Code Enforcement Director	Toby Linville
Cooperative Extension Director.....	Marvin Owings, Jr.
County Assessor/Tax Collector	Stan Duncan
County Attorney.....	C. Russell Burrell
County Engineer	Marcus Jones
Assistant County Engineer.....	Natalie Berry
Elections Director	Beverly Cunningham
EMS Manager	Michael Barnett
Finance Director.....	J. Carey McLelland
Fire Marshal/Emergency Services Director	Rocky D. Hyder
Human Resources Director	Janice Prichard
Information Technology Director	Becky Snyder
Library Director	William E. Snyder, Jr.
Planning Director	Anthony Starr
Property Addressing Coordinator.....	Curtis Griffin
Public Health Director	Thomas D. Bridges
Public Transportation Manager.....	Hope Bleecker
Recreation Director	Tim Hopkin
Recycling Coordinator	Alexis Baker
Register of Deeds	Nedra W. Moles
Sheriff	Richard W. Davis
Social Services Director.....	Liston B. Smith
Soil and Water Conservation District Director	Jonathan Wallin
Solid Waste & Water Quality Manager.....	Natalie Berry
Travel and Tourism Director	Melody E. Heltman
Utilities Manager	Doyle Freeman
Veteran Services Officer	Michael A. Murdock
Wellness Clinic Nurse.....	Jamie Gibbs

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Henderson County
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

FINANCIAL SECTION

This page was left blank intentionally.

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Henderson County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Henderson County Hospital Corporation, which represents 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us; and our opinion on the financial statement, insofar as it relates to the amounts included for the Henderson County Hospital Corporation, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Henderson County Hospital Corporation were not audited in accordance with *Government Auditing Standards*. 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, and the report of the other auditors, provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of June 30, 2011, the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund and the Fire District Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Henderson County, North Carolina, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and the supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and; accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 18, 2011

HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2011

As management of Henderson County, we offer readers of Henderson County's financial statements this narrative overview and analysis of the financial activities of Henderson County for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

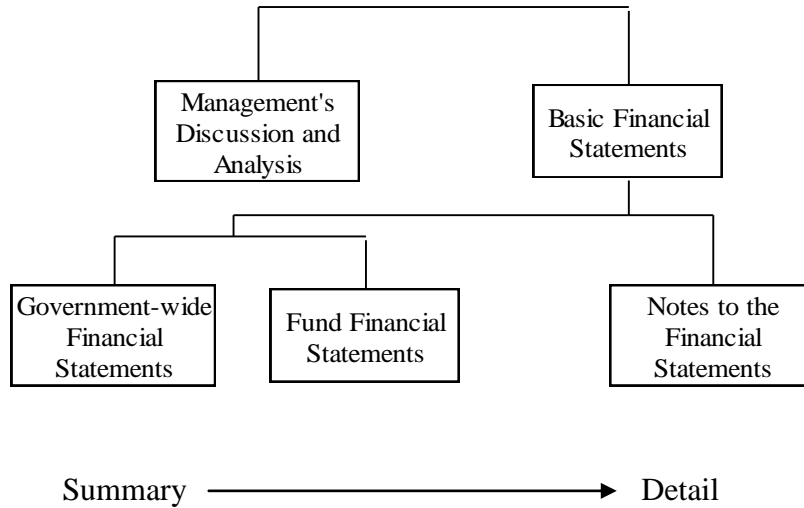
- The assets of Henderson County exceeded its liabilities at the close of the fiscal year by \$20,062,577 (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$78,821,112 and \$14,186,231 in long-term debt associated with assets belonging to the Henderson County Board of Public Education and Blue Ridge Community College, respectively. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County reports a net deficit in unrestricted net assets.
- The County's total net assets increased by \$1,399,425. Net assets in the governmental activities increased by \$1,292,073 due primarily from the decrease in general government expenses. Net assets in the business-type activities increased by \$107,352.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$47,423,151, a decrease of \$5,016,318, in comparison with the prior year. Approximately 23.61 percent of this total amount, or \$11,195,017, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$30,607,663, or 28 percent of total General Fund expenditures.
- Henderson County's total general obligation, limited obligation and installment note debt decreased \$2,215,894 (1.7 percent) during the current fiscal year primarily from current year debt service payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Henderson County's basic financial statements. The County'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 County 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 Henderson County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

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

The final 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. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension plans. After the required supplemental information, **supplemental schedules** are provided to show details about the County's nonmajor governmental funds and the Internal Service fund all of which are added together in one column on the basic financial statements. 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 County'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 County's financial status as a whole. The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide financial statements are divided into the following three types of activities:

Government Activities. These activities of the County include general government, public safety, human services, economic and physical development, environmental protection, transportation, education, and cultural recreation.

Business-Type Activities. The County charges fees to recover the costs associated with providing certain services. The activities include solid waste and sewage disposal.

Component Units. The government-wide financial statements include not only the County of Henderson itself (known as the primary government), but also a legally separate hospital corporation for which Henderson County is financially accountable. Financial information for this component unit is reported separately from the financial information for the primary government itself.

The government-wide financial statements directly follow the management's discussion and analysis of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County'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. Henderson County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Henderson County can be divided into two categories: governmental funds and proprietary 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 County'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*. This method also has a current financial resources 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 County'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 County 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 County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities, is shown at the end of the budgetary statement.

Proprietary Funds. The Enterprise Fund is the only proprietary type fund that the County utilizes. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for solid waste disposal and sewage disposal operations. These funds are the same as those shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Agency Funds. Agency funds are used to account for assets held on behalf of others. The County has eight major agency funds and several smaller agency funds.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Henderson County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found directly following the notes of this report.

Government-Wide Financial Analysis

Henderson County's Net Assets

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current and other assets	\$ 60,590,293	\$ 63,540,636	\$ 8,820,688	\$ 9,748,196	\$ 69,410,981	\$ 73,288,832
Capital assets	78,868,287	73,588,639	18,602,496	17,566,986	97,470,783	91,155,625
Total assets	<u>139,458,580</u>	<u>137,129,275</u>	<u>27,423,184</u>	<u>27,315,182</u>	<u>166,881,764</u>	<u>164,444,457</u>
Liabilities:						
Long-term liabilities	130,298,213	131,212,085	3,984,069	4,297,659	134,282,282	135,509,744
Other liabilities	<u>11,364,941</u>	<u>9,413,837</u>	<u>1,171,964</u>	<u>857,725</u>	<u>12,536,905</u>	<u>10,271,562</u>
Total liabilities	<u>141,663,154</u>	<u>140,625,922</u>	<u>5,156,033</u>	<u>5,155,384</u>	<u>146,819,187</u>	<u>145,781,306</u>
Net Assets:						
Invested in capital assets, net of related debt	45,090,597	45,283,045	16,818,425	15,562,023	61,909,022	60,845,068
Restricted	9,154,768	343,790	-	-	9,154,768	343,790
Unrestricted	<u>(56,449,939)</u>	<u>(49,123,482)</u>	<u>5,448,726</u>	<u>6,597,775</u>	<u>(51,001,213)</u>	<u>(42,525,707)</u>
Total net assets	<u>\$ (2,204,574)</u>	<u>\$ (3,496,647)</u>	<u>\$ 22,267,151</u>	<u>\$ 22,159,798</u>	<u>\$ 20,062,577</u>	<u>\$ 18,663,151</u>

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of Henderson County exceeded liabilities by \$20,062,577 as of June 30, 2011. The County's net assets increased by \$1,399,425 for the fiscal year ended June 30, 2011. Net assets of the County are reported in three categories: invested in capital assets, net of related debt, of \$61,909,022; restricted net assets of \$9,154,768; and unrestricted net assets of (\$51,001,213).

The invested in capital assets, net of related debt category is defined as the County's investment in County-owned capital assets (e.g. land, buildings, automotive equipment, and office and other equipment), less any related debt still outstanding that was issued to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other resources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net assets consist of restrictions for Register of Deeds, Stabilization for State Statue, Emergency 911 Funds, Public Transit Funds, Immigration Customs Enforcement Funds, and Other Unspent grant proceeds.

Another category of net assets is unrestricted net assets. At June 30, 2011, the total net deficit is (\$51,001,213).

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Henderson County Board of Public Education (the "school system") and Blue Ridge Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system and the community college capital funding by using a mixture of County funds and the issuance of debt. These assets funded by the County are owned by the County and leased to the school system and the community college over the term of the debt, but are recorded as assets of the school system and the community college, which are the primary users of the assets. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$93 million of outstanding debt on the County's financial statements was related to assets included in the school system and the community college's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The impact of the inclusion of the school system and community college debt without the corresponding assets was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of all revenue sources, both current and delinquent
- A strong property tax collection rate of 96.82 percent
- Other budgetary control efforts, including the cutoff of departmental spending prior to fiscal year-end
- Actual expenditures, transfer, and other financing uses in the General Fund were less than the budgeted amount by \$5.3 million
- Revenues and other financing sources in the General Fund exceeded expenditures, transfers and other financing uses by \$126,002

Governmental Activities. Governmental activities increased the County's net assets by \$1,292,073, or 92.33 percent of the total increase in the net assets of the Henderson County.

Business-Type Activities. Business-type activities increased the County's net assets by \$107,352, or a 7.67 percent increase in the net assets of the Henderson County. (See figure 3.)

Financial Analysis of the County's Funds

Henderson County's Change in Net Assets

Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,264,496	\$ 7,506,401	\$ 5,261,018	\$ 5,590,190	\$ 12,525,514	\$ 13,096,591
Operating grants and contributions	24,426,631	21,998,250	148,645	135,743	24,575,276	22,133,993
Capital grants and contributions	608,921	1,669,138	77,092	162,590	686,013	1,831,728
General revenues:						
Property taxes	67,886,712	67,341,066	-	-	67,886,712	67,341,066
Other taxes	18,347,507	18,025,844	-	-	18,347,507	18,025,844
Other	821,618	614,221	104,001	48,271	925,619	662,492
Total revenues	<u>119,355,885</u>	<u>117,154,920</u>	<u>5,590,756</u>	<u>5,936,794</u>	<u>124,946,641</u>	<u>123,091,714</u>
Expenses:						
General government	19,654,791	12,790,053	-	-	19,654,791	12,790,053
Public safety	27,061,623	31,522,260	-	-	27,061,623	31,522,260
Environmental protection	759,241	620,661	-	-	759,241	620,661
Economic and physical development	3,524,661	3,019,284	-	-	3,524,661	3,019,284
Human services	27,889,051	29,464,315	-	-	27,889,051	29,464,315
Cultural and recreational	4,657,512	4,522,827	-	-	4,657,512	4,522,827
Education	29,708,049	32,884,958	-	-	29,708,049	32,884,958
Interest on long-term debt	5,007,243	5,331,691	-	-	5,007,243	5,331,691
Solid waste disposal	-	-	4,311,315	4,365,097	4,311,315	4,365,097
Other	-	-	973,730	948,905	973,730	948,905
Total expenses	<u>118,262,171</u>	<u>120,156,049</u>	<u>5,285,045</u>	<u>5,314,002</u>	<u>123,547,216</u>	<u>125,470,051</u>
Increase (decrease) in net assets						
before transfers	1,093,714	(3,001,129)	305,711	622,792	1,399,425	(2,378,337)
Transfers	<u>198,359</u>	<u>179,064</u>	<u>(198,359)</u>	<u>(179,064)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,292,073	(2,822,065)	107,352	443,729	1,399,425	(2,378,336)
Net Assets:						
Beginning of year - July 1	<u>(3,496,647)</u>	<u>(674,582)</u>	<u>22,159,799</u>	<u>21,716,070</u>	<u>18,663,152</u>	<u>18,549,927</u>
End of year - June 30	<u><u>\$ (2,204,574)</u></u>	<u><u>\$ (3,496,647)</u></u>	<u><u>\$ 22,267,151</u></u>	<u><u>\$ 22,159,799</u></u>	<u><u>\$ 20,062,577</u></u>	<u><u>\$ 18,663,152</u></u>

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

Governmental Funds. The focus of Henderson County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Henderson County's financing requirements. Specifically, fund balance available for appropriation 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 Henderson County. At the end of the current fiscal year, available fund balance of the General Fund was \$30,607,663, while total fund balance was \$37,168,139. As a measure of the General Fund's liquidity, it may be useful to compare available fund balance to total fund expenditures and transfers out. Available fund balance represents 28 percent of total General Fund expenditures and transfers out, while total fund balance represents 35 percent of that same amount.

At June 30, 2011, the governmental funds of the County reported a combined fund balance of \$47,423,151, a 9.57 percent decrease from last year.

General Fund Budgetary Highlights. The County essentially broke even for FY2011 due to the implementation of another very conservative budget. County departments' diligence in monitoring their operational budgets resulted in total expenditures being \$5.3 million under budget at fiscal year-end. On the revenue side, ad valorem property tax, sales tax revenues, restricted intergovernmental revenues, sales and services and investment earnings were a combined \$2,956,778 over budget. However, this positive variance was offset by a total of \$1,481,765 in negative budget variances in three of the General Fund revenue source categories with the most significant variance being in the Miscellaneous category. Separately, a total of \$6.5 million in General Fund balance was appropriated to balance the budget, but ended up not having to be utilized at all due to total expenditures having a significant positive budget variance of \$5.3 million.

Total fiscal year 2011 revenues increased by \$1.0 million, or 1 percent over the prior fiscal year, as compared to expenditures which increased by \$2.7 million, or 2.6 percent over fiscal year 2010. The significant increase in expenditures over the previous fiscal year is primarily within the Public Safety and Debt Service categories. This increase is attributable to cost being allocated for debt service in the Public Safety category and new debt service requirements on public school and community college capital projects in the Debt Service category. Total General Fund balance increased \$126,102, while the amount of unassigned fund balance that is available for appropriation increased by \$3.35 million at fiscal year-end.

The County revised the budget on several occasions during the fiscal year. 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.

Total amendments to the General Fund increased revenues and expenditures by \$2,165,380, or 2.0 percent of the original budget. Declining revenue collections were realized in only three out of nine major revenue categories with the largest variance being in the Miscellaneous category. This category had a negative actual to budget variance of \$1,379,153 due to intergovernmental reimbursements not being realized. The other two categories had a negative combined actual to budget variance of only \$102,612. Total General Fund revenues had a total positive actual to budget variance of \$1,475,013.

Proprietary Funds. The County’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of all the proprietary funds at the end of the fiscal year amounted to \$5,448,726. During the fiscal year 2011, proprietary fund net assets increased \$107,352. The increase in total net assets for the proprietary funds is primarily due to increase in charges for services in the Landfill Fund and the Cane Creek Water and Sewer District.

Capital Asset and Debt Administration

Capital Assets. The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2011 totals \$97,470,783 (net of accumulated depreciation). These assets include land, buildings, plant and distribution systems, equipment, automotive equipment, and construction in progress.

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

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 10,862,228	\$ 10,731,187	\$ 1,965,974	\$ 1,965,974	\$ 12,828,202	\$ 12,697,161
Buildings	55,888,232	58,316,235	-	-	55,888,232	58,316,235
Plant and distribution systems	-	-	14,017,977	14,395,825	14,017,977	14,395,825
Equipment	1,979,782	1,973,597	540,431	590,924	2,520,213	2,564,521
Vehicles and motor equipment	2,358,125	1,814,406	(17,060)	10,881	2,341,065	1,825,287
Construction in progress	<u>7,779,920</u>	<u>753,214</u>	<u>2,095,174</u>	<u>603,382</u>	<u>9,875,094</u>	<u>1,356,596</u>
Total	<u>\$ 78,868,287</u>	<u>\$ 73,588,639</u>	<u>\$ 18,602,496</u>	<u>\$ 17,566,986</u>	<u>\$ 97,470,783</u>	<u>\$ 91,155,625</u>

Additional information on the County’s capital assets can be found in the notes to the basic financial statements.

Long-Term Debt. As of June 30, 2011, Henderson County had total bonded debt outstanding of \$18,277,163 backed by the full faith, credit and taxing power of the County. The County also has multiple installment notes outstanding, of which the majority is related to debt issued for the construction and renovation of school, county and community college facilities. A summary of long-term debt is shown in Figure 5.

**Henderson County's Limited Obligation Bonds
and Installment Notes Payable**

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Limited obligation bonds	\$ 16,493,092	\$ 17,800,671	\$ 1,784,071	\$ 1,925,513	\$ 18,277,163	\$ 19,726,184
Installment notes payable	107,408,290	108,095,713	-	79,450	107,408,290	108,175,163
Total	\$ 123,901,382	\$ 125,896,384	\$ 1,784,071	\$ 2,004,963	\$ 125,685,453	\$ 127,901,347

Henderson County’s total long-term debt decreased by \$2,215,894 during the past fiscal year.

The bond ratings are a clear indication of the sound financial condition of the County, which helps to keep interest cost low on the County’s outstanding debt. Henderson County has maintained the following current bond ratings:

Standard & Poors	AA
Moody’s	Aa3
Fitch	AA-

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Henderson County is \$929,631,078.

Additional information regarding Henderson County’s long-term debt can be found in the notes to the financial statements of this audited financial report.

Economic Factors and Next Year's Budget and Rates

The County of Henderson has approved a \$105,047,232 General Fund budget for fiscal year 2012. All County Departments as well as the public school system, the community college and other outside agencies were asked to cut their operating budgets by 7.5 percent. Fiscal year 2012 is a revaluation year for the County, and the ad valorem property tax rate was increased to the statutory revenue neutral rate of 56.36 cents per \$100 of assessed valuation.

The following factors were considered when developing the FY2012 budget:

- A 7.5 percent operational budget cut for County departments, the public schools, the community college and other outside agencies
- Funding new debt service for County capital projects
- A continued slow economic recovery
- First fiscal year of a new revaluation cycle for the ad valorem property tax base
- Lower sales tax revenue projections based on previous fiscal year collections
- Maintaining an adequate unassigned General Fund balance meeting Board Policy and Local Government Commission requirements
- The continued rising cost of healthcare for employees

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities. It being the first fiscal year of a new revaluation cycle, there was very little growth in the ad valorem property tax base and the property tax rate was budgeted at the statutory revenue neutral rate for FY2012. Downward adjustments were again made in projected sales tax revenues as well based on previous fiscal year collections, a continued slow economic recovery and higher unemployment rates. Unassigned General Fund balance of \$3,194,191 was appropriated to cover primarily the decline in available revenues and new debt service requirements for County capital projects. County departments were charged with cutting their operating budgets by 7.5 percent and do more with less during tough economic times with no cost of living increase and a very small amount for performance pay. Operational funding for the public school system, the community college and other outside agencies was also cut by 7.5 percent.

Business-Type Activities. The solid waste tipping fee for the Solid Waste Landfill Enterprise Fund was increased by \$3 per ton to cover the annual debt service required on \$2 million in financing of a \$4 million multi-year solid waste capital improvements project. The remaining \$2 million to fund this project is being taken from the Fund's reserves. A very small percentage of growth in the tonnage of waste coming into the County's Landfill Transfer Station is projected for FY2012. Solid waste revenues are estimated to offset the projected operating costs for the waste facilities during FY2012, but are not expected to add to reserves as in past fiscal years.

The Cane Creek Water and Sewer District rates for service remain unchanged for FY2012 with the exception of the rate being charged by the Metropolitan Sewage District of Buncombe County to treat the waste that is passed on to the users. There continues to be very little growth in residential and commercial construction activity due to the slow recovering economy. District user fees were increased slightly for FY2012 based on actual fee collections in FY2011. The budgeted revenues are again expected to cover operating expenses of the fund while adding to reserves for future infrastructure needs. The Justice Academy Sewer Fund rates for service paid by the State of North Carolina were reduced by 41.0 percent for FY2011. Budgeted operating revenues and expenses in the Justice Academy Sewer Fund have been decreased slightly due to this user fee reduction and the expectation of lower operating costs in FY2012.

Requests for Information

This financial report is designed to provide an overview of Henderson County's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Henderson County Finance Director, Historic Courthouse Annex, 113 North Main Street, Hendersonville, North Carolina 28792.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS – OVERVIEW

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS JUNE 30, 2011

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Henderson
	Activities	Activities		County Hospital Corporation
Assets:				
Current assets:				
Cash and cash equivalents	\$ 48,528,658	\$ 8,095,286	\$ 56,623,944	\$ 5,394,983
Investments	-	-	-	52,966,343
Investment in affiliate	-	-	-	85,288
Taxes receivable, net	2,454,198	-	2,454,198	-
Receivables, net	7,511,324	725,402	8,236,726	23,391,526
Pledges receivable	-	-	-	336,395
Inventories	46,785	-	46,785	2,487,618
Prepaid items	145,801	-	145,801	861,820
Restricted cash and cash equivalents	1,903,527	-	1,903,527	-
Restricted investments	-	-	-	4,358,262
Total current assets	<u>60,590,293</u>	<u>8,820,688</u>	<u>69,410,981</u>	<u>89,882,235</u>
Capital assets:				
Land and construction in progress	18,642,148	4,061,148	22,703,296	5,348,358
Other capital assets, net of depreciation	<u>60,226,139</u>	<u>14,541,348</u>	<u>74,767,487</u>	<u>61,245,399</u>
Total capital assets	<u>78,868,287</u>	<u>18,602,496</u>	<u>97,470,783</u>	<u>66,593,757</u>
Other assets	-	-	-	81,379
Total assets	<u>139,458,580</u>	<u>27,423,184</u>	<u>166,881,764</u>	<u>156,557,371</u>
Liabilities:				
Accounts payable and accrued expenses	11,044,191	1,171,964	12,216,155	12,409,798
Third-party payer settlements	-	-	-	2,606,832
Unearned revenue	320,750	-	320,750	55,272
Long-term liabilities:				
Due within one year	10,760,776	349,191	11,109,967	2,148,138
Due in more than one year	<u>119,537,437</u>	<u>3,634,878</u>	<u>123,172,315</u>	<u>14,383,746</u>
Total liabilities	<u>141,663,154</u>	<u>5,156,033</u>	<u>146,819,187</u>	<u>31,603,786</u>
Net Assets:				
Invested in capital assets, net of related debt	45,090,597	16,818,425	61,909,022	50,061,873
Restricted for:				
Stabilization for State statute	7,330,852	-	7,330,852	-
Restricted, all other:	1,823,916	-	1,823,916	-
Debt service	-	-	-	1,224,298
By donor	-	-	-	4,257,422
Unrestricted	<u>(56,449,939)</u>	<u>5,448,726</u>	<u>(51,001,213)</u>	<u>69,409,992</u>
Total net assets	<u>\$ (2,204,574)</u>	<u>\$ 22,267,151</u>	<u>\$ 20,062,577</u>	<u>\$ 124,953,585</u>

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

HENDERSON COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 19,654,791	\$ 2,877,560	\$ 1,827,808	\$ -
Public safety	27,061,623	3,357,700	2,890,615	-
Environmental protection	759,241	14,224	78,413	-
Economic and physical development	3,524,661	131,193	303,595	469,493
Human services	27,889,051	447,382	17,460,691	-
Cultural and recreational	4,657,512	436,437	230,446	-
Education	29,708,049	-	1,635,063	139,428
Interest on long-term debt	5,007,243	-	-	-
Total governmental activities	<u>118,262,171</u>	<u>7,264,496</u>	<u>24,426,631</u>	<u>608,921</u>
Business-Type Activities:				
Landfill	4,311,315	4,002,145	148,645	-
Cane Creek Water and Sewer	921,563	1,192,873	-	77,092
Other business-type activities	52,167	66,000	-	-
Total business-type activities	<u>5,285,045</u>	<u>5,261,018</u>	<u>148,645</u>	<u>77,092</u>
Total primary government	<u>\$ 123,547,216</u>	<u>\$ 12,525,514</u>	<u>\$ 24,575,276</u>	<u>\$ 686,013</u>
Component Unit:				
Henderson County Hospital Corporation	<u>\$ 127,948,696</u>	<u>\$ 132,022,760</u>	<u>\$ -</u>	<u>\$ 102,585</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Miscellaneous, unrestricted

Total general revenues excluding transfers

Transfers

Total general revenues including transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation
\$ (14,949,423)	\$ -	\$ (14,949,423)	
(20,813,308)	-	(20,813,308)	
(666,604)	-	(666,604)	
(2,620,380)	-	(2,620,380)	
(9,980,978)	-	(9,980,978)	
(3,990,629)	-	(3,990,629)	
(27,933,558)	-	(27,933,558)	
(5,007,243)	-	(5,007,243)	
<u>(85,962,123)</u>	<u>-</u>	<u>(85,962,123)</u>	
-	(160,525)	(160,525)	
-	348,402	348,402	
-	13,833	13,833	
-	201,710	201,710	
<u>(85,962,123)</u>	<u>201,710</u>	<u>(85,760,413)</u>	
			\$ <u>4,176,649</u>
67,886,712	-	67,886,712	-
16,463,074	-	16,463,074	-
1,884,433	-	1,884,433	-
821,618	104,001	925,619	692,387
-	-	-	430,314
<u>87,055,837</u>	<u>104,001</u>	<u>87,159,838</u>	<u>1,122,701</u>
<u>198,359</u>	<u>(198,359)</u>	<u>-</u>	<u>-</u>
<u>87,254,196</u>	<u>(94,358)</u>	<u>87,159,838</u>	<u>1,122,701</u>
1,292,073	107,352	1,399,425	5,299,350
<u>(3,496,647)</u>	<u>22,159,799</u>	<u>18,663,152</u>	<u>119,654,235</u>
<u>\$ (2,204,574)</u>	<u>\$ 22,267,151</u>	<u>\$ 20,062,577</u>	<u>\$ 124,953,585</u>

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

HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2011

	<u>General</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Fire Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 38,136,948	\$ 3,623,907	\$ 2,350,448	\$ 1,584,203	\$ 2,833,152	\$ 48,528,658
Taxes receivable, net	2,454,198	-	-	-	-	2,454,198
Other receivables, net	6,548,362	201,213	142,531	-	619,218	7,511,324
Due from other funds	17,551	-	-	-	-	17,551
Inventories	46,785	-	-	-	-	46,785
Prepaid items	145,801	-	-	-	-	145,801
Restricted assets:						
Cash and investments	-	-	-	-	1,903,527	1,903,527
Total assets	<u>\$ 47,349,645</u>	<u>\$ 3,825,120</u>	<u>\$ 2,492,979</u>	<u>\$ 1,584,203</u>	<u>\$ 5,355,897</u>	<u>\$ 60,607,844</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,038,847	\$ 1,076,455	\$ 122,431	\$ 1,559,223	\$ 202,547	\$ 4,999,503
Accrued payroll liabilities	5,169,688	-	-	-	-	5,169,688
Due to other funds	-	-	-	-	17,551	17,551
Deferred revenues	2,972,971	-	-	24,980	-	2,997,951
Total liabilities	<u>10,181,506</u>	<u>1,076,455</u>	<u>122,431</u>	<u>1,584,203</u>	<u>220,098</u>	<u>13,184,693</u>
Fund Balances:						
Non-spendable:						
Inventory	46,785	-	-	-	-	46,785
Prepays	145,801	-	-	-	-	145,801
Restricted:						
Stabilization for State statute	6,367,890	201,213	142,531	-	619,218	7,330,852
Restricted, all other	258,575	-	-	-	3,413,004	3,671,579
Committed	-	2,547,452	2,228,017	-	1,115,294	5,890,763
Assigned for subsequent year's expenditures						
Assigned, all other	3,194,191	-	-	-	-	3,194,191
Assigned, all other	305,525	-	-	-	7,834	313,359
Unassigned	26,849,372	-	-	-	(19,551)	26,829,821
Total fund balances	<u>37,168,139</u>	<u>2,748,665</u>	<u>2,370,548</u>	<u>-</u>	<u>5,135,799</u>	<u>47,423,151</u>
Total liabilities and fund balances	<u>\$ 47,349,645</u>	<u>\$ 3,825,120</u>	<u>\$ 2,492,979</u>	<u>\$ 1,584,203</u>	<u>\$ 5,355,897</u>	

Amounts reported in the governmental activities in the Statements of Net Asset (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	78,868,287
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	2,677,201
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(130,298,213)
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(875,000)
Net assets of governmental activities	<u>\$ (2,204,574)</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Fire Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Ad valorem taxes	\$ 60,240,021	\$ -	\$ -	\$ 6,682,504	\$ 718,031	\$ 67,640,556
Local option sales taxes	16,463,074	-	-	-	-	16,463,074
Other taxes and licenses	722,430	-	-	-	1,116,721	1,839,151
Unrestricted intergovernmental revenues	45,282	-	-	-	-	45,282
Restricted intergovernmental revenues	21,609,509	321,145	-	-	1,979,802	23,910,456
Permits and fees	1,259,908	-	-	-	-	1,259,908
Sales and services	5,709,963	-	-	-	98,100	5,808,063
Investment earnings	569,727	113,020	7,466	35,330	96,075	821,618
Miscellaneous	574,783	10,801	139,428	-	564,894	1,289,906
Total revenues	<u>107,194,697</u>	<u>444,966</u>	<u>146,894</u>	<u>6,717,834</u>	<u>4,573,623</u>	<u>119,078,014</u>
Expenditures:						
Current:						
General government	8,914,042	-	-	-	704,401	9,618,443
Public safety	25,095,724	-	-	6,717,834	869,018	32,682,576
Environmental protection	624,011	-	-	-	21,446	645,457
Economic and physical development	1,413,609	-	-	-	2,000,792	3,414,401
Human services	28,520,917	-	-	-	-	28,520,917
Cultural and recreational	4,510,056	-	-	-	-	4,510,056
Education	23,564,347	-	-	-	750,000	24,314,347
Capital outlay	-	8,353,547	5,393,702	-	-	13,747,249
Debt service:						
Principal retirement	9,654,619	-	-	-	-	9,654,619
Interest and other charges	4,929,086	-	-	-	-	4,929,086
Total expenditures	<u>107,226,411</u>	<u>8,353,547</u>	<u>5,393,702</u>	<u>6,717,834</u>	<u>4,345,657</u>	<u>132,037,151</u>
Revenues over (under) expenditures	<u>(31,714)</u>	<u>(7,908,581)</u>	<u>(5,246,808)</u>	<u>-</u>	<u>227,966</u>	<u>(12,959,137)</u>
Other Financing Sources (Uses):						
Transfers from other funds	413,319	-	-	-	-	413,319
From General Fund	-	96,000	-	-	350,063	446,063
From Capital Reserve Fund	-	1,357,920	-	-	-	1,357,920
Transfers to other funds	(500,063)	-	-	-	(1,518,880)	(2,018,943)
Installment financing issued	244,460	7,500,000	-	-	-	7,744,460
Total other financing sources (uses)	<u>157,716</u>	<u>8,953,920</u>	<u>-</u>	<u>-</u>	<u>(1,168,817)</u>	<u>7,942,819</u>
Net change in fund balances	126,002	1,045,339	(5,246,808)	-	(940,851)	(5,016,318)
Fund Balances:						
Beginning of year - July 1	37,042,137	1,703,326	7,617,356	-	6,076,650	52,439,469
End of year - June 30	<u>\$ 37,168,139</u>	<u>\$ 2,748,665</u>	<u>\$ 2,370,548</u>	<u>\$ -</u>	<u>\$ 5,135,799</u>	<u>\$ 47,423,151</u>

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

HENDERSON COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Total net change in fund balances - total governmental funds	\$ (5,016,318)
Property tax revenues and other fees and services in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	256,161
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
EMS revenues and other revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	21,710
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(1,081,130)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	8,898,250
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,595,577)
Gain/loss on the disposal of capital assets, not recognized on modified accrual basis	(23,025)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	(163,000)
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(7,744,460)
Amortization of debt premiums is a reduction of expenses on the Statement of Activities.	84,843
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>9,654,619</u>
Total changes in net assets of governmental activities	<u>\$ 1,292,073</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 59,471,460	\$ 59,471,460	\$ 60,240,021	\$ 768,561
Local option sales taxes	15,607,222	15,607,222	16,463,074	855,852
Other taxes and licenses	780,000	780,000	722,430	(57,570)
Unrestricted intergovernmental revenues	42,000	42,000	45,282	3,282
Restricted intergovernmental revenues	19,065,062	20,998,188	21,609,509	611,321
Permits and fees	1,290,950	1,304,950	1,259,908	(45,042)
Sales and services	5,349,860	5,311,928	5,709,963	398,035
Investment earnings	250,000	250,000	569,727	319,727
Miscellaneous	1,838,334	1,953,936	574,783	(1,379,153)
Total revenues	<u>103,694,888</u>	<u>105,719,684</u>	<u>107,194,697</u>	<u>1,475,013</u>
Expenditures:				
Current:				
General government	9,866,804	9,829,540	8,914,042	915,498
Public safety	25,282,715	26,787,790	25,095,724	1,692,066
Environmental protection	638,546	655,301	624,011	31,290
Economic and physical development	1,479,286	1,629,242	1,413,609	215,633
Human services	29,634,266	30,462,372	28,520,917	1,941,455
Cultural and recreational	4,821,253	4,929,297	4,510,056	419,241
Intergovernmental:				
Education	23,564,347	23,564,347	23,564,347	-
Debt service:				
Principal retirement	9,588,859	9,762,172	9,654,619	107,553
Interest and other charges	5,074,691	4,910,528	4,929,086	(18,558)
Total expenditures	<u>109,950,767</u>	<u>112,530,589</u>	<u>107,226,411</u>	<u>5,304,178</u>
Revenues over (under) expenditures	<u>(6,255,879)</u>	<u>(6,810,905)</u>	<u>(31,714)</u>	<u>6,779,191</u>
Other Financing Sources (Uses):				
Proceeds from installment financing	-	244,460	244,460	-
Transfers from other funds	328,452	507,020	413,319	(93,701)
Transfers to other funds	(491,478)	(500,064)	(500,063)	1
Appropriated fund balance	6,418,905	6,559,489	-	(6,559,489)
Total other financing sources (uses)	<u>6,255,879</u>	<u>6,810,905</u>	<u>157,716</u>	<u>(6,653,189)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	126,002	\$ <u>126,002</u>
Fund Balance:				
Beginning of year - July 1			<u>37,042,137</u>	
End of year - June 30			<u>\$ 37,168,139</u>	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Fire Districts Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 6,543,302	\$ 6,706,802	\$ 6,682,504	\$ (24,298)
Investment earnings	11,475	11,475	35,330	23,855
Total revenues	<u>6,554,777</u>	<u>6,718,277</u>	<u>6,717,834</u>	<u>(443)</u>
Expenditures:				
Current:				
Public safety	<u>6,554,777</u>	<u>6,718,277</u>	<u>6,717,834</u>	<u>443</u>
Total expenditures	<u>6,554,777</u>	<u>6,718,277</u>	<u>6,717,834</u>	<u>443</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2011

	Business-Type Activities			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District Fund	Justice Academy Sewer Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,687,971	\$ 4,782,767	\$ 624,548	\$ 8,095,286
Accounts receivable, net	367,314	352,588	5,500	725,402
Total current assets	<u>3,055,285</u>	<u>5,135,355</u>	<u>630,048</u>	<u>8,820,688</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	3,421,136	640,012	-	4,061,148
Other capital assets, net of depreciation	2,762,632	11,473,318	305,398	14,541,348
Total non-current assets	<u>6,183,768</u>	<u>12,113,330</u>	<u>305,398</u>	<u>18,602,496</u>
Total assets	<u>9,239,053</u>	<u>17,248,685</u>	<u>935,446</u>	<u>27,423,184</u>
Liabilities:				
Current liabilities:				
Accounts payable	864,507	306,095	1,362	1,171,964
Current portion of compensated absences	2,855	627	-	3,482
Current portion of long-term obligations	105,031	240,678	-	345,709
Total current liabilities	<u>972,393</u>	<u>547,400</u>	<u>1,362</u>	<u>1,521,155</u>
Non-current liabilities:				
Liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care costs	2,017,865	-	-	2,017,865
Compensated absences	25,695	5,638	-	31,333
Other post-employment benefits	42,287	-	-	42,287
Long-term obligations	-	1,543,393	-	1,543,393
Total non-current liabilities	<u>2,085,847</u>	<u>1,549,031</u>	<u>-</u>	<u>3,634,878</u>
Total liabilities	<u>3,058,240</u>	<u>2,096,431</u>	<u>1,362</u>	<u>5,156,033</u>
Net Assets:				
Invested in capital assets, net of related debt	6,183,768	10,329,259	305,398	16,818,425
Unrestricted	<u>(2,955)</u>	<u>4,822,995</u>	<u>628,686</u>	<u>5,448,726</u>
Total net assets	<u>\$ 6,180,813</u>	<u>\$ 15,152,254</u>	<u>\$ 934,084</u>	<u>\$ 22,267,151</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Operating Revenues:				
Charges for services	\$ 4,002,145	\$ 1,192,873	\$ 66,000	\$ 5,261,018
Total operating revenues	<u>4,002,145</u>	<u>1,192,873</u>	<u>66,000</u>	<u>5,261,018</u>
Operating Expenses:				
Salaries and employee benefits	806,916	-	-	806,916
Other operating expenses	3,135,628	280,440	27,795	3,443,863
Repairs and maintenance	223,322	168,754	13,928	406,004
Depreciation	145,449	400,749	10,444	556,642
Total operating expenses	<u>4,311,315</u>	<u>849,943</u>	<u>52,167</u>	<u>5,213,425</u>
Operating income (loss)	<u>(309,170)</u>	<u>342,930</u>	<u>13,833</u>	<u>47,593</u>
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	148,645	-	-	148,645
Interest income	42,304	54,398	7,299	104,001
Interest expense	-	(71,620)	-	(71,620)
Total non-operating revenues (expenses)	<u>190,949</u>	<u>(17,222)</u>	<u>7,299</u>	<u>181,026</u>
Income (loss) before capital contributions and transfers	<u>(118,221)</u>	<u>325,708</u>	<u>21,132</u>	<u>228,619</u>
Transfers:				
Transfers in	104,000	-	-	104,000
Transfers out	-	(302,359)	-	(302,359)
Net transfers	<u>104,000</u>	<u>(302,359)</u>	<u>-</u>	<u>(198,359)</u>
Capital contributions	-	77,092	-	77,092
Change in net assets	(14,221)	100,441	21,132	107,352
Net Assets:				
Beginning of year - July 1	<u>6,195,034</u>	<u>15,051,813</u>	<u>912,952</u>	<u>22,159,799</u>
End of year - June 30	<u>\$ 6,180,813</u>	<u>\$ 15,152,254</u>	<u>\$ 934,084</u>	<u>\$ 22,267,151</u>

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

HENDERSON COUNTY, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Funds			Total
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,963,853	\$ 1,178,205	\$ 66,047	\$ 5,208,105
Cash paid for goods and services	(3,170,517)	(440,154)	(42,605)	(3,653,276)
Cash paid to employees for services	(781,965)	-	-	(781,965)
Net cash provided (used) by operating activities	<u>11,371</u>	<u>738,051</u>	<u>23,442</u>	<u>772,864</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	104,000	-	-	104,000
Transfers out	-	(302,359)	-	(302,359)
Proceeds from non capital grants	<u>148,645</u>	<u>-</u>	<u>-</u>	<u>148,645</u>
Net cash provided (used) by non-capital financing activities	<u>252,645</u>	<u>(302,359)</u>	<u>-</u>	<u>(49,714)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,515,061)	-	-	(1,515,061)
Premium on long-term debt	-	(9,178)	-	(9,178)
Long-term debt payments	-	(211,714)	-	(211,714)
Interest paid	<u>-</u>	<u>(71,620)</u>	<u>-</u>	<u>(71,620)</u>
Net cash provided (used) for capital and related financing activities	<u>(1,515,061)</u>	<u>(292,512)</u>	<u>-</u>	<u>(1,807,573)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>42,304</u>	<u>54,398</u>	<u>7,298</u>	<u>104,000</u>
Net increase (decrease) in cash and cash equivalents	(1,208,741)	197,578	30,740	(980,423)
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>3,896,712</u>	<u>4,585,189</u>	<u>593,808</u>	<u>9,075,709</u>
End of year - June 30	<u>\$ 2,687,971</u>	<u>\$ 4,782,767</u>	<u>\$ 624,548</u>	<u>\$ 8,095,286</u>

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

HENDERSON COUNTY, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Funds</u>			
	<u>Major</u>			
	<u>Landfill Fund</u>	<u>Cane Creek Water and Sewer District</u>	<u>Justice Academy Sewer Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (309,170)	\$ 342,930	\$ 13,833	\$ 47,593
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	145,449	400,749	10,444	556,642
Landfill closure and post-closure care costs	(108,410)	-	-	(108,410)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(38,292)	(14,668)	47	(52,913)
Increase (decrease) in accounts payable and accrued liabilities	296,843	18,279	(882)	314,240
Increase (decrease) in other post-employment benefits	14,861	-	-	14,861
Increase (decrease) in accrued vacation pay	10,090	(9,239)	-	851
Total adjustments	<u>320,541</u>	<u>395,121</u>	<u>9,609</u>	<u>725,271</u>
Net cash provided (used) by operating activities	<u>\$ 11,371</u>	<u>\$ 738,051</u>	<u>\$ 23,442</u>	<u>\$ 772,864</u>
Capital assets contributed by developers	<u>\$ -</u>	<u>\$ 77,092</u>	<u>\$ -</u>	<u>\$ 77,092</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2011

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>507,581</u>
Total assets	\$ <u>507,581</u>
Liabilities:	
Intergovernmental payable	\$ <u>507,581</u>
Total liabilities and fund balances	\$ <u><u>507,581</u></u>

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

The accounting policies of Henderson County (the "County") and its discretely presented component unit 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 County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, legally separate entities for which the County is financially accountable. The blended component unit, although it is a legally separate entity, is, in substance, part of the County's operations.

Blended Component Unit

Cane Creek Water and Sewer District

The Cane Creek Water and Sewer District (the "District") exists to provide and maintain water and sewer systems for County residents within the District. Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the District. Therefore, the District is reported as an Enterprise Fund in the County's basic financial statements. The District does not issue separate financial statements.

Discretely Presented Component Units

Henderson County Hospital Corporation

The Henderson County Hospital Corporation (the "Hospital") is a not-for-profit corporation that operates the Margaret R. Pardee Memorial Hospital. The Hospital is governed by an eleven-member Board of Trustees, one of which is a County Commissioner. The Board of County Commissioners appoints all trustees and can remove any trustee with or without cause. The Hospital, which has a September 30 year-end, is presented as if it were a Proprietary Fund.

Complete financial statements for the Hospital can be obtained from the Hospital's administrative offices:

Margaret R. Pardee Memorial Hospital
715 Fleming Street
Hendersonville, North Carolina 28791

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Henderson County Industrial Facility and Pollution Control Financing Authority

The Henderson County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private business for economic development purposes. The Authority is governed by a seven-member Board of Commissioners, all of whom are appointed by the County Commissioners. The County can remove any Commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

Henderson County Governmental Financing Corporation

The Henderson County Governmental Financing Corporation (the "Corporation") is a non-profit corporation chartered in 2000 with the specific purpose of assisting the County in arranging various types of financing arrangements. The Corporation is governed by a Board of Directors whose three members serve for three years or until successors are elected. The three members are appointed by the Henderson County Board of Commissioners. The Corporation has no assets or liabilities. All rights, title, and interest to all financing contracts with the County have been assigned to various bank trustees. All financing arrangements with the County have been disclosed in the accompanying notes to the combined financial statements. The Corporation has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Corporation does not issue separate financial statements.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government (the County) and its component unit. 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. However, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. 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 County and for each function of the County'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 (1) fees and charges paid by the recipients of goods or services offered by the programs and (2) 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds and its blended component unit. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

General Capital Projects Fund. This fund accounts for resources utilized in construction of County facilities.

School Capital Projects Fund. This fund accounts for resources utilized in the construction of school facilities.

Fire Districts Fund. This fund accounts for the ad valorem tax levies of the twelve fire districts in Henderson County.

The County reports the following major enterprise funds:

Landfill Fund. This fund accounts for the maintenance and post-closure of the County's landfill, transfer station operations, and recycling.

Cane Creek Water and Sewer District Fund. This fund is used to account for the operations of the water and sewer system in the Cane Creek District.

Justice Academy Sewer Fund. This fund accounts for sewer operations from the Western North Carolina Justice Academy financed by user fees.

The County also reports the following fund types:

Special Revenue Funds. Special revenue funds are used to account for specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains ten special revenue funds: Revaluation Reserve, Travel and Tourism, Community Development Block Grant-Scattered Site Housing, Community Development Block Grant-The Warm Company SBEA Project, Mud Creek Watershed Restoration, Emergency Telephone System (E-911), Public Transit, Immigration Customs Enforcement, Community Development Block Grant-Water/Sewer Hookup, and Fire Districts Fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Debt Service Fund. The Debt Service Fund accounts for funds set aside to meet certain long-term debt requirements.

Capital Project Funds. The capital project funds account for financial resources to be used for the acquisition and construction for major capital facilities (other than those by proprietary funds, special assessments, or trust funds). The County has three capital project funds within the governmental fund types: School Capital Projects Fund, Capital Reserve Fund, and General Capital Projects Fund.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: School Fines and Forfeitures Fund, which accounts for the collection and payment of fines and forfeitures to the Board of Education in the County; Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; Agriculture Fund, which accounts for assets held by the County for the benefit of certain individuals in the County; the Flexible Spending Fund, which accounts for assets held for County employees in accordance with the provisions of Internal Revenue Code Section 125; Fireman's Association Fund, which accounts for assets held for the Fireman's Association; Land Development Fund, which accounts for a percentage of subdivision guarantee improvement funds that are held for developers until the improvements are completed; Motor Vehicle Tax Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Deed of Trust Fund which accounts for the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage that the County is required to remit to the State Treasurer on monthly basis; and other agency funds, which account for miscellaneous funds held by the County for the benefit of others.

Measurement Focus, Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, propriety fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as 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, the County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, 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, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes collected and held by the State at year-end on behalf of the County 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Under the terms of grant agreements, the County 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for all funds except the capital project funds and the special revenue funds listed below. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Community Development Block Grant–Scattered Site Housing Fund, the Community Development Block Grant-The Warm Company SBEA Project Fund, the General Capital Projects Fund, the Community Development Block Grant–Water Hookup, and the School Capital Projects Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Budget Officer is authorized to transfer authorized appropriations within a department and to amend the authorized budget for pass-through funds, including federal and State grants. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity

Deposits and Investments

All deposits of the County and Margaret R. Pardee Hospital are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County and the Hospital may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the Hospital 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 County and the Hospital 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).

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The County and the Hospital's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and Cash Equivalents

The County 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. The Margaret R. Pardee Hospital considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Restricted Assets

The restricted assets of governmental activities consist of the following:

- \$1,847,663 in the Debt Service Fund for the balance in the Sinking Fund required by a financing contract to construct schools.
- Money in the Tax Revaluation Fund is also classified as a restricted asset because its use is restricted per North Carolina General Statute 153A-150.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. The County does not currently allow discounts that apply to taxes paid prior to the due date.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories and Prepaid Items

The inventories of the County and the Hospital are valued at cost (first-in, first-out), which approximates market values. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the Hospital consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the Hospital is recorded as an expense as it is consumed or sold.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

Capital Assets

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. Minimum capitalization cost is \$5,000. General infrastructure assets acquired prior to July 1, 2003, consist of water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost. 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 of the County are depreciated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Sewer and water infrastructure Improvements	40 years
Furniture and equipment	25 years
Vehicles	10 years
Computer equipment	6 years
	3 years

For the Hospital, depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	20 years
Equipment	10 years
Leasehold improvements	10-20 years
Computers	3 years

Long-Term Obligations

In the government-wide financial statements and in the 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The paid time off policy of the Hospital provide for the accumulation of up to 520 hours earned leave, with such leave being fully vested when earned. For the County's government-wide and proprietary funds and the Hospital, an expense and a liability for compensated absences and the salary-related payments are recorded as leave when earned. Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

The sick leave policies of the County and the Hospital 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 none of the entities have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component unit.

Estimates

The preparation of 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 those estimates. Significant areas where estimates are made are: allowance for doubtful accounts, depreciation lives, other post-employment benefits, and law enforcement officers' pension obligations.

Net Assets/Fund Balances

Net Assets

Net assets in the 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, laws or regulations of other governments, or imposed by law through State statutes.

Fund Balances

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact

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

Prepaid Items – portion of fund balance that is not an available resource because it represents the year end balance of prepaids, which are not spendable resources.

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Stabilization by State Statute - portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Register of Deeds – portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds' office.

Restricted for Public Safety - portion of fund balance restricted by revenue source for public safety related activities such as police, fire, EMS and E-911.

Restricted for Debt Service – portion of fund balance restricted by revenue source to support future debt service expenditures.

Restricted for Economic and Physical Development - portion of fund balance restricted by revenue source for economic and physical development.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Restricted fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Other Governmental Funds
Restricted, all other:		
Register of Deeds	\$ 258,575	\$ -
Public safety	-	1,342,414
Debt service	-	1,847,663
Economic and physical development	-	222,927
Total	\$ 258,575	\$ 3,413,004

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Henderson County's governing body (highest level of decision making authority, the Board of Commissioners). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

Committed for Revaluation – represents the portion of fund balance committed by the governing body for future tax revaluation purposes.

Committed for Economic and Physical Development – portion of fund balance committed by the governing board for economic development incentives and projects.

Committed for Education – portion of fund balance committed by the governing board for education purposes.

Committed fund balance at June 30, 2011 is as follows:

Purpose	School Capital Project Fund	General Capital Projects Fund	Other Governmental Funds
Committed:			
Revaluation	\$ -	\$ -	\$ 39,842
Economic and physical development	-	2,547,452	1,075,452
Education	2,228,017	-	-
Total	\$ 2,228,017	\$ 2,547,452	\$ 1,115,294

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that Henderson County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The Manager and Finance Director, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Director to make certain modifications without requiring board approval.

Assigned for Public Safety – portion of fund balance budgeted by the board for public safety related activities such as police, fire and EMS.

Assigned for Economic and Physical Development – portion of fund balance budgeted by the Board for economic development incentives and projects.

Assigned fund balance at June 30, 2011 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assigned:			
Subsequent year's expenditures	\$ 3,194,191	\$ -	\$ 3,194,191
Public safety	305,525	-	305,525
Economic and physical development	-	7,834	7,834
Total	<u>\$ 3,499,716</u>	<u>\$ 7,834</u>	<u>\$ 3,507,550</u>

Henderson County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following order: bond/debt proceeds, federal funds, State funds, local funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

The County has not officially adopted a fund balance policy.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 37,168,139
Less:	
Inventories	(46,785)
Prepays	(145,801)
Stabilization by State Statute	<u>(6,367,890)</u>
Total available fund balance	<u>\$ 30,607,663</u>

2. Detail Notes On All Funds

A. Assets

Deposits

All of the County and the Hospital's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County or the Hospital's agent 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 County and the Hospital, these deposits are considered to be held by their agents in the entities' 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 County or the Hospital, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Hospital 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 County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and to monitor them for compliance. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and the Hospital rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

At June 30, 2011, the County's deposits had a carrying amount of \$33,610,439 and a bank balance of \$34,234,318. Of the bank balance, \$780,407 was covered by federal depository insurance, and \$33,453,911 was covered by collateral held under the Pooling Method. At June 30, 2011, the County had \$6,338 cash on hand.

At September 30, 2010, the Hospital's deposits had a carrying amount of \$5,394,983 and a bank balance of approximately \$6,668,000. Of the bank balance, \$1,190,000 was covered by federal depository insurance, and \$5,478,000 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2011, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
U.S. government agencies	\$ 20,814,360	\$ -	\$ -	\$ 12,239,315
North Carolina Capital Management Trust - Cash Portfolio	2,756,251	2,756,251	-	-
Commercial paper	1,847,664	1,847,664	-	-
Total	<u>\$ 25,418,275</u>	<u>\$ 4,603,915</u>	<u>\$ -</u>	<u>\$ 12,239,315</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2011, the County's investments in commercial paper were rated A-1 by Standard and Poor's and P-1 by Moody's Investment Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2011. The County's investment in U.S. government agencies (Federal Home Loan Mortgage Company) and (Federal National Mortgage Agency) were rated AAA by Standard & Poor's and Aaa by Moody's Investment Service as of June 30, 2011. The County has no formal policy on credit risk.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The County has no policy on custodial credit risk.

Concentration of Credit Risk. Concentration risk is the risk when one of the issuers is 5% or greater of the total investment portfolio, excluding deposits. More than 5 percent of the County's investments are in U.S. Government Agencies. Investments in Federal Home Loan Mortgage Corporation are 52% and Federal National Mortgage Agency are 48%. The County has no formal policy on the concentration of credit risk.

At September 30, 2010, the Hospital's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than Year</u>	<u>2-3 Years</u>	<u>4-7 Years</u>	<u>No Maturity Date</u>
U.S. government securities	\$ 598,103	\$ 89,218	\$ 508,885	\$ -	\$ -
U.S. government agencies	15,173,302	2,057,500	4,440,923	8,674,879	-
North Carolina Capital Management Trust	4,515	-	-	-	4,515
Equity securities and funds	12,406,342	6,646,374	-	-	5,759,968
Other investments	512,820	3,476	-	-	509,344
Cash and cash equivalents	28,629,523	-	-	-	28,629,523
Total	<u>\$ 57,324,605</u>	<u>\$ 8,796,568</u>	<u>\$ 4,949,808</u>	<u>\$ 8,674,879</u>	<u>\$ 34,903,350</u>

Interest Rate Risk. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Hospital's investments in NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of September 30, 2010. The Hospital's investment in NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and also in high-grade money market instruments, and are permitted under North Carolina General Statutes 159-30 as amended. The Hospital's investments in US Government Agencies (Fannie Mae) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The Hospital has no policy on credit risk.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Property Tax – Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable.

The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Ended				
June 30	Tax	Interest	Total	
2008	\$ 1,817,228	\$ 472,479	\$ 2,289,707	
2009	1,722,736	292,865	2,015,601	
2010	1,729,782	138,383	1,868,165	
2011	1,660,375	-	1,660,375	
Total	\$ 6,930,121	\$ 903,727	\$ 7,833,848	

Receivables

Receivables at the government-wide level at June 30, 2011 were as follows:

	Accounts	Taxes and Accrued Interest	Due from Other Governments	Total
Governmental Activities:				
General	\$ 7,868,509	\$ 4,235,098	\$ 583,049	\$ 12,686,656
Other governmental	487,016	-	475,946	962,962
Total receivables	8,355,525	4,235,098	1,058,995	13,649,618
Allowance for doubtful accounts	(1,903,196)	(1,780,900)	-	(3,684,096)
Total governmental activities	<u>\$ 6,452,329</u>	<u>\$ 2,454,198</u>	<u>\$ 1,058,995</u>	<u>\$ 9,965,522</u>
Business-Type Activities:				
Landfill	\$ 383,301	\$ -	\$ -	\$ 383,301
Water and sewer	452,056	-	-	452,056
Total receivables	835,357	-	-	835,357
Allowance for doubtful accounts	(109,955)	-	-	(109,955)
Total business-type activities	<u>\$ 725,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,402</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The due from other governments that is owed to the County consists of the following:

Local option sales tax \$ 1,058,995

Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 10,731,187	\$ 131,041	\$ -	\$ 10,862,228
Construction in progress	<u>753,214</u>	<u>7,026,706</u>	<u>-</u>	<u>7,779,920</u>
Total non-depreciable capital assets	<u>11,484,401</u>	<u>7,157,747</u>	<u>-</u>	<u>18,642,148</u>
Depreciable Capital Assets:				
Buildings	78,215,124	-	-	78,215,124
Equipment	4,311,639	414,187	(228,427)	4,497,399
Vehicles and motor equipment	<u>4,824,542</u>	<u>1,326,316</u>	<u>(299,869)</u>	<u>5,850,989</u>
Total depreciable capital assets	<u>87,351,305</u>	<u>1,740,503</u>	<u>(528,296)</u>	<u>88,563,512</u>
Less Accumulated Depreciation:				
Buildings	19,898,889	2,428,003	-	22,326,892
Equipment	2,338,042	407,565	(227,990)	2,517,617
Vehicles and motor equipment	<u>3,010,136</u>	<u>760,009</u>	<u>(277,281)</u>	<u>3,492,864</u>
Total accumulated depreciation	<u>25,247,067</u>	<u>3,595,577</u>	<u>(505,271)</u>	<u>28,337,373</u>
Total depreciable capital assets	<u>62,104,238</u>	<u>(1,855,074)</u>	<u>(23,025)</u>	<u>60,226,139</u>
Governmental activities capital assets, net	<u>\$ 73,588,639</u>	<u>\$ 5,302,673</u>	<u>\$ (23,025)</u>	<u>\$ 78,868,287</u>

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

General government	\$ 1,665,163
Public safety	1,275,455
Economic and physical development	31,699
Human services	429,897
Cultural and recreational	<u>193,363</u>
Total	<u>\$ 3,595,577</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Business-Type Activities:				
Landfill:				
Non-Depreciable Capital Assets:				
Land	\$ 1,656,979	\$ -	\$ -	\$ 1,656,979
Construction in progress	<u>272,365</u>	<u>1,491,792</u>	<u>-</u>	<u>1,764,157</u>
Total non-depreciable capital assets	<u>1,929,344</u>	<u>1,491,792</u>	<u>-</u>	<u>3,421,136</u>
Depreciable Capital Assets:				
Plant and distribution systems	2,881,228	-	-	2,881,228
Furniture and maintenance equipment	673,719	23,269	(1,210)	695,778
Vehicles	<u>1,013,414</u>	<u>-</u>	<u>(275,041)</u>	<u>738,373</u>
Total depreciable capital assets	<u>4,568,361</u>	<u>23,269</u>	<u>(276,251)</u>	<u>4,315,379</u>
Less Accumulated Depreciation:				
Plant and distribution systems	529,557	73,509	-	603,066
Furniture and maintenance equipment	150,674	44,784	(1,210)	194,248
Vehicles	<u>1,003,318</u>	<u>27,156</u>	<u>(275,041)</u>	<u>755,433</u>
Total accumulated depreciation	<u>1,683,549</u>	<u>145,449</u>	<u>(276,251)</u>	<u>1,552,747</u>
Total depreciable capital assets, net	<u>2,884,812</u>	<u>(122,180)</u>	<u>-</u>	<u>2,762,632</u>
Landfill capital assets, net	<u>4,814,156</u>	<u>\$ 1,369,612</u>	<u>\$ -</u>	<u>6,183,768</u>
Cane Creek Water and Sewer District:				
Non-Depreciable Capital Assets:				
Land	308,995	\$ -	\$ -	308,995
Construction in progress	<u>331,017</u>	<u>-</u>	<u>-</u>	<u>331,017</u>
Total non-depreciable capital assets	<u>640,012</u>	<u>-</u>	<u>-</u>	<u>640,012</u>
Depreciable Capital Assets:				
Plant and distribution systems	14,971,069	77,092	-	15,048,161
Furniture and maintenance equipment	319,073	-	(2,813)	316,260
Vehicles	<u>88,790</u>	<u>-</u>	<u>-</u>	<u>88,790</u>
Total depreciable capital assets	<u>15,378,932</u>	<u>77,092</u>	<u>(2,813)</u>	<u>15,453,211</u>
Less Accumulated Depreciation:				
Plant and distribution systems	3,242,758	370,986	-	3,613,744
Furniture and maintenance equipment	251,194	28,978	(2,813)	277,359
Vehicles	<u>88,005</u>	<u>785</u>	<u>-</u>	<u>88,790</u>
Total accumulated depreciation	<u>3,581,957</u>	<u>400,749</u>	<u>(2,813)</u>	<u>3,979,893</u>
Total depreciable capital assets, net	<u>11,796,975</u>	<u>(323,657)</u>	<u>-</u>	<u>11,473,318</u>
Cane Creek Water and Sewer District capital assets, net	<u>12,436,987</u>	<u>\$ (323,657)</u>	<u>\$ -</u>	<u>12,113,330</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Justice Academy Water and Sewer District:				
Depreciable Capital Assets:				
Plant and distribution systems	441,187	\$ -	\$ -	441,187
Furniture and maintenance equipment	17,234	-	-	17,234
Total depreciable capital assets	458,421	-	-	458,421
Less Accumulated Depreciation:				
Plant and distribution systems	125,345	10,444	-	135,789
Furniture and maintenance equipment	17,234	-	-	17,234
Total accumulated depreciation	142,579	10,444	-	153,023
Total depreciable capital assets, net	315,842	(10,444)	-	305,398
Justice Academy Water and Sewer District capital assets, net	315,842	\$ (10,444)	\$ -	305,398
Business-type activities capital assets, net	\$ 17,300,793			\$ 18,602,496

Construction Commitments

The government has active construction projects as of June 30, 2011. The projects include school and community college construction projects. At year-end, the government's commitments with contractors are as follows:

Project	Remaining Commitment
Apple Valley Middle-North High School Projects	\$ 532,017
Law Enforcement Center	1,525,884
Former Health Department Building Renovations	340,647
Recreation Parks Land Improvements	581,261
Blue Ridge Community College Repair Projects	651,906
Total	\$ 3,631,715

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Capital asset activity for the Henderson County Hospital Corporation for the year ended September 30, 2010 was as follows:

	Balance October 1, 2009	Increases	Decreases	Transfers	Balance September 30, 2010
Non-Depreciable Capital Assets:					
Land	\$ 4,900,727	\$ -	\$ -	\$ -	\$ 4,900,727
Construction in progress	815,312	3,077,444	-	(3,445,125)	447,631
Total non-depreciable capital assets	<u>5,716,039</u>	<u>3,077,444</u>	<u>-</u>	<u>(3,445,125)</u>	<u>5,348,358</u>
Depreciable Capital Assets:					
Land improvements	1,044,152	15,052	-	21,431	1,080,635
Buildings and fixed equipment	89,029,999	2,250	-	1,627,338	90,659,587
Movable equipment	91,058,071	3,805,429	(68,398)	1,796,356	96,591,458
Total depreciable capital assets	<u>181,132,222</u>	<u>3,822,731</u>	<u>(68,398)</u>	<u>3,445,125</u>	<u>188,331,680</u>
Less Accumulated Depreciation:					
Land improvements	930,947	27,560	-	-	958,507
Buildings and fixed equipment	43,441,972	3,426,854	-	-	46,868,826
Moveable equipment	74,241,725	5,085,621	(68,398)	-	79,258,948
Total accumulated depreciation	<u>118,614,644</u>	<u>8,540,035</u>	<u>(68,398)</u>	<u>-</u>	<u>127,086,281</u>
Total depreciable capital assets, net	<u>\$ 68,233,617</u>	<u>\$ (1,639,860)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,593,757</u>

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2011 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Insurance Claims Incurred But Not Reported	Total
Governmental Activities:					
General	\$ 2,038,847	\$ 4,900,528	\$ 875,000	\$ 263,523	\$ 8,077,898
Other governmental	2,966,293	-	-	-	2,966,293
Total governmental activities	<u>\$ 5,005,140</u>	<u>\$ 4,900,528</u>	<u>\$ 875,000</u>	<u>\$ 263,523</u>	<u>\$ 11,044,191</u>
Business-Type Activities:					
Landfill	\$ 840,384	\$ 18,486	\$ -	\$ 5,637	\$ 864,507
Water and Sewer Fund	301,131	-	4,964	-	306,095
Other	1,362	-	-	-	1,362
Total business-type activities	<u>\$ 1,142,877</u>	<u>\$ 18,486</u>	<u>\$ 4,964</u>	<u>\$ 5,637</u>	<u>\$ 1,171,964</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Pension Plan Obligation

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.45% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$1,973,451, \$1,484,116, and \$1,523,697, respectively. The contributions made by the County equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description. Henderson County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County'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. The plan does not issue a separate stand-alone financial report. Each local government makes benefit payments required under this plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of 133 active plan members and 10 retired members receiving benefits.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. There are no plan assets and the liability is not material; therefore, the plan is not presented as a pension trust fund in the County's CAFR. 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.

Contributions

The County 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 County'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 required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 21 years.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$	311,069
Interest on net pension obligation		84,331
Adjustment to annual required contribution		<u>(90,295)</u>
Annual pension cost		305,105
Employer contributions made		<u>133,614</u>
Increase (decrease) in net pension obligation		171,491
Net pension obligation:		
Beginning of year - July 1		<u>1,686,610</u>
End of year - June 30	\$	<u><u>1,858,101</u></u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 240,699	17.00%	\$ 1,528,732
2010	280,051	43.63%	1,686,610
2011	305,105	43.79%	1,858,101

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,855,194, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,855,194.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,231,707 and the ratio of the UAAL to the covered payroll was 45.82 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. 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 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 that the County contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2011 were \$518,100, which consisted of \$395,475 from the County and \$122,625 from the law enforcement officers.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes 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. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$10,335.

Post-Employment Benefits

Deferred Compensation Plan

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans available to all County employees permit 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. Participation in the plan is at the option of the employee.

Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

The County has complied with changes in the laws which govern the County's deferred compensation plans, requiring all assets of the plans to be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans," the County's Deferred Compensation Plans are not reported as County agency funds.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. In addition to providing pension benefits, the County has elected to provide healthcare benefits to retirees of the County who have at least thirty (30) years of service with the County or are at least 55, but not Medicare eligible, with a minimum of ten (10) years of service with the County and have a combined age and years of service total of at least 70. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active County employees. The County pays 100% of the payments for any retiree with thirty (30) or more years of service with the County or a combined age and years of service total of at least 80. Reduced contribution rates are made by the County for retirees with combined age and years of service that total 70 or 75 at retirement. Retirees can purchase coverage for their dependents at the County's group rates. Currently, 57 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2011, the County made payments for post-retirement health benefit premiums of \$487,510. The County is self-insured and contracts with a private carrier to administer the healthcare plan. A separate report was not issued for the plan. This is a single employer defined benefit plan.

Membership of the plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	57	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	601	129
Total	658	129

Funding Policy. The County pays 100% of the cost of coverage for the healthcare benefits paid to qualified retirees with thirty (30) years of service to the County under a County resolution that can be amended by the Board of County Commissioners. For retirees whose age plus years of service total 70, 75, or 80 at retirement, the County contribution percentage is 50%, 75%, and 100%, respectively. The County's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The current ARC rate is 4.06% of annual covered payroll. For the current year, the County contributed \$487,510, or 1.61% of annual covered payroll. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 4.06% and 4.06% of covered payroll, respectively. The total employee contributions including dependent coverage were \$64,525. The County's obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

Summary of Significant Accounting Policies

Post-employment 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 Obligation

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Annual required contribution	\$ 1,209,006	\$ 23,131	\$ 1,232,137
Interest on net OPEB obligation	63,116	1,154	64,270
Adjustments to annual required contribution	<u>(60,295)</u>	<u>(1,103)</u>	<u>(61,398)</u>
Annual OPEB cost (expense)	1,211,827	23,182	1,235,009
Contributions made	<u>(479,189)</u>	<u>(8,321)</u>	<u>(487,510)</u>
Increase (decrease) in net OPEB obligation	732,638	14,861	747,499
Net OPEB obligation:			
Beginning of year - July 1	<u>1,579,335</u>	<u>27,426</u>	<u>1,606,761</u>
End of year - June 30	<u>\$ 2,311,973</u>	<u>\$ 42,287</u>	<u>\$ 2,354,260</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 1,235,009	39.5%	\$ 2,354,260
2010	1,187,602	35.6%	1,606,761
2009	1,187,602	29.1%	841,705

Fund Status and Funding Progress

As of December 31, 2010, 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 \$14,062,723. The covered payroll (annual payroll of active employees covered by the plan) was \$30,349,158, and the ratio of the UAAL to the covered payroll was 46.3 percent. 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 include 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 multi-year 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 benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

In the December 31, 2010 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 10.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

As of June 30, 2011, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Board of Commissioners.

Other Employment Benefits

The County 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 multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. Lump-sum death benefits are provided to beneficiaries 1) who die in active service after one year of contributing membership in the System, or 2) 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. This payment is equal to the employee's 12 highest months' salary in a row during the 24 months prior to his or her death. The death benefit payments to beneficiaries must be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the County made immaterial contributions to the State for death benefits. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively.

Landfill Closure and Post-Closure Care Costs

Federal and State laws and regulations require the County to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Current federal and State regulations required all unlined landfills to stop accepting waste by January 1, 1998. The County's unlined Stoney Mountain Road Landfill stopped accepting waste on that date. Although certain closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Due to a redetermination of post-closure costs being performed after the landfill stopped accepting waste, the estimated post-closure costs decreased significantly from the amount estimated in prior years. The \$2,122,896 reported as landfill post-closure care liability at June 30, 2011 represents the cumulative amount reported at that date for costs yet to be incurred. The County will recognize the remaining estimated cost of post-closure care as incurred. These amounts are based on what it would cost to perform all post-closure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Henderson County Hospital Corporation Pension Plan

Please see the separately issued financial report of Henderson County Hospital Corporation for a complete description of the Hospital pension plan.

Deferred/Unearned Revenues

The balance in deferred or unearned revenues on the fund statements and unearned revenues on the government-wide statements at June 30, 2011 is composed of the following elements:

	Deferred Revenues	Unearned Revenues
Prepaid revenue not yet earned (General Fund)	\$ 320,750	\$ 320,750
Taxes receivable, net (General Fund)	2,454,198	-
Other receivable (General Fund)	198,023	-
Taxes receivable, net (Special Revenue Fund)	24,980	-
Total	<u>\$ 2,997,951</u>	<u>\$ 320,750</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two of the self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement value of real and personal owned property subject to a blanket limit of \$84.9 million per occurrence, general liability coverage of \$2 million per occurrence, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$500,000 of aggregate annual losses in excess of \$25,000 per occurrence for property coverage, and single occurrence losses up to \$350,000 for workers' compensation.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The County is self-insured for amounts in excess of the per occurrence losses for both property and workers' compensation insurance.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds that are performance bonded through a commercial surety bond. The Finance Director and Tax Collector are bonded for \$200,000 and \$1,000,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County carries flood insurance through the National Flood Insurance Program (NFIP). Because the County is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. 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 County provides employee health and dental benefits through a self-insured plan provided by Blue Cross/Blue Shield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC. Specific stop-loss is set at \$100,000 per individual health insurance claim with an unlimited lifetime maximum. Aggregate stop-loss is set at the level of 125 percent with a minimum aggregate attachment point of \$7,627,603 and a contract period maximum of \$1,000,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's).

Changes in the balances of claims liabilities for health insurance during the past fiscal year are as follows:

	<u>Year Ended June 30</u>	
	<u>2010</u>	<u>2011</u>
Unpaid claims:		
Beginning of year - July 1	\$ 300,000	\$ 324,133
Incurred claims	6,145,524	5,531,740
Claim payments	<u>(6,121,391)</u>	<u>(5,586,713)</u>
End of year - June 30	<u>\$ 324,133</u>	<u>\$ 269,160</u>

Claims typically have been liquidated in the General Fund and the Landfill Fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Claims and Judgments

At June 30, 2011, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Long-Term Obligations

Installment Financing Contracts

The County has entered into four installment financing contracts with the Henderson County Governmental Financing Corporation, a component unit, for construction of educational and public safety facilities. These contracts were funded by execution and delivery of certificates of participation. The outstanding contracts at June 30, 2011 are as follows:

\$25,875,000 Projects Series 2005A, due in annual principal payments ranging from \$630,000 to \$1,430,000 on May 1 through 2025. Interest is payable semi-annually at rates ranging from 3.0% to 5.0%, fluctuating throughout the life of the certificates.	\$ 20,020,000
\$41,610,000 Projects Series 2006A, due in annual principal payments ranging from \$1,550,000 to \$2,185,000 on June 1 through 2026. Interest is payable semi-annually at rates ranging from 4.375% to 5.00%, fluctuating throughout the life of the certificates.	32,735,000
\$7,500,000 2010 County Buildings Recovery Zone Economic Development Bonds, due in annual principal payments of \$500,000, including interest charged at an annual rate of 4.80%. Payments will continue through November 19, 2025.	<u>7,500,000</u>
Total installment contracts	<u>\$ 60,255,000</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Annual debt service requirements to maturity for the County's installment financing are as follows:

Year Ending			
June 30	Principal	Interest	
2012	\$ 4,115,000	\$ 2,886,937	
2013	4,115,000	2,704,038	
2014	4,115,000	2,509,687	
2015	4,115,000	2,288,088	
2016	4,115,000	2,404,021	
2017-2021	20,575,000	4,320,750	
2022-2026	19,105,000	3,438,900	
Total	<u>\$ 60,255,000</u>	<u>\$ 20,552,421</u>	

Installment Purchases

As authorized by State law [G.S.160A-20 and 153A-158.1], the County has financed various property acquisitions for use by the Henderson County Public School by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Henderson County Board of Public Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

On April 10, 2002, the County entered into an installment purchase contract for property improvements to Hendersonville Middle School. The transaction requires one final balloon payment of \$3,000,000 on April 5, 2014. The County is required to make 12 annual deposits of \$164,363 into a debt service fund to fund the final payment. The installment loan was designated as Qualified Zone Academy Bonds, pursuant to Section 1397E of the Internal Revenue Code of 1986 and, as such, the obligation of the County is interest free.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Other installment purchase contracts payable at June 30, 2011 are comprised of the following individual issues:

Governmental Activities:

\$435,000 property financing contract due in quarterly payments of \$8,503, including interest at an annual rate of 4.75%. Payments will continue through December 29, 2026.	\$ 139,762
\$32,000,000 Elementary Schools Project financing contract due in semi-annual principal payments of \$914,286, including interest charged at an annual rate of 3.72%. Payments will continue through September 30, 2025.	26,514,286
\$5,092,000 Detention Center financing contract due in semi-annual payments, including interest at an annual rate of 3.64%. Payments will continue through June 30, 2019.	3,696,000
\$553,000 Emergency 911 Center Project financing contract due in annual payments of \$122,873, including interest charged at an annual rate of 3.63%. Payments will continue through July 15, 2013.	343,672
\$4,270,400 2009 Qualified School Construction Bonds financing contract due in annual principal payments of \$427,050, including interest charged at of 1.87%. Payments will continue through December 16, 2019.	3,843,360
\$1,807,500 2010 Qualified Zone Academy Bonds financing contract due in annual principal payments of \$180,750, including interest charged at an annual rate of 5.46%. Payments will continue through June 9, 2020.	1,626,750
\$8,610,000 Series 2010 A Recovery Zone Economic Development Bonds, financing contract due in annual principal payments ranging from \$860,000 to \$865,000 on December 1 through 2019. Interest is paid semi-annually at rates ranging from 1.0% to 4.4%, fluctuating throughout the life of the bonds.	7,745,000
\$3,000,000 Hendersonville Middle School Qualified Zone Academy Bonds requiring 12 annual deposits of \$164, 363 into a Debt Service Fund. Final payment of the bonds is April 5, 2015.	3,000,000
\$244,460 vehicles financing contract due in annual payments of \$63,874, including interest at an annual rate of 1.79%. Payments will continue through June 10, 2015.	<u>244,460</u>
Total installment purchases indebtedness	<u>\$ 47,153,290</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Long-Term Debt

Annual debt service requirements to maturity for the County's governmental installment purchases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 4,254,757	\$ 1,511,570
2013	4,146,143	1,389,420
2014	4,147,037	1,262,817
2015	4,024,666	1,131,589
2016	3,850,875	1,001,228
2017-2021	17,836,511	3,305,127
2022-2026	7,591,200	876,457
2027-2031	1,302,101	12,012
Total	<u>\$ 47,153,290</u>	<u>\$ 10,490,220</u>

Limited Obligation Indebtedness

The County's Limited Obligation Bonds are serviced by the Cane Creek Water and Sewer District and by the General Capital Project Fund. They are collateralized by the full faith, credit, and taxing power of the County. Approximately 9% of the Limited Obligation Bonds were issued to provide funds for the acquisition and construction of major sewer system capital improvements. These bonds, which are recorded in the Cane Creek Water and Sewer District Fund, are collateralized by the full faith, credit, and taxing power of the District. The remaining 91% of the Limited Obligation Bonds were issued to provide funds for the acquisition and construction of a library and schools. These bonds, which are recorded in the General Capital Projects Fund, are collateralized by full faith credit, and taxing power of the County. Principal and interest payments are appropriated when due.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The County's limited obligation bonds payable at June 30, 2011 are comprised of the following individual issues:

Governmental Activities:

\$18,880,000 Series 2010 B Limited Obligation Bonds,
due in annual principal payments ranging from \$654,229
\$2,089,028 on December 1 through 2020. Interest is
payable semi-annually at rates from 1.0% to 5.0%,
fluctuating throughout the life of the bonds. \$ 15,814,348

Business-Type Activities:

Cane Creek Water and Sewer District:
\$18,880,000 Series 2010 B Limited Obligation Bonds,
due in annual principal payments ranging from \$70,770
to \$225,972 on December 1 through 2020. Interest is
payable semi-annually at rates ranging from 1.0% to
5.0%, fluctuating throughout the life of the bonds. 1,710,652

Total Limited Obligation Bonds payable \$ 17,525,000

Annual debt service requirements to maturity for the County's limited obligation indebtedness are as follows:

Governmental Activities:

Year Ending	Principal	Interest
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,083,500	\$ 574,470
2013	2,065,500	511,965
2014	2,061,000	450,000
2015	2,061,000	374,085
2016	2,061,000	291,645
2017-2021	<u>5,482,348</u>	<u>514,575</u>
Total	<u><u>\$ 15,814,348</u></u>	<u><u>\$ 2,716,740</u></u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Business-Type Activities:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 231,500	\$ 62,614
2013	229,500	58,916
2014	229,000	52,166
2015	229,000	44,689
2016	229,000	36,102
2017-2021	<u>562,652</u>	<u>62,808</u>
Total	<u>\$ 1,710,652</u>	<u>\$ 317,295</u>

At June 30, 2011, the County had no bonds authorized, but unissued, and a legal debt margin of \$929,631,078.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Limited obligation bonds	\$ 17,037,084	\$ -	\$ 1,222,736	\$ 15,814,348	\$ 2,083,500
Add unamortized bond premium	<u>763,587</u>	<u>-</u>	<u>84,843</u>	<u>678,744</u>	<u>84,843</u>
Total limited obligation bonds	<u>17,800,671</u>	<u>-</u>	<u>1,307,579</u>	<u>16,493,092</u>	<u>2,168,343</u>
Other long-term obligations	29,195	-	29,195	-	-
Installment purchases	50,876,518	244,460	3,967,688	47,153,290	4,254,757
Installment contracts	57,190,000	7,500,000	4,435,000	60,255,000	4,115,000
Compensated absences	2,049,756	890,959	713,958	2,226,757	222,676
Other post-employment benefits	1,579,335	1,211,827	479,189	2,311,973	-
Pension benefit obligations	<u>1,686,610</u>	<u>171,491</u>	<u>-</u>	<u>1,858,101</u>	<u>-</u>
Total governmental activities	<u>\$ 131,212,085</u>	<u>\$ 10,018,737</u>	<u>\$ 10,932,609</u>	<u>\$ 130,298,213</u>	<u>\$ 10,760,776</u>
Business-Type Activities:					
Installment purchase	\$ 79,450	\$ -	\$ 79,450	\$ -	\$ -
Limited obligation bonds	1,842,916	-	132,264	1,710,652	231,500
Add unamortized bond premium	<u>82,597</u>	<u>-</u>	<u>9,178</u>	<u>73,419</u>	<u>9,178</u>
Total limited obligation bonds	<u>1,925,513</u>	<u>-</u>	<u>141,442</u>	<u>1,784,071</u>	<u>240,678</u>
Accrued landfill closure and post-closure care cost	2,231,306	-	108,410	2,122,896	105,031
Other post-employment benefits	27,426	23,182	8,321	42,287	-
Compensated absences	<u>33,964</u>	<u>15,901</u>	<u>15,050</u>	<u>34,815</u>	<u>3,482</u>
Total business-type activities	<u>\$ 4,297,659</u>	<u>\$ 39,083</u>	<u>\$ 352,673</u>	<u>\$ 3,984,069</u>	<u>\$ 349,191</u>
Discretely Presented					
Component Unit:					
Revenue bonds	\$ 11,535,000	\$ 3,000,000	\$ 650,000	\$ 13,885,000	\$ 1,263,988
Capitalized leases	<u>1,998,393</u>	<u>1,792,012</u>	<u>1,007,857</u>	<u>2,782,548</u>	<u>884,150</u>
Total	<u>13,533,393</u>	<u>4,792,012</u>	<u>1,657,857</u>	<u>16,667,548</u>	<u>2,148,138</u>
Less unamortized deferred loss on refunding	<u>148,014</u>	<u>-</u>	<u>12,350</u>	<u>135,664</u>	<u>-</u>
Total discretely presented component unit	<u>\$ 13,385,379</u>	<u>\$ 4,792,012</u>	<u>\$ 1,670,207</u>	<u>\$ 16,531,884</u>	<u>\$ 2,148,138</u>

Compensated absences, net pension obligation, and other post-employment benefits, typically have been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Capital Leases

The Hospital 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. The leases have bargain purchase options.

At September 30, 2010, the cost of assets held under capital leases was approximately \$13,934,000, less accumulated depreciation and amortization of approximately \$7,954,000. At September 30, 2010, the future minimum payments under the Hospital's capital leases consist of the following:

<u>Year Ending September 30</u>	<u>Principal</u>
2011	\$ 997,197
2012	907,696
2013	741,918
2014	<u>410,362</u>
Total minimum lease payments	3,057,173
Less: amount representing interest	(274,625)
Less: current portion	<u>(884,150)</u>
Present value of the minimum lease payments	<u>\$ 1,898,398</u>

Revenue Bonds

In September 2001, the County issued \$15,300,000 of Hospital Revenue Bonds to finance capital improvements at Margaret R. Pardee Memorial Hospital. Interest is a variable market rate throughout the life of the bonds. The revenue bonds, which mature through October 1, 2021, are reported on the Hospital's financial statements because the principal and interest on the bonds are payable from the net revenues of the Hospital. In June 2010, the County issued \$3,000,000 of Hospital revenue bonds to finance capital expenditures at the Margaret R. Pardee Memorial Hospital. Interest is variable throughout the life of the bonds. The revenue bonds, which mature April 1, 2015, are reported on the Hospital's financial statements because the principal and interest on the bonds are payable from the net revenues of the Hospital. The revenue bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the County's property or upon its income, receipts, or revenues. The taxing power of the County is not pledged for payment of the principal or interest on the revenue bonds, and no owner has the right to complete the exercise of the taxing power of the County or their forfeiture of any of its property in connection with any default under the bond order.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending September 30	Principal	Interest
2011	\$ 1,263,988	\$ 631,224
2012	1,299,105	558,822
2013	1,351,198	462,054
2014	1,403,796	384,267
2015	1,461,913	321,454
2016-2020	4,820,000	932,418
2021-2022	2,285,000	141,310
Total	\$ 13,885,000	\$ 3,431,549

On June 1, 2008, there was a current refunding of the \$15,300,000 Hospital revenue bonds with a refunding bond issued in the amount of \$12,155,000. Interest was converted to a fixed rate.

Capital Assets, Net of Related Debt

Capital assets, net of related debt, at June 30, 2011 are computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 78,868,287	\$ 18,602,496
Long-term debt	(123,901,382)	(1,784,071)
Long-term debt for assets not owned by the County	90,123,692	-
Invested in capital assets, net of related debt	\$ 45,090,597	\$ 16,818,425

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2011 consist of the following:

	Transfers		Purpose
	From	To	
General Fund	\$ 500,063	\$ 413,319	
Emergency Telephone Systems Fund		8,586	Emergency communication operations
Public Transit Fund	-	177,114	Transportation services
Immigration and Customs Enforcement Fund	75,064		Law enforcement operations
Debt Service	-	164,363	Schools debt service
General Capital Projects Fund	-	1,453,920	County capital projects
Capital Reserve Fund	1,357,920	-	Reserve for capital projects
Travel and Tourism Fund	85,896	-	Administrative cost
Landfill Fund	-	104,000	Personnel costs
Cane Creek Water and Sewer District Fund	<u>302,359</u>	<u>-</u>	Personnel and billing operations
Total	<u>\$ 2,321,302</u>	<u>\$ 2,321,302</u>	

The following is a summary of interfund receivables and payables.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	<u>\$ 17,551</u>	Temporary reimbursement of cash over drafts

3. Joint Ventures

The County, in conjunction with the State of North Carolina and Henderson County Board of Education, participates in a joint venture to operate Blue Ridge Community College ("Community College"). Each of the three participants appoints four members of the 13-member Board of Trustees of the Community College. The president of the Community College's student government association serves as a non-voting, ex-officio member of the Board of Trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

ongoing financial responsibility for the Community College, because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$2,325,516 to the Community College for operational expenses and \$1,052,986 for capital expenditures during the fiscal year ended June 30, 2011. In addition, the County made debt service payments of \$1,693,492, including interest, during the year ended June 30, 2011, on general obligation bonds and certificates of participation (COPs) issued for the Community College facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2011. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at Blue Ridge Community College, Flat Rock, North Carolina.

The County, in conjunction with seven other counties, participates in the Western Highlands Area Authority, a local management entity, which provides mental health, development disability, and substance abuse services to residents of the eight-County area. Each participating government appoints members to the governing board of the Authority. The County has ongoing financial responsibility to provide maintenance of effort funding to assist in providing mental health services primarily within the County. The County contributed \$528,612 towards this maintenance of effort in the form of grants to service providers during the fiscal year ended June 30, 2011. None of the eight participating governments has any equity interest in the Authority, so no equity has been reflected in the financial statements at June 30, 2011. Complete financial statements for the Authority may be obtained from the Authority's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

4. Jointly Governed Organization

The County, in conjunction with other counties and municipalities, established the Land of Sky Regional Council of Governments (Council). The participating governments established the Council to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Council's governing board.

5. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

6. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which do not appear in the basic financial statements, because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 1,032,324	\$ -
Medicaid	73,555,780	29,378,405
WIC	1,523,434	-
Adoption Assistance	618,464	140,680
Low Income Energy Assistance	697,844	-
State/County Special Assistance for Adults	-	986,540
Total	<u>\$ 77,427,846</u>	<u>\$ 30,505,625</u>

This page was left blank intentionally.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for Other-Post Employment Benefits – Retiree Health Plan
- Notes to the Required Schedules for Other-Post Employment Benefits – Retiree Health Plan

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2010	\$ -	\$ 2,855,194		0.00%	\$ 2,855,194	\$ 6,231,707	45.82%
12/31/2009	-	3,001,892		0.00%	3,001,892	6,119,533	49.05%
12/31/2008	-	2,438,148		0.00%	2,438,148	6,536,146	37.30%
12/31/2007	-	2,045,918		0.00%	2,045,918	5,891,020	34.73%
12/31/2006	-	1,705,055		0.00%	1,705,055	5,625,074	30.31%
12/31/2005	-	1,426,389		0.00%	1,426,389	5,212,692	27.42%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 311,069	39.28%
2010	265,518	40.94%
2009	227,709	47.74%

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	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	5.00%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None

HENDERSON COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2011**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll (B-A)/C
		Projected Unit Credit (B)					
12/31/2010	\$ -	\$ 14,062,723		0.00%	\$ 14,062,723	\$ 30,349,158	46.3%
12/31/2008	-	11,916,315		0.00%	11,916,315	26,464,590	45.0%
12/31/2005	-	11,053,864		0.00%	11,053,864	23,337,490	47.4%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contributuion (ARC)	Percentage Contributed
2011	\$ 1,232,137	39.6%
2010	1,187,602	35.6%
2009	1,187,602	29.1%

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	December 31, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical trend rate	10.50% - 5.00%
Year of Ultimate trend rate	2018

* Includes inflation at 3.00%

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes - current		\$ 59,777,111		\$ 59,497,489
Penalties, interest, and advertising		462,910		491,966
Total	\$ 59,471,460	60,240,021	\$ 768,561	59,989,455
Local Option Sales Taxes:				
Article 39 one percent		7,206,610		7,042,919
Article 40 one-half of one percent		4,988,738		4,848,662
Article 42 one-half of one percent		4,025,080		4,064,297
Article 44 one-half of one percent		(1,383)		309,205
Medicaid hold harmless		244,029		-
Total	15,607,222	16,463,074	855,852	16,265,083
Other Taxes and Licenses:				
Deed stamp excise tax		685,848		795,073
Gross receipts rental tax		36,582		33,776
Privilege licenses		-		30
Total	780,000	722,430	(57,570)	828,879
Unrestricted Intergovernmental Revenues:				
Payment in lieu of taxes	42,000	45,282	3,282	44,107
Total	42,000	45,282	3,282	44,107
Restricted Intergovernmental Revenues:				
Federal and State grants		21,358,357		20,584,373
Controlled substance tax		31,863		23,053
Court facility fee		140,140		169,803
ABC net revenues		54,396		63,201
ABC bottles taxes		24,753		25,541
Total	20,998,188	21,609,509	611,321	20,865,971
Permits and Fees:				
Inspection fees		618,341		687,513
Register of Deeds		454,086		452,783
Enforcement fees		187,481		163,445
Total	1,304,950	1,259,908	(45,042)	1,303,741

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Rents, concessions, and fees		2,837,523		2,761,756
Jail fees		215,142		329,702
Ambulance fees		2,453,861		2,179,623
Recreation fees		203,437		245,224
Total	5,311,928	5,709,963	398,035	5,516,305
Investment Earnings	250,000	569,727	319,727	470,856
Miscellaneous:				
Sale of materials		76,983		54,329
Other		497,800		854,182
Total	1,953,936	574,783	(1,379,153)	908,511
Total revenues	105,719,684	107,194,697	1,475,013	106,192,908
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits		190,902		181,283
Operating expenditures		225,106		179,785
Donations and dues		379,874		395,634
Capital outlay		-		7,534
Total	862,822	795,882	66,940	764,236
Administration:				
Salaries and employee benefits		899,684		860,379
Operating expenditures		164,407		161,799
Total	1,203,318	1,064,091	139,227	1,022,178
Elections:				
Salaries and employee benefits		339,767		331,278
Operating expenditures		288,326		280,737
Total	829,445	628,093	201,352	612,015
Finance:				
Salaries and employee benefits		561,736		544,561
Operating expenditures		203,461		175,713
Total	771,178	765,197	5,981	720,274

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Taxes:				
Salaries and employee benefits		1,383,513		1,374,977
Operating expenditures		713,726		776,340
Capital outlay		15,095		7,916
Total	2,359,241	2,112,334	246,907	2,159,233
Legal:				
Salaries and employee benefits		564,092		535,902
Contracted services		66,325		49,833
Total	654,125	630,417	23,708	585,735
Register of Deeds:				
Salaries and employee benefits		713,652		776,392
Operating expenditures		151,511		162,777
Capital outlay		14,109		22,380
Total	995,521	879,272	116,249	961,549
Public Buildings:				
Salaries and employee benefits		767,173		673,800
Operating expenditures		158,836		141,905
Total	1,003,004	926,009	76,995	815,705
Garage and Grounds:				
Salaries and employee benefits		257,847		276,681
Operating expenditures		91,324		56,099
Capital outlay		11,040		-
Total	378,859	360,211	18,648	332,780
Court Facilities:				
Operating expenditures		185,406		163,754
Total	190,000	185,406	4,594	163,754
Data Processing:				
Salaries and employee benefits		517,969		504,941
Operating expenditures		49,161		45,628
Capital outlay		-		8,057
Total	582,027	567,130	14,897	558,626
Total general government	9,829,540	8,914,042	915,498	8,696,085

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits		9,311,827		9,265,778
Operating expenditures		3,247,700		2,761,302
Capital outlay		1,007,086		605,753
Total	14,306,847	13,566,613	740,234	12,632,833
Jail:				
Salaries and employee benefits		3,021,839		3,040,068
Operating expenditures		1,102,792		1,042,807
Capital outlay		95,533		115,971
Total	4,655,404	4,220,164	435,240	4,198,846
Emergency Management:				
Salaries and employee benefits		163,689		160,160
Operating expenditures		28,833		31,451
Capital outlay		-		15,434
Total	216,489	192,522	23,967	207,045
Fire Services:				
Salaries and employee benefits		231,005		220,436
Operating expenditures		129,329		121,437
Total	401,541	360,334	41,207	341,873
Inspections:				
Salaries and employee benefits		707,570		711,437
Operating expenditures		110,359		119,441
Capital outlay		60,559		-
Total	1,015,040	878,488	136,552	830,878
Code Enforcement Services:				
Salaries and employee benefits		256,015		246,631
Operating expenditures		54,497		59,534
Total	322,151	310,512	11,639	306,165
Erosion Control:				
Salaries and employee benefits		62,122		127,041
Operating expenditures		16,087		23,157
Total	159,931	78,209	81,722	150,198

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Risk Management:				
Salaries and employee benefits		212,831		194,751
Operating expenditures		143,895		125,128
Total	378,892	356,726	22,166	319,879
Emergency Medical Services:				
Salaries and employee benefits		3,237,280		3,246,501
Operating expenditures		666,456		624,580
Capital outlay		361,315		-
Total	4,397,222	4,265,051	132,171	3,871,081
Animal Control:				
Salaries and employee benefits		319,993		297,971
Operating expenditures		188,218		195,934
Capital outlay		15,780		-
Total	572,247	523,991	48,256	493,905
Day Reporting Center:				
Salaries and employee benefits		52,825		49,894
Operating expenditures		50,879		52,938
Total	104,011	103,704	307	102,832
Rescue Squad:				
Operating expenditures	113,985	111,347	2,638	104,418
Property Addressing:				
Salaries and employee benefits		118,657		115,440
Operating expenditures		9,406		13,328
Total	144,030	128,063	15,967	128,768
Total public safety	26,787,790	25,095,724	1,692,066	23,688,721
Environmental Protection:				
Soil and Water Conservation:				
Salaries and employee benefits		253,005		246,774
Operating expenditures		113,414		83,243
Total	384,877	366,419	18,458	330,017
Forestry Service	55,473	44,131	11,342	48,639

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Utilities:				
Salaries and employee benefits		211,609		192,127
Operating expenditures		1,852		2,376
Total	214,951	213,461	1,490	194,503
Total environmental protection	655,301	624,011	31,290	573,159
Economic and Physical Development:				
Planning:				
Salaries and employee benefits		425,118		422,370
Operating expenditures		83,324		90,241
Total	565,643	508,442	57,201	512,611
Agricultural Extension:				
Salaries and employee benefits		244,966		287,606
Operating expenditures		80,928		89,029
Total	343,999	325,894	18,105	376,635
Other Transfers:				
Economic development contracts	719,600	579,273	140,327	341,820
Total	719,600	579,273	140,327	341,820
Total economic and physical development	1,629,242	1,413,609	215,633	1,231,066
Human Services:				
Health:				
General and Administration:				
Salaries and employee benefits		1,584,292		1,537,601
Operating expenditures		963,353		900,760
Capital outlay		12,997		-
Total	2,747,270	2,560,642	186,628	2,438,361
Public Health:				
Bio-terrorism program				
Salaries and employee benefits		22,089		7,332
Operating expenditures		18,080		28,794
Capital outlay		-		6,672
Total	53,935	40,169	13,766	42,798

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
AIDS Grant:				
Salaries and employee benefits		301		12,114
Operating expenditures		319		526
Total	14,466	620	13,846	12,640
Tuberculosis Clinic:				
Salaries and employee benefits		65,128		38,106
Operating expenditures		10,953		4,965
Total	84,533	76,081	8,452	43,071
Maternal Health:				
Salaries and employee benefits		673,380		633,646
Operating expenditures		84,730		126,014
Total	911,884	758,110	153,774	759,660
Family Planning:				
Salaries and employee benefits		223,761		229,631
Operating expenditures		110,359		99,167
Total	386,192	334,120	52,072	328,798
Child Health:				
Salaries and employee benefits		439,033		444,123
Operating expenditures		54,234		65,217
Total	596,461	493,267	103,194	509,340
WIC:				
Salaries and employee benefits		510,892		427,837
Operating expenditures		45,479		41,037
Total	563,199	556,371	6,828	468,874
B&C Cancer Control:				
Salaries and employee benefits		39,779		29,970
Operating expenditures		23,126		32,978
Total	70,466	62,905	7,561	62,948
Risk Reduction:				
Salaries and employee benefits		35,886		21,680
Operating expenditures		1,661		9,104
Total	40,886	37,547	3,339	30,784

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
IAP Program:				
Salaries and employee benefits		48,740		46,986
Operating expenditures		6,417		10,795
Total	55,221	55,157	64	57,781
N.C. Cardiovascular Health:				
Operating expenditures	125,000	125,000	-	150,000
Total	125,000	125,000	-	150,000
Smart Start - Child Care:				
Salaries and employee benefits		77,349		74,227
Operating expenditures		4,518		4,943
Total	89,519	81,867	7,652	79,170
Smart Start - Preventive Dental:				
Salaries and employee benefits		65,318		63,556
Operating expenditures		24,571		29,800
Total	100,105	89,889	10,216	93,356
Behavioral Health Program:				
Salaries and employee benefits		38,220		28,184
Operating expenditures		551		6,767
Total	41,187	38,771	2,416	34,951
School Health Nurse Program:				
Salaries and employee benefits		530,062		538,251
Operating expenditures		22,938		24,626
Total	618,738	553,000	65,738	562,877
H1N1:				
Salaries and employee benefits		10,998		93,873
Operating expenditures		32,691		68,903
Capital outlay		-		6,672
Total	80,000	43,689	36,311	169,448
Total public health	6,579,062	5,907,205	671,857	5,844,857

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Environmental Health:				
Salaries and employee benefits		831,504		794,696
Operating expenditures		117,261		104,243
Total	1,051,462	948,765	102,697	898,939
Home and Community Block Grant:				
Salaries and employee benefits	1,305	1,300		250
Operating expenditures	753,679	753,676	3	722,595
Total	754,984	754,976	3	722,845
Youth Services:				
Salaries and employee benefits		395,995		388,628
Operating expenditures		64,763		75,302
Total	521,027	460,758	60,269	463,930
Social Services:				
Mental Health:				
Operating expenditures		533,527		536,433
Total	544,612	533,527	11,085	536,433
Administration:				
Salaries and employee benefits		9,929,551		9,695,782
Operating expenditures		1,570,115		1,491,897
Capital outlay		13,732		6,147
Total	11,984,044	11,513,398	470,646	11,193,826
Smart Start:				
Salaries and employee benefits		41,174		39,967
Operating expenditures		539,056		484,920
Total	581,802	580,230	1,572	524,887
TANF Program :				
County participation only	145,602	116,607	28,995	278,578
Income Maintenance Program:				
Supplemental aid to the aged		437,968		425,960
Supplemental aid to the disabled		552,641		501,060
Crisis intervention payments		467,798		328,050
Total	1,486,027	1,458,407	27,620	1,255,070

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Daycare Operations:				
Daycare for children	3,570,985	3,430,225	140,760	4,153,714
Foster Care:				
State boarding home		207,603		323,390
Foster care - children		714,737		812,631
Adoption assistance		270,901		289,091
Total	1,691,887	1,193,241	498,646	1,425,112
Other Assistance:				
Social work contracts	70,880	59,350	11,530	67,533
Medicaid transportation	725,000	901,595	(176,595)	786,269
Aid to the blind	5,300	5,258	42	4,616
Adult day care	14,857	13,680	1,177	16,097
General assistance	57,000	37,808	19,192	38,997
JOBS Program	50,000	29,463	20,537	52,931
EDTAP program	267,294	265,476	1,818	264,110
Emergency assistance	25,000	20,277	4,723	3,962
Other assistance	35,041	10,627	24,414	6,348
Total	1,250,372	1,343,534	(93,162)	1,240,863
Total social services	21,255,331	20,169,169	1,086,162	20,608,483
Veteran Services:				
Salaries and employee benefits		22,803		22,418
Operating expenditures		3,726		4,217
Total	27,324	26,529	795	26,635
Juvenile Justice Grant:				
Operating expenditures	273,182	253,515	19,667	250,700
Total human services	30,462,372	28,520,917	1,941,450	28,816,389
Cultural and Recreational:				
Library:				
Salaries and employee benefits		1,991,470		1,928,858
Operating expenditures		1,067,515		932,463
Capital outlay		36,202		33,798
Total	3,265,080	3,095,187	169,893	2,895,119

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Parks and Recreation:				
Salaries and employee benefits		748,016		768,038
Operating expenditures		655,353		654,399
Capital outlay		11,500		39,310
Total	<u>1,664,217</u>	<u>1,414,869</u>	<u>249,348</u>	<u>1,461,747</u>
Total cultural and recreational	<u>4,929,297</u>	<u>4,510,056</u>	<u>419,241</u>	<u>4,356,866</u>
Intergovernmental:				
Education:				
Public schools - current expense		20,698,218		20,392,939
Public schools - capital expense		449,889		449,889
Community colleges - capital expense		2,416,240		2,405,133
Total education	<u>23,564,347</u>	<u>23,564,347</u>	<u>-</u>	<u>23,247,961</u>
Debt Service:				
Principal	9,762,172	9,654,619	107,553	8,793,647
Interest	<u>4,910,528</u>	<u>4,929,086</u>	<u>(18,558)</u>	<u>5,099,807</u>
Total debt service	<u>14,672,700</u>	<u>14,583,705</u>	<u>88,995</u>	<u>13,893,454</u>
Total expenditures	<u>112,530,589</u>	<u>107,226,411</u>	<u>5,304,173</u>	<u>104,503,701</u>
Revenues over (under) expenditures	<u>(6,810,905)</u>	<u>(31,714)</u>	<u>6,779,191</u>	<u>1,689,207</u>
Other Financing Sources (Uses):				
Installment financing issued	244,460	244,460	-	-
Transfers in	507,020	413,319	(93,701)	1,786,390
Transfers out	(500,064)	(500,063)	1	(1,645,424)
Appropriated fund balance	<u>6,559,489</u>	<u>-</u>	<u>(6,559,489)</u>	<u>-</u>
Total other financing sources (uses)	<u>6,810,905</u>	<u>157,716</u>	<u>(6,653,189)</u>	<u>140,966</u>
Net changes in fund balance	<u>\$ -</u>	<u>126,002</u>	<u>\$ 126,002</u>	<u>1,830,173</u>
Fund Balance:				
Beginning of year - July 1		<u>37,042,137</u>		<u>35,211,964</u>
End of year - June 30		<u>\$ 37,168,139</u>		<u>\$ 37,042,137</u>

This page was left blank intentionally.

Other Major Governmental Funds

General Capital Projects Fund – accounts for local funds and financing proceeds used to fund County construction projects.

School Capital Projects Fund – accounts for local funds and financing proceeds used to fund school construction projects.

Fire Districts Fund – accounts for the ad valorem tax levies of the twelve fire districts in Henderson County.

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues	\$ 500,000	\$ 505,330	\$ 321,145	\$ 826,475
Investment earnings	-	2,037,608	113,020	2,150,628
Miscellaneous	330,000	966,286	10,801	977,087
Total	830,000	3,509,224	444,966	3,954,190
Expenditures:				
General government	59,651,300	47,788,400	8,353,547	56,141,947
Total general government	59,651,300	47,788,400	8,353,547	56,141,947
Debt Service:				
Interest and fees	-	509,674	-	509,674
Total debt service	-	509,674	-	509,674
Total expenditures	59,651,300	48,298,074	8,353,547	56,651,621
Revenues over (under) expenditures	(58,821,300)	(44,788,850)	(7,908,581)	(52,697,431)
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(1,508,000)	(1,508,000)	-	(1,508,000)
Transfers in:				
From General Fund	2,706,000	2,925,494	96,000	3,021,494
From Capital Reserve Fund	300,000	300,000	1,357,920	1,657,920
From Travel and Tourism Fund	125,000	132,359	-	132,359
From Sewer District Fund	449,185	449,185	-	449,185
From Solid Waste Fund	800,000	800,000	-	800,000
From Trust and Agency Fund	21,085	21,085	-	21,085
Total transfers in (out)	2,893,270	3,120,123	1,453,920	4,574,043
Installment financing issued	54,420,030	42,769,535	7,500,000	50,269,535
Refunding bonds issued	-	17,037,084	-	17,037,084
Payments to bond holders	-	(17,282,996)	-	(17,282,996)
Bond premium	-	848,430	-	848,430
Appropriated fund balance	1,508,000	-	-	-
Total other financing sources (uses)	58,821,300	46,492,176	8,953,920	55,446,096
Net change in fund balance	\$ -	\$ 1,703,326	1,045,339	\$ 2,748,665
Fund Balance:				
Beginning of year - July 1			1,703,326	
End of year - June 30			\$ 2,748,665	

HENDERSON COUNTY, NORTH CAROLINA

SCHOOL CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,652,132	7,466	1,659,598
Miscellaneous	-	1,188,769	139,428	1,328,197
Total	<u>456,629</u>	<u>3,297,530</u>	<u>146,894</u>	<u>3,444,424</u>
Expenditures:				
Capital outlay:				
General education	<u>74,127,412</u>	<u>68,418,748</u>	<u>5,393,702</u>	<u>73,812,450</u>
Total	<u>74,127,412</u>	<u>68,418,748</u>	<u>5,393,702</u>	<u>73,812,450</u>
Revenues over (under) expenditures	<u>(73,670,783)</u>	<u>(65,121,218)</u>	<u>(5,246,808)</u>	<u>(70,368,026)</u>
Other Financing Sources (Uses):				
Installment financing issued	73,368,574	73,368,574	-	73,368,574
Transfers in:				
From General Fund	795,000	795,000	-	795,000
Transfers out:				
To General Fund	(1,425,000)	(1,425,000)	-	(1,425,000)
Appropriated fund balance	<u>932,209</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>73,670,783</u>	<u>72,738,574</u>	<u>-</u>	<u>72,738,574</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,617,356</u>	<u>(5,246,808)</u>	<u>\$ 2,370,548</u>
Fund Balance:				
Beginning of year - July 1			<u>7,617,356</u>	
End of year - June 30			<u>\$ 2,370,548</u>	

Nonmajor Governmental Funds

Special Revenue Funds – account for the proceeds of special revenue sources that are legally restricted to expenditure for specific purposes.

Revaluation Reserve Fund – accounts for the accumulation of funds necessary to cover the cost of real property revaluation.

Travel and Tourism Fund – accounts for the occupancy tax received and used to promote travel and tourism in the County.

Community Development Block Grant – Scattered Site Housing Fund - accounts for a federal grant for construction of low income housing infrastructure in the County.

Community Development Block Grant – The Warm Company SBEA Project Fund– accounts for a Federal grant for construction and rehabilitation of facilities at the Warm Company, Inc.

Mud Creek Watershed Restoration Fund – accounts for a federal grant and matching funds used to implement watershed management programs in the Mud Creek Watershed.

Emergency Telephone Systems Fund – accounts for the funds received for the operation of the County’s Emergency 911 Communications Center.

Public Transit Fund – accounts for federal and State grant funds and local government contributions used to provide public transportation services in the County.

Immigration and Customs Enforcement (ICE) Fund – accounts for funds under the federal 287(g) program for housing and transporting illegal immigrants who have committed certain crimes.

Capital Reserve Fund – accounts for the accumulation of undedicated resources to fund future projects of the County.

Community Development Block Grant – Water Hookup Fund– accounts for a Federal grant used to fund a hookup program to water and sewer infrastructure in the County.

Capital Project Funds – account for financial resources to be used for acquisition and construction for major capital facilities.

Capital Reserve Fund – accounts for the accumulation of undedicated resources to fund future projects of the County.

HENDERSON COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Nonmajor Special			
	Revaluation Reserve Fund	Travel and Tourism Fund	Community Development Block Grant - Scattered Site Housing Fund	Community Development Block Grant - The Warm Company SBEA Project Fund
Assets:				
Cash and investments	\$ -	\$ 27,286	\$ -	\$ -
Accounts receivable, net	-	126,951	2,551	2,980
Restricted cash	55,864	-	-	-
Total assets	<u>\$ 55,864</u>	<u>\$ 154,237</u>	<u>\$ 2,551</u>	<u>\$ 2,980</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 16,022	\$ 19,452	\$ 2,000	\$ -
Due to other funds	-	-	551	2,980
Total liabilities	<u>16,022</u>	<u>19,452</u>	<u>2,551</u>	<u>2,980</u>
Fund Balances:				
Restricted				
Stabilization for State statute	-	126,951	2,551	2,980
Restricted, all other	-	-	-	-
Committed	39,842	-	-	-
Assigned	-	7,834	-	-
Unassigned	-	-	(2,551)	(2,980)
Total fund balances	<u>39,842</u>	<u>134,785</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 55,864</u>	<u>\$ 154,237</u>	<u>\$ 2,551</u>	<u>\$ 2,980</u>

Revenue Funds

<u>Mud Creek Watershed Restoration Fund</u>	<u>Emergency Telephone System Fund (E-911)</u>	<u>Public Transit Fund</u>	<u>Immigration Customs Enforcement Fund</u>	<u>Community Development Block Grant - Water/Sewer Hookup</u>	<u>Nonmajor Capital Projects Fund</u>	<u>Totals June 30, 2011</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 653,743	\$ 349,254	\$ 727,417	\$ -	1,075,452	\$ 2,833,152	\$ -	\$ 2,833,152
15,442	47,286	278,241	145,767	-	-	619,218	-	619,218
-	-	-	-	-	-	55,864	1,847,663	1,903,527
<u>\$ 15,442</u>	<u>\$ 701,029</u>	<u>\$ 627,495</u>	<u>\$ 873,184</u>	<u>\$ -</u>	<u>\$ 1,075,452</u>	<u>\$ 3,508,234</u>	<u>\$ 1,847,663</u>	<u>\$ 5,355,897</u>
\$ -	\$ 916	\$ 126,327	\$ 37,830	\$ -	\$ -	\$ 202,547	\$ -	\$ 202,547
11,087	-	-	-	-	-	14,618	2,933	17,551
<u>11,087</u>	<u>916</u>	<u>126,327</u>	<u>37,830</u>	<u>-</u>	<u>-</u>	<u>217,165</u>	<u>2,933</u>	<u>220,098</u>
15,442	47,286	278,241	145,767	-	-	619,218	-	619,218
-	652,827	222,927	689,587	-	-	1,565,341	1,847,663	3,413,004
-	-	-	-	-	1,075,452	1,115,294	-	1,115,294
-	-	-	-	-	-	7,834	-	7,834
(11,087)	-	-	-	-	-	(16,618)	(2,933)	(19,551)
<u>4,355</u>	<u>700,113</u>	<u>501,168</u>	<u>835,354</u>	<u>-</u>	<u>1,075,452</u>	<u>3,291,069</u>	<u>1,844,730</u>	<u>5,135,799</u>
<u>\$ 15,442</u>	<u>\$ 701,029</u>	<u>\$ 627,495</u>	<u>\$ 873,184</u>	<u>\$ -</u>	<u>\$ 1,075,452</u>	<u>\$ 3,508,234</u>	<u>\$ 1,847,663</u>	<u>\$ 5,355,897</u>

-

HENDERSON COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Nonmajor Special				
	Revaluation Reserve Fund	Travel and Tourism Fund	Community Development Block Grant - Scattered Site Housing Fund	Community Development Block Grant - The Warm Company SBEA Project Fund	Mud Creek Watershed Restoration Fund
Revenues:					
Ad valorem taxes	\$ 718,031	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses		1,116,721	-	-	-
Restricted intergovernmental revenues	-	-	93,926	9,320	25,801
Sales and services	-	98,100	-	-	-
Investment earnings	1,454	228	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>719,485</u>	<u>1,215,049</u>	<u>93,926</u>	<u>9,320</u>	<u>25,801</u>
Expenditures:					
Current:					
General government	704,401	-	-	-	-
Public safety	-	-	-	-	-
Environmental protection	-	-	-	-	21,446
Economic and physical development	-	925,442	93,926	9,320	-
Education	-	-	-	-	-
Total expenditures	<u>704,401</u>	<u>925,442</u>	<u>93,926</u>	<u>9,320</u>	<u>21,446</u>
Revenues over (under) expenditures	<u>15,084</u>	<u>289,607</u>	<u>-</u>	<u>-</u>	<u>4,355</u>
Other Financing Sources (Uses):					
Transfers from:					
General Fund	-	-	-	-	-
Transfers to:					
General Capital Projects Fund	-	-	-	-	-
General Fund	-	(85,896)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(85,896)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	15,084	203,711	-	-	4,355
Fund Balances:					
Beginning of year - July 1	<u>24,758</u>	<u>(68,926)</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year - June 30	<u>\$ 39,842</u>	<u>\$ 134,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,355</u>

Revenue Funds

Emergency Telephone System Fund (E-911)	Public Transit Fund	Immigration Customs Enforcement Fund	Community Development Block Grant - Water/Sewer Hookup	Nonmajor Capital Project Fund Capital Reserve Fund	Totals June 30, 2011	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	718,031	\$ -	\$ 718,031
-	-	-	-	-	1,116,721	-	1,116,721
-	964,381	886,374	42,990	-	1,979,802	-	1,979,802
-	-	-	-	-	98,100	-	98,100
7,075	-	-	-	-	8,757	87,318	96,075
556,394	-	-	-	8,500	564,894	-	564,894
<u>563,469</u>	<u>964,381</u>	<u>886,374</u>	<u>42,990</u>	<u>8,500</u>	<u>4,486,305</u>	<u>87,318</u>	<u>4,573,623</u>
-	-	-	-	-	704,401	-	704,401
416,954	-	452,064	-	-	869,018	-	869,018
-	-	-	-	-	21,446	-	21,446
-	972,104	-	42,990	-	2,000,792	-	2,000,792
-	-	-	-	750,000	750,000	-	750,000
<u>416,954</u>	<u>972,104</u>	<u>452,064</u>	<u>42,990</u>	<u>750,000</u>	<u>4,345,657</u>	<u>-</u>	<u>4,345,657</u>
146,515	(7,723)	434,310	-	(741,500)	140,648	87,318	227,966
8,586	177,114	-	-	-	185,700	164,363	350,063
-	-	-	-	(1,357,920)	(1,357,920)	-	(1,357,920)
-	-	(75,064)	-	-	(160,960)	-	(160,960)
<u>8,586</u>	<u>177,114</u>	<u>(75,064)</u>	<u>-</u>	<u>(1,357,920)</u>	<u>(1,333,180)</u>	<u>164,363</u>	<u>(1,168,817)</u>
155,101	169,391	359,246	-	(2,099,420)	(1,192,532)	251,681	(940,851)
<u>545,012</u>	<u>331,777</u>	<u>476,108</u>	<u>-</u>	<u>3,174,872</u>	<u>4,483,601</u>	<u>1,593,049</u>	<u>6,076,650</u>
\$ 700,113	\$ 501,168	\$ 835,354	\$ -	\$ 1,075,452	\$ 3,291,069	\$ 1,844,730	\$ 5,135,799

HENDERSON COUNTY, NORTH CAROLINA

**REVALUATION RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 718,031	\$ 718,031	\$ -	\$ 588,171
Investment earnings	-	1,454	1,454	358
Total revenues	<u>718,031</u>	<u>719,485</u>	<u>1,454</u>	<u>588,529</u>
Expenditures:				
Current:				
General government	<u>718,031</u>	<u>704,401</u>	<u>13,630</u>	<u>572,320</u>
Total expenditures	<u>718,031</u>	<u>704,401</u>	<u>13,630</u>	<u>572,320</u>
Net change in fund balance	<u>\$ -</u>	15,084	<u>\$ 15,084</u>	16,209
Fund Balance:				
Beginning of year - July 1		<u>24,758</u>		<u>8,549</u>
End of year - June 30		<u>\$ 39,842</u>		<u>\$ 24,758</u>

HENDERSON COUNTY, NORTH CAROLINA

**TRAVEL AND TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses	\$ 944,328	\$ 1,116,721	\$ 172,393	\$ 887,775
Sales and services	92,000	98,100	6,100	90,632
Investment earnings	-	228	228	-
Total revenues	<u>1,036,328</u>	<u>1,215,049</u>	<u>178,721</u>	<u>978,407</u>
Expenditures:				
Current:				
Economic and physical development	950,432	925,442	24,990	867,403
Debt service:				
Principal repayments	-	-	-	138,576
Interest	-	-	-	3,354
Total expenditures	<u>950,432</u>	<u>925,442</u>	<u>24,990</u>	<u>1,009,333</u>
Revenues over (under) expenditures	<u>85,896</u>	<u>289,607</u>	<u>203,711</u>	<u>(30,926)</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	<u>(85,896)</u>	<u>(85,896)</u>	-	<u>(38,000)</u>
Total other financing sources (uses)	<u>(85,896)</u>	<u>(85,896)</u>	-	<u>(38,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>203,711</u>	<u>\$ 203,711</u>	<u>(68,926)</u>
Fund Balance:				
Beginning of year - July 1		<u>(68,926)</u>		<u>-</u>
End of year - June 30		<u>\$ 134,785</u>		<u>\$ (68,926)</u>

HENDERSON COUNTY, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT - SCATTERED SITE HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 206,823	\$ 93,926	\$ 300,749
Total revenues	<u>400,000</u>	<u>206,823</u>	<u>93,926</u>	<u>300,749</u>
Expenditures:				
Current:				
Economic and physical development	400,000	205,706	93,926	299,632
Total expenditures	<u>400,000</u>	<u>205,706</u>	<u>93,926</u>	<u>299,632</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,117</u>	-	<u>\$ 1,117</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT -
THE WARM COMPANY SBEA PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 200,000	\$ 104,189	\$ 9,320	\$ 113,509
Total revenues	<u>200,000</u>	<u>104,189</u>	<u>9,320</u>	<u>113,509</u>
Expenditures:				
Current:				
Economic and physical development	200,000	104,189	9,320	113,509
Total expenditures	<u>200,000</u>	<u>104,189</u>	<u>9,320</u>	<u>113,509</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

**MUD CREEK WATERSHED RESTORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenues	\$ 255,681	\$ 25,801	\$ (229,880)	\$ 38,379
Total revenues	<u>255,681</u>	<u>25,801</u>	<u>(229,880)</u>	<u>38,379</u>
Expenditures:				
Current:				
Environmental protection	<u>255,681</u>	<u>21,446</u>	<u>234,235</u>	<u>39,380</u>
Total expenditures	<u>255,681</u>	<u>21,446</u>	<u>234,235</u>	<u>39,380</u>
Revenues over (under) expenditures	<u>-</u>	<u>4,355</u>	<u>4,355</u>	<u>(1,001)</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,210)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,210)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,355</u>	<u>\$ 4,355</u>	<u>(7,211)</u>
Fund Balance:				
Beginning of year - July 1		<u>-</u>		<u>7,211</u>
End of year - June 30		<u>\$ 4,355</u>		<u>\$ -</u>

HENDERSON COUNTY, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND (E-911) SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 117,500	\$ 7,075	\$ (110,425)	\$ 2,538
Miscellaneous	443,220	556,394	113,174	559,878
Total revenues	<u>560,720</u>	<u>563,469</u>	<u>2,749</u>	<u>562,416</u>
Expenditures:				
Current:				
Public safety	<u>569,306</u>	<u>416,954</u>	<u>152,352</u>	<u>476,197</u>
Total expenditures	<u>569,306</u>	<u>416,954</u>	<u>152,352</u>	<u>476,197</u>
Revenues over (under) expenditures	(8,586)	146,515	155,101	86,219
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	<u>8,586</u>	<u>8,586</u>	-	-
Total other financing sources (uses)	<u>8,586</u>	<u>8,586</u>	-	-
Net change in fund balance	<u>\$ -</u>	155,101	<u>\$ 155,101</u>	86,219
Fund Balance:				
Beginning of year - July 1		<u>545,012</u>		<u>458,793</u>
End of year - June 30		<u>\$ 700,113</u>		<u>\$ 545,012</u>

HENDERSON COUNTY, NORTH CAROLINA

PUBLIC TRANSIT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 1,038,437	\$ 964,381	\$ (74,056)	\$ 667,490
Total revenues	<u>1,038,437</u>	<u>964,381</u>	<u>(74,056)</u>	<u>667,490</u>
Expenditures:				
Current:				
Economic and physical development	<u>1,263,208</u>	<u>972,104</u>	<u>291,104</u>	<u>667,578</u>
Total expenditures	<u>1,263,208</u>	<u>972,104</u>	<u>291,104</u>	<u>667,578</u>
Revenues over (under) expenditures	<u>(224,771)</u>	<u>(7,723)</u>	<u>217,048</u>	<u>(88)</u>
Other Financing Sources (Uses):				
Transfers in:				
General Fund	177,114	177,114	-	208,384
Appropriated fund balance	<u>47,657</u>	<u>-</u>	<u>(47,657)</u>	<u>-</u>
Total other financing sources (uses)	<u>224,771</u>	<u>177,114</u>	<u>(47,657)</u>	<u>208,384</u>
Net change in fund balance	<u>\$ -</u>	<u>169,391</u>	<u>\$ 169,391</u>	<u>208,296</u>
Fund Balance:				
Beginning of year - July 1		<u>331,777</u>		<u>123,481</u>
End of year - June 30		<u>\$ 501,168</u>		<u>\$ 331,777</u>

HENDERSON COUNTY, NORTH CAROLINA

**IMMIGRATION CUSTOMS ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental revenues	\$ 696,473	\$ 886,374	\$ 189,901	\$ 701,837
Total revenues	<u>696,473</u>	<u>886,374</u>	<u>189,901</u>	<u>701,837</u>
Expenditures:				
Current:				
Public safety	<u>696,473</u>	<u>452,064</u>	<u>244,409</u>	<u>410,069</u>
Total expenditures	<u>696,473</u>	<u>452,064</u>	<u>244,409</u>	<u>410,069</u>
Revenues over (under) expenditures	<u>-</u>	<u>434,310</u>	<u>434,310</u>	<u>291,768</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(118,765)	(75,064)	43,701	-
Appropriated fund balance	<u>118,765</u>	<u>-</u>	<u>(118,765)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(75,064)</u>	<u>(75,064)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>359,246</u>	<u>\$ 359,246</u>	<u>291,768</u>
Fund Balance:				
Beginning of year - July 1		<u>476,108</u>		<u>184,340</u>
End of year - June 30		<u>\$ 835,354</u>		<u>\$ 476,108</u>

HENDERSON COUNTY, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT - WATER/SEWER HOOKUP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ -	\$ 42,990	\$ 42,990
Total revenues	<u>400,000</u>	<u>-</u>	<u>42,990</u>	<u>42,990</u>
Expenditures:				
Current:				
Economic and physical development	400,000	-	42,990	42,990
Total expenditures	<u>400,000</u>	<u>-</u>	<u>42,990</u>	<u>42,990</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Sale of assets	\$ -	\$ 8,500	\$ 8,500	\$ -
Total revenues	-	8,500	8,500	-
Expenditures:				
Capital outlay:				
Education	750,000	750,000	-	-
Total expenditures	750,000	750,000	-	-
Revenues over (under) expenditures	750,000	(741,500)	8,500	-
Other Financing Sources (Uses):				
Transfers out:				
To Schools Capital Projects Fund	-	-	-	(35,000)
To General Capital Projects Fund	(1,949,136)	(1,357,920)	591,216	-
Transfers in:				
From General Fund	-	-	-	772,677
Appropriated fund balance	2,699,136	-	(2,699,136)	-
Total other financing sources (uses)	750,000	(1,357,920)	(2,107,920)	737,677
Net change in fund balance	\$ -	(2,099,420)	\$ (2,099,420)	737,677
Fund Balance:				
Beginning of year - July 1		3,174,872		2,437,195
End of year - June 30		\$ 1,075,452		\$ 3,174,872

This page was left blank intentionally.

Debt Service Fund

The Debt Service Fund is used to account for all expenditures for principal and interest for certain long-term debt payments. The other governmental fund types provide the resources to the Debt Service Fund to make the payments through transfers.

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 87,318	\$ 87,318	\$ 74,043
Total revenues	-	87,318	87,318	74,043
Expenditures:				
Debt service:				
Principal repayments	164,364	-	164,364	-
Total expenditures	164,364	-	164,364	-
Revenues over (under) expenditures	(164,364)	87,318	251,682	74,043
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	164,364	164,363	(1)	164,364
Total other financing sources (uses)	164,364	164,363	(1)	164,364
Net change in fund balance	\$ -	251,681	\$ 251,681	238,407
Fund Balance:				
Beginning of year - July 1		1,593,049		1,354,642
End of year - June 30		\$ 1,844,730		\$ 1,593,049

This page was left blank intentionally.

Enterprise Funds

Enterprise Funds account for the operations financed and operated in a manner similar to private business enterprises – where the intent of the government’s board is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges.

Individual Fund Descriptions:

Landfill Fund – accounts for solid waste collection and disposal operations including recycling in the County that is financed through solid waste user fees.

Cane Creek Water and Sewer District Fund – accounts for water and sewer operations in the Cane Creek District financed by user fees.

Justice Academy Sewer Fund – accounts for sewer operations for the Western North Carolina Justice Academy financed by user fees.

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 4,682,680	\$ 4,002,145	\$ (680,535)	\$ 4,188,696
Operating grants	155,000	148,645	(6,355)	135,743
Non-operating revenues:				
Interest income	22,000	42,304	20,304	21,400
Total revenues	4,859,680	4,193,094	(666,586)	4,345,839
Expenditures:				
Salaries and employee benefits	802,857	806,916	(4,059)	677,147
Other operating expenditures	(3,352,596)	3,135,628	(6,488,224)	3,465,466
Repairs and maintenance	341,100	223,322	117,778	190,921
Capital outlay	1,881,026	1,515,061	365,965	611,186
Total expenditures	(327,613)	5,680,927	(6,008,540)	4,944,720
Revenue over (under) expenditures	5,187,293	(1,487,833)	5,341,954	(598,881)
Other Financing Sources (Uses):				
Transfers in	104,000	104,000	-	104,000
Appropriated retained earnings	2,000,000	-	(2,000,000)	-
Total other financing sources (uses)	2,104,000	104,000	(2,000,000)	104,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 7,291,293	(1,383,833)	\$ (8,675,126)	\$ (494,881)
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital outlay, capitalized		1,515,061		
Depreciation		(145,449)		
Total reconciling items		1,369,612		
Change in net assets		\$ (14,221)		

HENDERSON COUNTY, NORTH CAROLINA

CANE CREEK WATER AND SEWER DISTRICT FUND SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 1,108,620	\$ 1,192,873	\$ 84,253	\$ 1,335,494
Non-operating revenues:				
Interest income	-	54,398	54,398	23,801
Total revenues	1,108,620	1,247,271	138,651	1,359,295
Expenditures:				
Water and sewer administration:				
Operating expenditures	319,738	280,440	39,298	234,038
Repairs and maintenance	167,933	168,754	(821)	133,065
Capital outlay	25,000	-	25,000	44,973
Total water and sewer administration	512,671	449,194	63,477	412,076
Debt Service:				
Interest paid	68,290	71,620	(3,330)	152,196
Principal retirement	317,800	-	317,800	461,134
Total debt service	386,090	71,620	314,470	613,330
Revenues over (under) expenditures	209,859	726,457	516,598	333,889
Other Financing Sources (Uses):				
Bond premium received	-	-	-	91,775
Transfers out:	(614,559)	(302,359)	312,200	(283,064)
Appropriated retained earnings	404,700	-	(404,700)	-
Total other financing sources (uses)	(209,859)	(302,359)	(92,500)	(191,289)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	424,098	\$ 424,098	\$ 142,600
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital contribution		77,092		
Depreciation		(400,749)		
Total reconciling items		(323,657)		
Change in net assets		\$ 100,441		

HENDERSON COUNTY, NORTH CAROLINA

**JUSTICE ACADEMY SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 38,950	\$ 66,000	\$ 27,050	\$ 66,000
Non-operating revenues:				
Interest income	-	7,298	7,298	3,070
Total revenues	<u>38,950</u>	<u>73,298</u>	<u>34,348</u>	<u>69,070</u>
Expenditures:				
Water and sewer administration:				
Operating expenditures	32,950	27,794	5,156	26,056
Repairs and maintenance	<u>6,000</u>	<u>13,928</u>	<u>(7,928)</u>	<u>5,346</u>
Total expenditures	<u>38,950</u>	<u>41,722</u>	<u>(2,772)</u>	<u>31,402</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>31,576</u>	<u>\$ 31,576</u>	<u>\$ 37,668</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Depreciation		<u>(10,444)</u>		
Total reconciling items		<u>(10,444)</u>		
Change in net assets		<u>\$ 21,132</u>		

This page was left blank intentionally.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

Individual Fund Descriptions:

Social Services Fund – accounts for assets held by the Social Services Department for the benefit of certain individuals in the County.

Agriculture Fund – accounts for assets held by the County for the benefit of certain individuals in the County.

Flexible Spending Fund – accounts for assets held for County employees in accordance with provisions of Internal Revenue Code Section 125.

Fireman’s Association Fund – accounts for assets held for the Fireman’s Association.

Recreational Sponsorship Fund – accounts for funds generated from the sale of field advertising signs used for park facilities.

Land Development Fund – accounts for a percentage of subdivision guarantee improvement funds that are held for developers until the improvements are completed.

School Fines and Forfeitures Fund – accounts for fines and forfeitures collected by the court system and passed directly to the public school system as required by General Statute.

Motor Vehicle Tax Fund – accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles

Deed of Trust Fund – accounts for the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage that the County is required to remit to the State Treasurer on monthly basis

Other Agency Funds – accounts for miscellaneous funds held by the County for the benefit of others.

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 26,760	\$ 243,583	\$ 244,029	\$ 26,314
Liabilities:				
Accounts payable	\$ 26,760	\$ 243,583	\$ 244,029	\$ 26,314
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ 32,255	\$ 22,172	\$ 23,395	\$ 31,032
Liabilities:				
Intergovernmental payable	\$ 32,255	\$ 22,172	\$ 23,395	\$ 31,032
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ -	\$ 242,120	\$ 242,120	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 242,120	\$ 242,120	\$ -
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ 151,231	\$ 56,617	\$ 45,247	\$ 162,601
Liabilities:				
Intergovernmental payable	\$ 151,231	\$ 56,617	\$ 45,247	\$ 162,601
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ 3,135	\$ 38	\$ -	\$ 3,173
Liabilities:				
Intergovernmental payable	\$ 3,135	\$ 38	\$ -	\$ 3,173

HENDERSON COUNTY, NORTH CAROLINA

AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
School Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 434,009	\$ 434,009	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 434,009	\$ 434,009	\$ -
Motor Vehicle Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,436	\$ 34,721	\$ 34,759	\$ 2,398
Liabilities:				
Intergovernmental payable	\$ 2,436	\$ 34,721	\$ 34,759	\$ 2,398
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 1,890	\$ 22,925	\$ 23,115	\$ 1,700
Liabilities:				
Intergovernmental payable	\$ 1,890	\$ 22,925	\$ 23,115	\$ 1,700
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 278,388	\$ 2,267,381	\$ 2,265,406	\$ 280,363
Liabilities:				
Intergovernmental payable	\$ 278,388	\$ 2,267,381	\$ 2,265,406	\$ 280,363
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ 496,095	\$ 3,323,566	\$ 3,312,080	\$ 507,581
Liabilities:				
Intergovernmental payable	\$ 496,095	\$ 3,323,566	\$ 3,312,080	\$ 507,581

Additional Financial Data

This section contains additional information on taxes receivable, the tax levy, and schedule of revenues and expenditures for Henderson County Hospital Corporation as of June 30, 2011.

This page was left blank intentionally.

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 61,028,021	\$ 59,085,625	\$ 1,942,396
2009-2010	1,843,055	-	1,252,450	590,605
2008-2009	380,554	-	78,914	301,640
2007-2008	310,001	-	33,140	276,861
2006-2007	332,116	-	21,164	310,952
2005-2006	197,528	-	12,917	184,611
2004-2005	147,396	-	7,651	139,745
2003-2004	183,786	-	10,843	172,943
2002-2003	185,875	-	8,835	177,040
2001-2002	145,693	-	7,388	138,305
2000-2001	158,274	-	158,274	-
Totals	<u>\$ 3,884,278</u>	<u>\$ 61,028,021</u>	<u>\$ 60,677,201</u>	4,235,098
Less: allowance for uncollectible accounts: General Fund				<u>(1,780,900)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 2,454,198</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 60,240,021
Ad valorem taxes - Revaluation Fund				<u>718,031</u>
Total ad valorem taxes				<u>60,958,052</u>
Reconciling items:				
Interest				(340,389)
Tax refunds				10,935
Other miscellaneous adjustments				(109,671)
Amounts written off per statute of limitations				<u>158,274</u>
Total collections and credits				<u>\$ 60,677,201</u>

HENDERSON COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY FOR THE YEAR ENDED JUNE 30, 2011

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 12,889,427,460	\$ 0.4620	\$ 59,549,155	\$ 57,158,854	\$ 2,390,301
Motor vehicles taxed at prior year's rate	282,617,600	0.4620	1,305,693	-	1,305,693
Total	<u>13,172,045,060</u>		<u>60,854,848</u>	<u>57,158,854</u>	<u>3,695,994</u>
Discoveries:					
Current year taxes	62,436,950	0.4620	288,459	214,278	74,181
Prior year taxes	15,001,682		82,471	80,956	1,515
Penalties	-		70,328	70,328	-
Total	<u>77,438,632</u>		<u>441,258</u>	<u>365,562</u>	<u>75,696</u>
Abatements	<u>(58,027,056)</u>	0.4620	<u>(268,085)</u>	<u>(174,545)</u>	<u>(93,540)</u>
Total property valuation	<u>\$ 13,191,456,636</u>				
Net Levy			61,028,021	57,349,871	3,678,150
Uncollected taxes at June 30, 2011			<u>1,942,396</u>	<u>1,562,846</u>	<u>379,550</u>
Current Year's Taxes Collected			<u>\$ 59,085,625</u>	<u>\$ 55,787,025</u>	<u>\$ 3,298,600</u>
Current Levy Collection Percentage			<u>96.82%</u>	<u>97.27%</u>	<u>89.68%</u>

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2011****Secondary Market Disclosures:**

Assessed Valuation:

Assessment ratio (1) 95.58%

Real Property \$ 11,400,807,249

Personal Property 1,588,713,764

Public Service Companies (2) 201,935,623Total assessed valuation \$ 13,191,456,636Tax rate per \$100 \$ 0.462

Levy (includes discoveries, releases and abatements) (3) \$ 61,028,021

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2010:

Fire protection districts 6,697,800Total \$ 67,725,821

(1) Percentage of appraised value has been established by statute.

(2) Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.

(3) The levy includes interest and penalties.

HENDERSON COUNTY, NORTH CAROLINA

**DISCRETELY PRESENTED COMPONENT UNIT
HENDERSON COUNTY HOSPITAL CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 139,957,017	\$ 132,022,760	\$ (7,934,257)
Non-operating revenues:			
Interest income	1,189,683	1,364,930	175,247
Miscellaneous income (expense)	(625,514)	(242,229)	383,285
Total non-operating revenues	<u>564,169</u>	<u>1,122,701</u>	<u>558,532</u>
Total revenues	<u>140,521,186</u>	<u>133,145,461</u>	<u>(7,375,725)</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	72,728,016	69,977,418	(2,750,598)
Operating expenditures	52,280,361	49,424,663	(2,855,698)
Depreciation and amortization	<u>9,275,470</u>	<u>8,546,615</u>	<u>(728,855)</u>
Total expenditures	<u>134,283,847</u>	<u>127,948,696</u>	<u>(6,335,151)</u>
Revenues over (under) expenditures	6,237,339	5,196,765	(1,040,574)
Individuals and others	<u>(69,735)</u>	<u>102,585</u>	<u>172,320</u>
Net change in fund balance	<u>\$ 6,167,604</u>	<u>\$ 5,299,350</u>	<u>\$ (868,254)</u>

Statistical Section

The Statistical Section includes data extracted from prior years' financial reports and various other sources.

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

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

This page was left blank intentionally.

Schedule 1
Henderson County
Net Assets by Component,
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Invested in capital assets, net of related debt	\$ 25,994,918	\$ 42,917,076	\$ 46,920,197	\$ 45,283,045	\$ 45,090,597
Restricted	318,524	346,809	-	343,790	9,154,768
Unrestricted	<u>(12,992,312)</u>	<u>(26,932,658)</u>	<u>(47,594,779)</u>	<u>(49,123,482)</u>	<u>(56,449,939)</u>
Total governmental activities net assets	<u>\$ 13,321,130</u>	<u>\$ 16,331,227</u>	<u>\$ (674,582)</u>	<u>\$ (3,496,647)</u>	<u>\$ (2,204,574)</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 13,452,142	\$ 14,332,671	\$ 14,917,293	\$ 15,562,023	\$ 16,818,425
Unrestricted	<u>4,359,366</u>	<u>6,061,315</u>	<u>6,798,777</u>	<u>6,597,775</u>	<u>5,448,726</u>
Total business-type activities	<u>\$ 17,811,508</u>	<u>\$ 20,393,986</u>	<u>\$ 21,716,070</u>	<u>\$ 22,159,798</u>	<u>\$ 22,267,151</u>
Primary government					
Invested in capital assets, net of related debt	\$ 39,447,060	\$ 57,249,747	\$ 61,837,490	\$ 60,845,068	\$ 61,909,022
Restricted	318,524	346,809	-	343,790	9,154,768
Unrestricted	<u>(8,632,946)</u>	<u>(20,871,343)</u>	<u>(40,796,002)</u>	<u>(42,525,707)</u>	<u>(51,001,213)</u>
Total primary government net assets	<u>\$ 31,132,638</u>	<u>\$ 36,725,213</u>	<u>\$ 21,041,488</u>	<u>\$ 18,663,151</u>	<u>\$ 20,062,577</u>

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented. The financial information for fiscal years 2003 to 2005 can be found on the County's website at www.hendersoncountync.org/finance/. The significant increase in the total net assets from FY2006 to FY2008 is primarily due to the investment in capital assets net of any related debt. The decrease in total net assets of the County from FY2008 to FY2009 is primarily due to the significant deficit increase in unrestricted net assets from school and community college capital project expenditures incurred in FY2009 for new facilities that are not reported as assets of the County.

Schedule 2
Henderson County
Changes in Net Assets,
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses					
Governmental activities:					
General government	\$ 20,711,316	\$ 20,573,746	\$ 17,377,905	\$ 12,790,053	\$ 19,654,791
Public safety	23,161,801	28,376,181	29,733,774	31,522,260	27,061,623
Environmental protection	745,597	715,577	819,015	620,661	759,241
Economic and physical development	3,303,513	2,939,542	3,131,673	3,019,284	3,524,661
Human services	31,597,865	32,116,159	32,525,413	29,464,315	27,889,051
Cultural and recreational	2,709,515	3,712,969	3,139,072	4,522,826	4,657,512
Education	24,078,437	29,547,701	48,916,897	32,884,958	29,708,049
Interest on long-term debt	4,804,820	4,847,599	5,502,008	5,331,692	5,007,243
Total governmental activities	<u>111,112,864</u>	<u>122,829,474</u>	<u>141,145,757</u>	<u>120,156,049</u>	<u>118,262,171</u>
Business-type activities:					
Landfill	4,065,503	3,992,430	4,110,540	4,365,097	4,311,315
Cane Creek water and sewer	658,003	771,571	852,213	907,057	921,563
Other business-type activities	31,816	36,104	42,278	41,848	52,167
Total business-type activities	<u>4,755,322</u>	<u>4,800,105</u>	<u>5,005,031</u>	<u>5,314,002</u>	<u>5,285,045</u>
Total primary government expenses	<u>\$ 115,868,186</u>	<u>\$ 127,629,579</u>	<u>\$ 146,150,788</u>	<u>\$ 125,470,051</u>	<u>\$ 123,547,216</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 663,299	\$ 737,144	\$ 631,057	\$ 565,665	\$ 2,877,560
Public safety	5,001,265	4,739,681	3,836,365	4,471,480	3,357,700
Environmental protection	-	-	-	-	14,224
Economic and physical development	1,604,882	1,652,472	1,818,025	1,687,452	131,193
Human services	2,450,968	2,518,859	2,837,931	536,580	447,382
Cultural and recreational	278,988	263,541	243,102	245,224	436,437
Education	-	-	-	-	-
Operating grants and contributions:					
General government	388,567	727,155	841,768	974,454	1,827,808
Public safety	1,000,900	1,901,716	1,869,045	1,649,828	2,890,615
Environmental protection	740,691	504,249	681,813	47,252	78,413
Economic and physical development	1,033,462	1,000,987	1,350,792	81,645	303,595
Human services	14,571,769	15,919,725	18,171,953	17,675,287	17,460,691
Cultural and recreational	272,054	260,165	267,173	242,402	230,446
Education	617,412	800,000	959,681	1,327,382	1,635,063
Capital grants and contributions:					
General government	-	-	-	48,242	-
Environmental protection	-	-	-	740,216	-
Economic and physical development	-	-	-	880,680	469,493
Cultural and recreational	-	-	-	-	-
Education	-	-	-	-	139,428
Total governmental activities program revenues	<u>28,624,257</u>	<u>31,025,694</u>	<u>33,508,705</u>	<u>31,173,789</u>	<u>32,300,048</u>
Business-type activities:					
Charges for services	5,897,199	6,026,980	5,616,874	5,590,190	5,261,018
Operating grants and contributions	498,756	534,877	201,061	135,743	148,645
Capital grants and contributions	2,261,002	721,353	228,096	162,590	77,092
Total business-type activities program revenues	<u>8,656,957</u>	<u>7,283,210</u>	<u>6,046,031</u>	<u>5,888,523</u>	<u>5,486,755</u>
Total primary government program revenues	<u>\$ 37,281,214</u>	<u>\$ 38,308,904</u>	<u>\$ 39,554,736</u>	<u>\$ 37,062,312</u>	<u>\$ 37,786,803</u>
Net (Expense)/Revenue					
Governmental activities	\$ (82,488,607)	\$ (91,803,780)	\$ (107,637,052)	\$ (88,982,260)	\$ (85,962,123)
Business-type activities	<u>3,901,635</u>	<u>2,483,105</u>	<u>1,041,000</u>	<u>574,521</u>	<u>201,710</u>
Total primary government net (expense)/revenue	<u>\$ (78,586,972)</u>	<u>\$ (89,320,675)</u>	<u>\$ (106,596,052)</u>	<u>\$ (88,407,739)</u>	<u>\$ (85,760,413)</u>

Schedule 2
Henderson County
Changes in Net Assets,
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 58,929,080	\$ 64,331,927	\$ 66,151,942	\$ 67,341,066	\$ 67,886,712
Local option sales tax	23,920,538	24,547,750	21,161,570	16,265,083	16,463,074
Other taxes and licenses	2,965,246	2,908,890	1,932,087	1,760,761	1,884,433
Grants and contributions not restricted	27,349	27,035	58,351	-	-
Investment earnings	3,602,951	2,780,131	1,161,801	614,221	821,618
Miscellaneous	1,368,999	-	-	-	-
Transfers	211,488	218,144	165,492	179,064	198,359
Total governmental activities:	<u>91,025,651</u>	<u>94,813,877</u>	<u>90,631,243</u>	<u>86,160,195</u>	<u>87,254,196</u>
Business-type activities:					
Investment earnings	355,520	317,517	446,576	48,271	104,001
Miscellaneous	-	-	-	-	-
Transfers	(211,488)	(218,144)	(165,492)	(179,064)	(198,359)
Total business-type activities	<u>144,032</u>	<u>99,373</u>	<u>281,084</u>	<u>(130,793)</u>	<u>(94,358)</u>
Total primary government	<u>\$ 91,169,683</u>	<u>\$ 94,913,250</u>	<u>\$ 90,912,327</u>	<u>\$ 86,029,402</u>	<u>\$ 87,159,838</u>
Change in Net Assets					
Governmental activities	\$ 8,537,044	\$ 3,010,097	\$ (17,005,809)	\$ (2,822,065)	\$ 1,292,073
Business-type activities	<u>4,045,667</u>	<u>2,582,478</u>	<u>1,322,084</u>	<u>443,728</u>	<u>107,352</u>
Total primary government	<u>\$ 12,582,711</u>	<u>\$ 5,592,575</u>	<u>\$ (15,683,725)</u>	<u>\$ (2,378,337)</u>	<u>\$ 1,399,425</u>

Note: Accrual-basis financial information for the County government as a whole is available back to FY2003 only, the year GASB Statement 34 was implemented.

Schedule 3
Henderson County
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Non-spendable:				
Inventories	\$ 17,904	\$ 16,191	\$ 11,649	\$ 18,295
Prepaid items	47,545	46,190	46,310	67,145
Restricted:				
Stabilization for State statute	4,952,611	4,809,834	7,118,014	6,085,013
Restricted, all other	38,384	129,243	111,956	160,729
Committed:				
Assigned for subsequent year's expenditures	709,882	486,606	400,000	-
Assigned all other	-	-	-	-
Unassigned	<u>9,079,518</u>	<u>7,121,581</u>	<u>7,284,036</u>	<u>9,932,388</u>
Total General Fund	<u>\$ 14,845,844</u>	<u>\$ 12,609,645</u>	<u>\$ 14,971,965</u>	<u>\$ 16,263,570</u>
All Other Governmental Funds				
Non-spendable:				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted:				
Stabilization for State statute	110,951	78,814	64,047	159,701
Restricted, all other	-	-	-	-
Committed:				
Special revenue and debt service funds	1,201,339	363,424	590,310	781,540
Capital projects funds	12,568,693	3,985,305	660,117	23,357,918
Assigned all other	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 13,880,983</u>	<u>\$ 4,427,543</u>	<u>\$ 1,314,474</u>	<u>\$ 24,299,159</u>

Fiscal Year

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	14,998	\$ 16,333	\$ 14,386	\$ 25,843	\$ 34,082	\$ 46,785
	56,110	53,335	98,803	92,671	136,140	145,801
	7,542,377	8,972,465	9,257,898	7,263,179	6,522,876	6,367,890
	248,699	318,524	346,809	324,500	343,790	258,575
	515,000	1,841,778	2,352,740	720,778	6,418,905	3,194,191
	-	99,126	26,996	37,422	87,492	305,525
	12,902,473	15,381,495	21,872,379	26,747,571	23,498,852	26,849,372
\$	<u>21,279,657</u>	<u>\$ 26,683,056</u>	<u>\$ 33,970,011</u>	<u>\$ 35,211,964</u>	<u>\$ 37,042,137</u>	<u>\$ 37,168,139</u>
\$	-	\$ 5,986	\$ -	\$ -	\$ -	-
	401,060	153,693	273,611	409,967	526,857	962,962
	-	-	-	-	-	3,413,004
	942,744	2,663,109	4,127,851	4,165,361	5,549,793	1,115,294
	42,402,936	26,184,220	32,637,787	6,114,403	9,320,682	4,775,469
	-	-	-	-	-	7,834
	-	-	-	-	-	(19,551)
\$	<u>43,746,740</u>	<u>\$ 29,001,022</u>	<u>\$ 37,039,249</u>	<u>\$ 10,689,731</u>	<u>\$ 15,397,332</u>	<u>\$ 10,255,012</u>

Schedule 4
Henderson County
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes:				
Property	\$ 41,249,794	\$ 42,631,095	\$ 46,232,977	\$ 47,851,376
Sales	14,716,365	14,836,112	18,851,961	19,730,435
Other	1,520,027	1,608,439	1,876,023	2,210,814
Total taxes	<u>57,486,186</u>	<u>59,075,646</u>	<u>66,960,961</u>	<u>69,792,625</u>
Intergovernmental	15,198,997	12,052,413	13,899,560	16,307,844
Permits and fees	1,543,488	1,819,856	1,810,064	1,945,291
Sales and services	3,542,269	3,773,924	3,966,080	3,899,319
Investment earnings	622,764	339,493	147,743	558,999
Miscellaneous	939,081	948,094	1,448,034	1,566,357
Total Revenues	<u>79,332,785</u>	<u>78,009,426</u>	<u>88,232,442</u>	<u>94,070,435</u>
Expenditures				
General government	6,909,525	8,114,877	8,710,370	9,569,567
Public safety	18,364,897	14,392,284	15,629,184	22,169,007
Environmental protection	231,064	251,016	368,585	744,817
Economic development	2,298,912	2,378,287	2,799,098	3,250,597
Human services	21,023,485	22,581,034	23,452,151	25,769,902
Cultural and recreational	2,720,848	2,841,095	3,047,538	3,308,167
Education	18,438,926	18,393,390	19,191,870	19,770,627
Capital outlay	17,710,331	13,379,967	9,211,337	6,069,945
Debt service:				
Principal	4,123,986	4,873,216	4,498,477	4,888,061
Interest	<u>2,462,018</u>	<u>2,691,125</u>	<u>2,442,078</u>	<u>1,746,726</u>
Total expenditures	<u>94,283,992</u>	<u>89,896,291</u>	<u>89,350,688</u>	<u>97,287,416</u>
Excess of revenues over (under) expenditures	<u>(14,951,207)</u>	<u>(11,886,865)</u>	<u>(1,118,246)</u>	<u>(3,216,981)</u>
Other Financing Sources (Uses)				
Transfers in	2,530,116	3,339,914	1,946,650	3,742,448
Transfers out	(3,385,988)	(3,142,688)	(1,785,558)	(2,086,473)
Proceeds from certificates of participation	-	-	-	25,837,296
Bond proceeds	-	-	205,949	-
Refunding bonds issued	-	-	-	-
Payments to escrow agents	-	-	-	-
Bond premium	-	-	-	-
Sale of capital assets	1,000,000	-	5,000	-
Installment financing issued	<u>12,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>12,244,128</u>	<u>197,226</u>	<u>372,041</u>	<u>27,493,271</u>
Net change in fund balances	<u>\$ (2,707,079)</u>	<u>\$ (11,689,639)</u>	<u>\$ (746,205)</u>	<u>\$ 24,276,290</u>
Debt service as a percentage of non-capital expenditures	<u>8.60%</u>	<u>9.89%</u>	<u>8.66%</u>	<u>7.27%</u>

Fiscal Year						
	2006	2007	2008	2009	2010	2011
\$	52,074,680	\$ 58,637,892	\$ 64,439,584	\$ 66,018,584	\$ 67,108,338	\$ 67,640,556
	20,540,587	22,661,455	23,380,137	20,674,811	16,265,083	16,463,074
	2,892,255	2,752,039	2,646,547	1,853,877	1,716,654	1,839,151
	<u>75,507,522</u>	<u>84,051,386</u>	<u>90,466,268</u>	<u>88,547,272</u>	<u>85,090,075</u>	<u>85,942,781</u>
	18,472,353	18,113,945	19,838,087	23,056,971	22,579,216	23,955,738
	2,081,006	2,295,267	2,555,970	1,259,149	1,303,741	1,259,908
	5,909,591	7,500,403	7,395,847	8,060,928	5,606,937	5,808,063
	1,463,391	3,602,951	2,780,131	1,161,801	614,221	821,618
	2,945,274	3,925,450	2,732,901	1,708,592	1,692,157	1,289,906
	<u>106,379,137</u>	<u>119,489,402</u>	<u>125,769,204</u>	<u>123,794,713</u>	<u>116,886,347</u>	<u>119,078,014</u>
	10,166,052	11,479,942	13,046,727	14,533,347	10,460,904	17,181,746
	23,090,778	23,989,110	27,503,940	28,865,600	30,198,709	31,113,589
	2,777,434	725,323	715,577	821,125	612,539	645,457
	2,901,890	3,235,715	2,900,510	3,096,497	2,823,059	3,414,401
	27,968,583	31,276,781	31,776,627	32,308,980	28,796,898	28,494,208
	3,529,766	3,561,998	3,618,956	3,018,141	4,283,758	4,462,354
	20,418,061	22,038,249	36,524,184	48,916,897	32,435,069	29,708,049
	24,539,541	23,222,119	14,678,560	3,321,887	1,647,060	2,433,642
	5,587,776	7,680,164	7,535,472	14,324,588	8,947,223	9,654,619
	2,808,404	4,702,820	4,640,599	5,505,708	5,612,835	4,929,086
	<u>123,788,285</u>	<u>131,912,221</u>	<u>142,941,152</u>	<u>154,712,770</u>	<u>125,818,054</u>	<u>132,037,151</u>
	(17,409,148)	(12,422,819)	(17,171,948)	(30,918,057)	(8,931,707)	(12,959,137)
	1,060,357	1,077,587	2,540,801	1,828,034	4,000,986	2,217,302
	(797,541)	(866,099)	(2,322,657)	(1,662,542)	(3,821,922)	(2,018,943)
	41,610,000	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	17,037,084	-
	-	-	-	-	(17,282,996)	-
	-	-	-	-	848,430	-
	-	-	-	-	-	-
	-	2,875,000	32,273,000	5,645,000	14,687,899	7,744,460
	<u>41,872,816</u>	<u>3,086,488</u>	<u>32,491,144</u>	<u>5,810,492</u>	<u>15,469,481</u>	<u>7,942,819</u>
\$	<u>24,463,668</u>	<u>(9,336,331)</u>	<u>15,319,196</u>	<u>(25,107,565)</u>	<u>6,537,774</u>	<u>(5,016,318)</u>
	<u>8.46%</u>	<u>11.39%</u>	<u>9.49%</u>	<u>13.10%</u>	<u>11.73%</u>	<u>11.25%</u>

**Schedule 5
Henderson County
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property			Present Use- Value (1)
	Residential Property	Commercial Property	Industrial Property	
2002	\$ 4,312,158,328	\$ 956,913,679	\$ 199,250,268	\$ 102,544,235
2003	4,866,476,349	827,146,680	168,707,200	135,732,300
2004	5,938,575,453	984,707,640	186,990,000	175,533,400
2005	6,116,732,717	1,042,055,875	*	175,077,500
2006	6,300,234,699	1,103,108,886	*	176,733,520
2007	6,202,171,841	1,201,065,700	177,020,530	115,788,123
2008	9,117,452,386	1,287,653,289	*	153,220,366
2009	8,934,833,585	1,748,314,967	220,892,345	142,880,776
2010	9,092,887,260	1,763,941,443	203,969,345	146,464,425
2011 (5)	9,220,396,484	1,799,570,575	222,759,000	158,081,190

Source: County Assessor's Annual County Report of Valuation and Property Tax Levies

Notes:

- (1) Present use-value property is agricultural, horticultural, and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable is a lien on the property and is deferred. The taxes become due if the property ceases to qualify for present use-value. The preceding three fiscal years taxes are then required to be paid.
 - (2) Public service companies valuations are provided to the County by the N.C. Department of Revenue. These amounts include both real and personal property.
 - (3) Per \$100 of value.
 - (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the N.C. Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not yet available.
 - (5) Property in Henderson County is reassessed every four years. The last reassessment was on January 1, 2011 and was the basis for FY2012 taxes.
- * Indicates valuation was included in Commercial Property Valuation

	<u>Personal Property</u>	<u>Public Service Companies (2)</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate (3)</u>	<u>Estimated Actual Taxable Value (4)</u>
\$	1,468,210,940	\$ 167,366,750	\$ 7,206,444,200	\$ 0.500	\$ 8,391,295,063
	1,347,359,271	162,593,200	7,508,015,000	0.500	7,548,019,503
	1,304,635,023	160,976,534	8,751,418,050	0.475	9,470,206,742
	1,373,596,646	161,003,632	8,868,466,370	0.475	10,257,305,540
	1,406,919,730	168,808,340	9,155,805,175	0.515	10,921,871,854
	1,722,357,586	193,340,879	9,611,744,659	0.565	9,813,911,230
	1,769,324,843	198,266,344	12,525,917,228	0.462	13,802,663,612
	1,715,327,765	198,684,287	12,960,933,725	0.462	14,865,160,827
	1,681,442,498	203,783,025	13,092,487,996	0.462	15,016,043,120
	1,588,713,764	201,935,623	13,191,456,636	0.462	13,801,482,147

**Schedule 6
Henderson County
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Henderson County	\$ 0.500	\$ 0.500	\$ 0.475	\$ 0.475
<u>Municipality Rates:</u>				
Hendersonville	0.450	0.450	0.430	0.430
Laurel Park	0.310	0.310	0.300	0.310
Fletcher	0.250	0.270	0.250	0.270
Mills River	0.000	0.075	0.070	0.075
Flat Rock	0.000	0.000	0.000	0.000
Saluda	0.500	0.500	0.500	0.500
Downtown - Main Street	0.300	0.300	0.300	0.300
Downtown - Seventh Avenue	0.100	0.100	0.100	0.100
<u>Fire Districts:</u>				
Bat Cave	0.090	0.090	0.090	0.090
Blue Ridge	0.090	0.090	0.080	0.095
Dana	0.100	0.100	0.090	0.090
Edneyville	0.095	0.095	0.090	0.090
Etowah-Horse Shoe	0.073	0.080	0.075	0.075
Fletcher	0.095	0.095	0.095	0.095
Gerton	0.120	0.120	0.120	0.115
Green River	0.085	0.085	0.075	0.075
Mills River	0.065	0.065	0.060	0.065
Mountain Home	0.095	0.095	0.095	0.105
Saluda	0.090	0.090	0.090	0.090
Valley Hill	0.090	0.090	0.080	0.080
Valley Hill II	0.080	0.080	0.080	0.080

Source: Henderson County Tax Collector

Fiscal Year						
	2006	2007	2008	2009	2010	2011
\$	0.515	\$ 0.565	\$ 0.462	\$ 0.462	\$ 0.462	\$ 0.462
	0.430	0.430	0.380	0.380	0.380	0.380
	0.310	0.335	0.270	0.270	0.310	0.310
	0.270	0.220	0.270	0.270	0.320	0.320
	0.075	0.075	0.075	0.075	0.075	0.075
	0.085	0.085	0.075	0.075	0.075	0.075
	0.500	0.540	0.605	0.605	0.515	0.515
	0.300	0.300	0.250	0.250	0.250	0.250
	0.100	0.100	0.100	0.080	0.080	0.080
	0.090	0.090	0.080	0.090	0.090	0.090
	0.095	0.095	0.085	0.085	0.085	0.085
	0.090	0.100	0.100	0.100	0.100	0.100
	0.093	0.095	0.085	0.085	0.085	0.085
	0.085	0.085	0.080	0.085	0.085	0.085
	0.095	0.095	0.095	0.095	0.095	0.095
	0.115	0.115	0.115	0.115	0.115	0.115
	0.075	0.075	0.060	0.060	0.060	0.060
	0.065	0.065	0.065	0.065	0.065	0.065
	0.105	0.105	0.095	0.095	0.095	0.095
	0.090	0.090	0.075	0.075	0.075	0.075
	0.080	0.080	0.070	0.070	0.070	0.070
	0.080	0.080	0.070	0.070	0.070	0.070

Schedule 7
Henderson County
Principal Property Tax Payers,
Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2011		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy	Electric utility	\$ 115,605,238	1	0.87%
Meritor Heavy Vehicle Systems	Truck axles	65,443,934	2	0.49%
Continental Teves, Inc.	Automobile brake systems	56,603,630	3	0.43%
Berkley Mills	Textiles	50,369,118	4	0.38%
UPM Raflatac, Inc.	Paper products	49,384,156	5	0.37%
Public Service Company of NC	Natural gas utility	32,938,386	6	0.25%
BellSouth	Telephone utility	31,440,199	7	0.24%
Wilsonart International, Inc.	Laminate products	28,269,790	8	0.21%
Borg-Warner Automotive Cooling	Automobile cooling systems	26,087,771	9	0.20%
General Electric Lighting Systems	Lighting systems	18,598,000	10	0.14%
Totals		<u>\$ 474,740,222</u>		<u>3.59%</u>

Source: Henderson County Assessor

Fiscal Year 2002

	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$	80,023,158	2	1.12%
	74,491,420	4	1.11%
	99,946,790	1	0.98%
	76,992,120	3	0.77%
	47,085,072	5	0.64%
	24,669,147	9	0.70%
	42,669,238	6	0.32%
	33,077,340	7	0.39%
	30,733,890	8	0.34%
	<u>16,243,500</u>	10	<u>0.29%</u>
\$	<u><u>525,931,675</u></u>		<u>6.96%</u>

**Schedule 8
Henderson County
Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>			<u>Total Adjusted Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>	
			<u>Adjustments</u>		<u>Amount</u>	<u>Percentage of Original Levy</u>
2002	\$	36,307,004	\$ (222,388)	\$ 36,084,616	\$ 34,972,030	96.92%
2003		37,683,586	(89,150)	37,594,436	36,389,317	96.79%
2004		41,378,068	210,365	41,588,433	40,302,593	96.91%
2005		42,241,452	51,043	42,292,495	41,166,934	97.34%
2006		46,981,907	229,493	47,211,400	45,835,220	97.09%
2007		54,697,004	(357,661)	54,339,343	52,721,515	97.02%
2008		58,186,499	64,973	58,251,472	56,887,367	97.66%
2009		60,238,220	(244,892)	59,993,328	58,473,336	97.47%
2010		60,846,087	(276,429)	60,569,658	59,003,033	97.41%
2011		61,296,106	(268,085)	61,028,021	59,085,624	96.82%
Total						

Source: Henderson County Tax Collector

Collections in Subsequent Years	Total Collections to Date		Uncollected
	Amount	Percentage of Adjusted Levy	
\$ 957,700	\$ 35,929,730	99.57%	\$ 154,886
1,007,829	37,397,146	99.48%	197,290
1,087,116	41,389,709	99.52%	198,724
963,885	42,130,819	99.62%	161,676
1,152,138	46,987,358	99.53%	224,042
1,217,782	53,939,297	99.26%	400,046
903,291	57,790,658	99.21%	460,814
1,118,387	58,473,336	97.47%	1,519,992
1,239,889	59,003,033	97.41%	1,566,625
-	59,085,624	96.82%	1,942,396
			<u>\$ 6,826,491</u>

Schedule 9
Henderson County
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Limited Obligation Bonds	Certificates of Participation	Installment Loans	Other
2002	\$ 14,775,000	\$ -	\$ 23,175,000	\$ 20,814,486	\$ 796,680
2003	12,690,000	-	21,905,000	19,598,121	1,352,317
2004	10,645,000	-	20,635,000	18,415,037	1,425,550
2005	8,640,000	-	45,240,000	16,751,301	1,054,197
2006	6,680,000	-	84,950,000	15,473,676	532,952
2007	4,760,000	-	81,485,000	16,983,567	323,466
2008	2,885,000	-	77,780,000	47,445,041	187,581
2009	1,060,000	-	69,320,000	49,184,096	58,388
2010	-	17,037,084	57,190,000	50,876,518	29,195
2011	-	15,814,348	52,755,000	54,653,290	220,566

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar year 2010 personal income not available to calculate FY2011.

Business-Type Activities						
	General	Limited		Total		Percentage
	Obligation	Obligation	Installment	Primary	Per	of Personal
	Bonds	Bonds	Loans	Government	Capita (1)	Income (1)
\$	1,293,000	\$ -	\$ -	\$ 60,854,166	\$ 666	2.34%
	1,266,000	-	-	56,811,438	612	2.18%
	1,238,000	-	-	52,358,587	554	1.96%
	1,209,000	-	-	72,894,498	758	2.54%
	1,178,000	-	-	108,814,628	1,113	3.53%
	-	-	3,019,100	106,571,133	1,065	3.22%
	-	-	2,701,300	130,998,922	1,283	3.65%
	-	-	2,383,500	122,005,984	1,175	3.22%
	-	1,842,916	79,450	127,055,163	1,208	3.37%
	-	1,710,652	-	125,153,856	1,168	*

This page was left blank intentionally.

Schedule 10
Henderson County
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General/Limited Obligation Bonded Debt Outstanding			Total	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Limited Obligation Bonds	Less: Amounts Restricted to Repaying Principal				
2002	\$ 16,068,000	\$ -	\$ 2,112,000	\$ 13,956,000	0.54%	0.19%	\$ 153
2003	13,956,000	-	2,073,000	11,883,000	0.46%	0.16%	128
2004	11,883,000	-	2,034,000	9,849,000	0.37%	0.11%	104
2005	9,849,000	-	1,991,000	7,858,000	0.27%	0.09%	82
2006	7,858,000	-	1,952,000	5,906,000	0.19%	0.06%	60
2007	4,760,000	-	1,875,000	2,885,000	0.09%	0.03%	29
2008	2,885,000	-	1,825,000	1,060,000	0.03%	0.01%	10
2009	1,060,000	-	1,060,000	-	0.00%	0.00%	-
2010	-	18,880,000	1,355,000	17,525,000	0.46%	0.13%	167
2011	-	17,525,000	2,315,000	15,210,000	0.00%	0.12%	142

Notes: Details regarding the County's outstanding debt can be found in the notes to the Financial Statements.

- (1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- (2) See Schedule 5 for assessed property valuation data.

Schedule 11
Henderson County
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assessed Value of Property	\$ 7,206,444	\$ 7,508,015	\$ 8,751,418	\$ 8,868,466
Debt Limit, 8% of Assessed Value (Statutory Limitation)	<u>576,516</u>	<u>600,641</u>	<u>700,113</u>	<u>709,477</u>
Amount of Debt Applicable to Limit:				
Gross debt	60,854	56,811	52,359	72,894
Less: Debt outstanding for water and sewer purposes	<u>1,293</u>	<u>1,266</u>	<u>1,238</u>	<u>1,209</u>
Total net debt applicable to limit	<u>59,561</u>	<u>55,545</u>	<u>51,121</u>	<u>71,685</u>
Legal Debt Margin	<u>\$ 516,955</u>	<u>\$ 545,096</u>	<u>\$ 648,992</u>	<u>\$ 637,792</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>10.33%</u>	<u>9.25%</u>	<u>7.30%</u>	<u>10.10%</u>

Note: N.C. Statute G.S. 159-55 limits the county's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: debt incurred for water, sewer, gas or electric power purposes; uncollected special assessments, refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 9,155,805	\$ 9,611,745	\$ 12,525,917	\$ 12,960,934	\$ 13,092,488	\$ 13,191,457
<u>732,464</u>	<u>768,940</u>	<u>1,002,073</u>	<u>1,036,874</u>	<u>1,047,399</u>	<u>1,055,316</u>
108,815	106,571	130,998	122,006	127,901	125,685
<u>1,178</u>	<u>3,019</u>	<u>2,701</u>	<u>2,384</u>	<u>79</u>	<u>-</u>
<u>107,637</u>	<u>103,552</u>	<u>128,297</u>	<u>119,622</u>	<u>127,822</u>	<u>125,685</u>
\$ <u>624,827</u>	\$ <u>665,388</u>	\$ <u>873,776</u>	\$ <u>917,252</u>	\$ <u>919,577</u>	\$ <u>929,631</u>
<u>14.70%</u>	<u>13.47%</u>	<u>12.80%</u>	<u>11.54%</u>	<u>12.20%</u>	<u>11.91%</u>

Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011
(dollars in thousands)

<u>Governmental Unit</u>	<u>Net General Bonded Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Total County direct debt	\$ 17,525,000	100.00%	\$ 17,525,000
Overlapping:			
City of Hendersonville	2,630,000	100.00%	2,770,000
Town of Fletcher	330,378	100.00%	<u>330,378</u>
Total overlapping debt			<u>3,100,378</u>
Total direct and overlapping debt			<u>\$ 20,625,378</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those governments that is borne by the residents and businesses of the County reported. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

Schedule 13
Henderson County
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (2) (thousands of dollars)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>	<u>Number of Building Inspections Performed(5)</u>
2002	91,416	\$ 2,604,132	\$ 28,614	11,610	5.20%	31,433
2003	92,856	2,608,882	28,257	11,574	5.30%	29,223
2004	94,538	2,669,644	28,533	11,918	4.50%	33,554
2005	96,158	2,867,627	30,230	12,292	4.70%	35,835
2006	97,792	3,082,738	31,989	12,578	3.70%	34,795
2007	100,107	3,312,203	33,590	12,792	3.60%	36,680
2008	102,142	3,593,713	35,710	12,887	4.60%	39,544
2009	103,836	3,788,520	37,003	13,069	9.30%	25,123
2010	105,221	3,768,886	36,355	13,107	8.40%	18,642
2011	107,177	*	*	13,177	7.90%	15,799

Notes:

- (1) N.C. State Data Center. Estimates are as of the beginning of the fiscal year
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year.
- (3) N.C. Department of Public Instruction, Final Average Daily Membership for fiscal year
- (4) N. C. Employment Security Commission, Unemployment Rate at end of fiscal year
- (5) Total number of inspections performed by Henderson County Inspections Department. Does not include inspections by municipalities.

* Information not yet available.

This page was left blank intentionally.

**Schedule 14
Henderson County
Principal Employers
Current Year**

Employer	2011		
	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1,801	1	3.99%
Margaret R. Pardee Hospital	1,238	2	2.74%
Park Ridge Hospital	1,150	3	2.55%
Ingles	802	4	1.78%
Henderson County	751	5	1.66%
Wilsonart International, Inc.	590	6	1.31%
Continental Teves, Inc.	584	8	1.29%
Meritor Heavy Vehicle Systems	523	8	1.16%
General Electric Lighting Systems	430	9	0.95%
UPM Raflatac, Inc.	400	10	0.89%

Note: Principal employer data for fiscal years 2002 to 2010 can be found on the County's website at www.hendersoncountync.org/finance/.

Schedule 15
Henderson County
Full-Time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General government	87	88	89	93
Public safety	220	223	228	236
Environmental protection	22	22	22	22
Economic and physical development	18	19	20	21
Human Services	232	236	239	251
Cultural and recreation	47	46	49	48
Total	<u>626</u>	<u>634</u>	<u>647</u>	<u>671</u>

Source: Human Resources Department

Note: This schedule represents the number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers. Full-time personnel work 2,088 hours per year (less vacation and sick leave). For purposes of this schedule, the number of part-time employees has been divided by 2.5 to arrive at has been divided by 2.5 to arrive at the full-time equivalents.

Full-Time Equivalent Employees as of June 30

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
97	103	104	106	98	95
258	271	265	271	266	274
23	23	21	23	18	20
21	21	22	22	23	23
263	273	272	281	285	288
<u>50</u>	<u>50</u>	<u>54</u>	<u>56</u>	<u>48</u>	<u>51</u>
<u>712</u>	<u>741</u>	<u>738</u>	<u>759</u>	<u>738</u>	<u>751</u>

Schedule 16
Henderson County
Operating Indicators by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005
<u>General Government</u>				
Number of registered voters	66,670	66,815	70,558	67,992
<u>Public Safety</u>				
Number of building permits issued	4,219	4,112	4,040	4,158
Number of calls dispatched	68,494	72,343	84,727	87,875
<u>Human Services</u>				
Number of food and lodging sites inspected	1,586	1,605	1,686	1,654
Number of Health clients served	8,763	9,187	9,477	9,503
<u>Economic and Physical Development</u>				
Number of major subdivision plan reviews	21	20	22	36
<u>Cultural and Recreation</u>				
Library book circulation	953,250	796,843	785,999	818,842
<u>Education</u>				
Total dollars spent per ADM	\$ 1,788	\$ 1,860	\$ 1,850	\$ 1,820
<u>Enterprise Fund - Landfill</u>				
Solid waste generated number of tons/day	237	230	310	280

Sources: Calendar year data for various governmental and business-type functions.

Note: During fiscal year 2003 a change was made in the methodology of counting circulations in the public library. Health client totals do not include Foreign Travel services. The decline in the number of food and lodging site inspections for 2008 is due to a new State requirement that inspections can occur 2-4 times instead of 4 annually based on the site's food process. The number of calls dispatched is up considerably in 2008 from calls dispatched to the Sheriff's Dept.

Fiscal Year					
2006	2007	2008	2009	2010	2011
70,510	71,431	74,823	74,581	76,117	75,821
4,433	4,014	4,990	4,471	4,915	4,735
88,884	103,320	133,644	120,202	117,422	131,706
1,701	1,745	1,461	1,431	1,492	1,546
9,317	9,038	9,580	10,250	13,210	12,494
44	50	29	11	4	2
916,649	929,304	955,670	952,439	972,262	987,905
\$ 1,920	\$ 2,151	\$ 2,286	\$ 2,426	\$ 2,281	\$ 2,319
343	314	255	272	245	203

Schedule 17
Henderson County
Capital Asset Statistics by Function
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Function				
<u>Public Safety</u>				
Sheriff's Department:				
Stations	1	1	1	1
Vehicles	117	117	121	124
 <u>Cultural and Recreation</u>				
Park acreage	305	305	305	305
Parks	7	7	7	7
Ball fields and courts	27	27	27	27
Libraries	5	5	5	6

Sources: Various County Departments

Fiscal Year					
2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
130	130	136	159	162	163
320	320	320	320	320	320
7	7	7	8	8	8
31	31	31	31	31	31
6	6	6	6	6	6

This page was left blank intentionally.