

**HENDERSON COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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

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HENDERSON COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

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HENDERSON COUNTY
FINANCE DEPARTMENT

HISTORIC COURTHOUSE ANNEX
113 NORTH MAIN STREET
HENDERSONVILLE, NC 28792

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

October 31, 2013

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, 2013 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, 2013 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 unmodified

opinion that Henderson County's financial statements for the year ended June 30, 2013 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, 2013, 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 and dental 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 108,340. 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 \$103.4 million in cash receipts annually. 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 is produced from vegetables, tree fruits and commercial cranberry production at \$46.6 million on 7,549 acres of farmland and greenhouses and nurseries at \$42.3 million on 1,845 acres. The total annual income from all agriculture/agribusiness industries is \$400 million which employs over 8,100 or 17.1 percent of the total employment in Henderson County.

Travel and tourism continues to be the second largest industry in North Carolina. The County's tourism industry has experienced strong growth due to its location, seasonal climate, variety of activities to experience and its encompassing marketing strategy. The tourism industry employs more than 1,960 in Henderson County which ranks 17th in travel impact among North Carolina's 100 Counties. The benefit derived from tourists visiting the County increased by 4.32 percent over the previous fiscal year. The Henderson County Tourism Development Authority does an excellent job of promoting the County and surrounding areas. The County is home to the Flat Rock

Playhouse - State Theater of North Carolina, the Carl Sandburg's Home National Historic Site, special events, outdoor experiences, numerous camps and many other attractions and cultural experiences. The most current value determined by the State of North Carolina of the economic impact of tourism to the County is estimated to be \$218.44 million. This provides an annual tax savings to each County resident of approximately \$177.00.

**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>
2013	586	\$108,243,259	6.6%
2012	398	\$86,808,682	8.2%
2011	248	\$71,304,148	7.9%
2010	694	\$63,641,640	8.4%
2009	380	\$89,643,301	9.3%

The number of permits issued for new residential and commercial construction was up by 47.2 percent from FY2012 and the total dollar value of those new permits increased by \$2.1 million or 24.7 percent. The local unemployment rate improved during the fiscal year as local companies began to rehire workers and the economy continued to improve both locally and regionally.

Healthcare and social assistance ranks first in County employment with an estimated current value of \$258.3 million and manufacturing ranks second with an estimated value of \$253.2 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	664
Continental Teves, Inc.	Automotive brake systems	588
Meritor Vehicle Systems	Truck axles	480
UPM Raflatac, Inc.	Paper products	351
Borg-Warner	Automotive cooling systems	240
Kimberly-Clark	Health products	174
Kyocera Feldmuehle, Inc.	Industrial ceramics	207
Manual Woodworkers	Wooden crafts and woven products	181
Printpack, Inc.	Paper products	113

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 51.36 cents per \$100 dollars of valuation. Total General Fund revenues increased by \$2.7 million over the previous fiscal year or 2.6 percent. Total General Fund expenditures increased by \$2.8 million or 2.7 percent over FY2012 primarily due to increased expenditures for education. Total General Fund Balance decreased by \$1,450,222 to \$39,374,425 and the Unassigned Fund Balance amount available for appropriation decreased by \$2.7 million to \$25,332,238. All other Governmental Funds ended the fiscal year in a positive financial position with the exception of the Fire Districts Fund which was due to future fiscal year tax collections being paid in advance. The net position of the County's three Enterprise Funds decreased in FY2013 due to operating expenditures and transfers out to other Funds exceeding operating revenues for the fiscal year.

The Board of Commissioners had a number of capital project initiatives that were accomplished during FY2013. The Board appropriated \$2.75 million to purchase the Boyd Car Dealership property which is adjacent to Hendersonville High School for future expansion of the school. This expansion project is currently in the planning stages to be completed in a future fiscal year.

In a court ordered settlement, the County received \$6 million in bond proceeds to be used towards the rehabilitation of infrastructure at the planned Seven Falls Subdivision which had gone into bankruptcy several years prior.

The Board appropriated and spent \$910,000 to purchase the former Hendersonville Christian School property. This purchase was completed in January 2013. The facility, which is now known as the Henderson County Athletics and Activities Center, was renovated and equipped for an additional \$326,000 to provide a number of recreational activities for citizens in the County. Additional funds were appropriated for this project to install artificial turf and lighting on a playing field which exists on the property for soccer and other field activities. The field renovations are expected to be completed in FY2014.

A total of \$324,000 was appropriated by the Board to make improvements and eliminate safety hazard conditions at Jackson Park, the County's main and most heavily used recreational park. This project was completed in FY2013.

The Board also allocated funds in FY2013 to begin planning for the relocation of the 911 Emergency Communications Center from its present location at 100 North King Street to the new Law Enforcement Center. The County was awarded a \$3.6 million grant by the North Carolina 911 Board for construction and the purchase of current state of the art emergency communications equipment for its new location. This project is scheduled to begin in FY2014.

The County's newest industry, Sierra Nevada Brewing Company, began construction of its 200,000 square foot brewing and distribution facility during FY2013. The County has been responsible for paying for on-site water and sewer infrastructure and road improvements for this project. These project costs have been funded from several outside sources including The North Carolina Department of Commerce's Community Development Block Grant Program, the North Carolina Rural Center and the Golden Leaf Foundation.

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 FY2013.

FOR THE FUTURE. For FY2014, the Board budgeted revenues conservatively without any tax increase. Expenditures for most County Departments, the community college and other outside agencies were budgeted conservatively as well. The Board budgeted \$6.7 million in Unassigned General Fund Balance to balance the FY2014 budget primarily to cover an increase in funding for public schools, emergency services and additional debt service requirements coupled with continued decreases in federal and state program revenues. The local economy does show some signs of improvement; however the Board continues its prudent practice of conservative budgeting to allow continued current levels of service while hopefully avoiding 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 \$25.3 million in Unassigned General Fund Balance or 22.8 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 are 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.

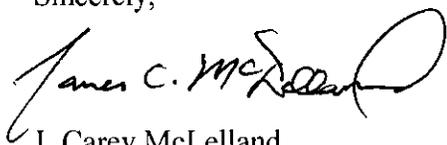
AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2012. This was the twenty-fourth consecutive year Henderson County received 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.

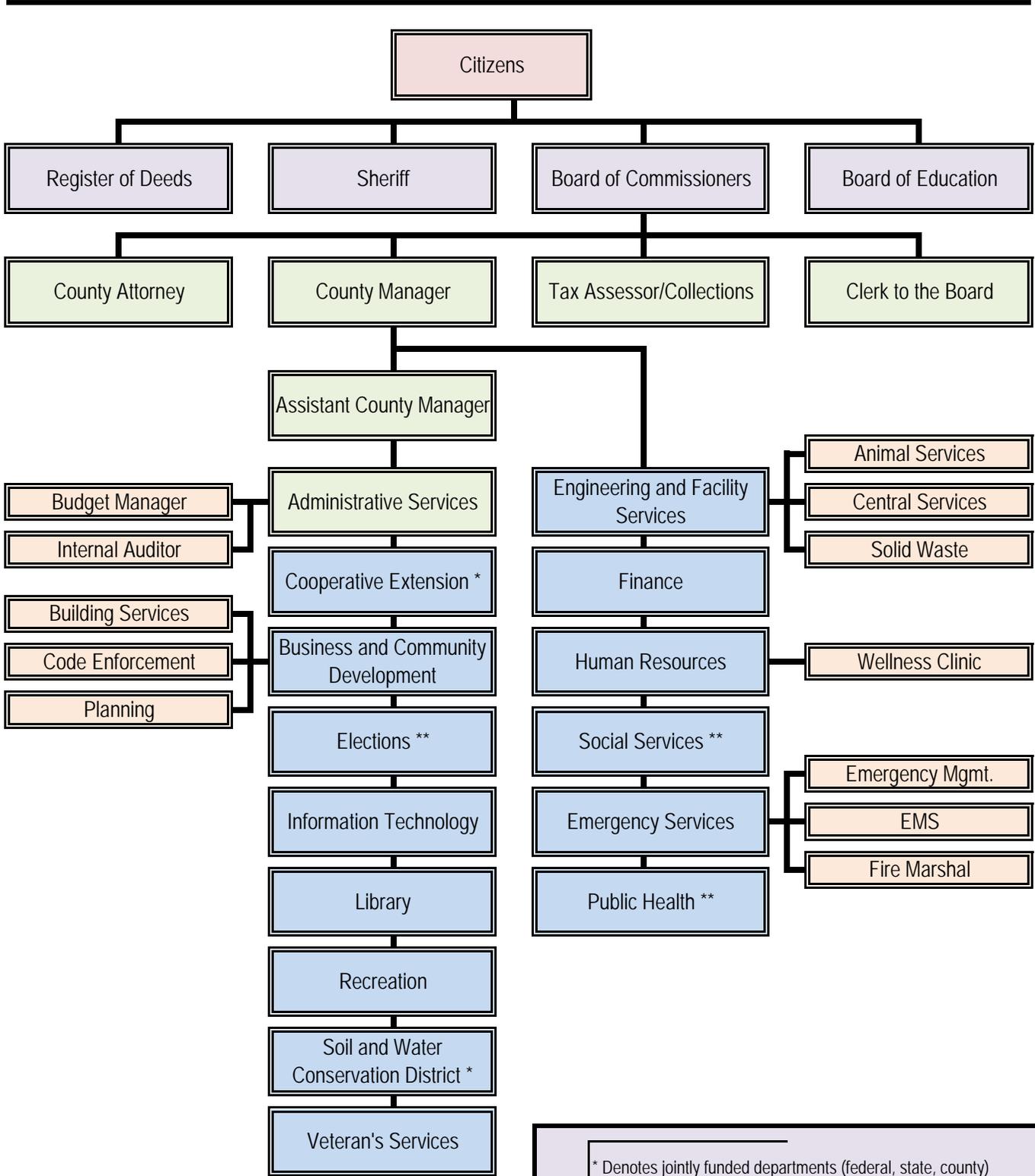
ACKNOWLEDGMENTS. A combined effort of Martin Starnes & Associates, CPAs, P.A., the Henderson County Finance Department Staff, the Internal Auditor and County Departments made preparation of this comprehensive annual financial report possible. Each has my sincere appreciation for their contributions made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



* Denotes jointly funded departments (federal, state, county)
 ** Denotes departments reporting to appointed boards

HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2013

Board of Commissioners

Chairman.....	Charles D. Messer
Vice Chairman	Thomas H. Thompson
Commissioner	J. Michael Edney
Commissioner	Grady Hawkins
Commissioner	Larry R. Young

County Officials

County Manager.....	Steven D. Wyatt
Interim Assistant County Manager	David Whitson
Animal Services Director.....	Brad Rayfield
Building Services Director.....	Thomas Staufer
Business and Community Director	John Mitchell
Central Services Manager	David Berry
Clerk to the Board.....	Teresa L. 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
Internal Auditor	Darlene Burgess
Library Director	William E. Snyder, Jr.
Planning Director - Interim.....	Autumn Radcliff
Property Addressing Coordinator.....	Curtis Griffin
Public Health Director	Thomas D. Bridges
Public Information Director.....	Christina DeStefano
Public Transit Manager/Transportation Planner	Matt Cable
Purchasing Agent	Randall L. Cox
Recreation Director	Tim Hopkin
Environmental Programs Coordinator	Megan Piner
Register of Deeds.....	Nedra W. Moles
Research & Budget Analyst.....	Amy Brantley
Sheriff	Charles S. McDonald
Social Services Director.....	Eric Bush
Soil and Water Conservation District Director	Jonathan Wallin
Solid Waste & Utilities Manager	Greg Wiggins
Veteran Services Officer	Michael A. Murdock
Wellness Clinic Nurse.....	Jamie Gibbs



Government Finance Officers Association

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, 2012

Executive Director/CEO

FINANCIAL SECTION

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Henderson County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Henderson County Hospital Corporation, which represent 99.6 percent, 99.6 percent, and 99.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Hospital Corporation, is based solely on the report of the other auditors. 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Henderson County Hospital Corporation and the Henderson County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County as of June 30, 2013, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Fire Districts Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section and the Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of the Henderson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 31, 2013

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HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2013

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, 2013. 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

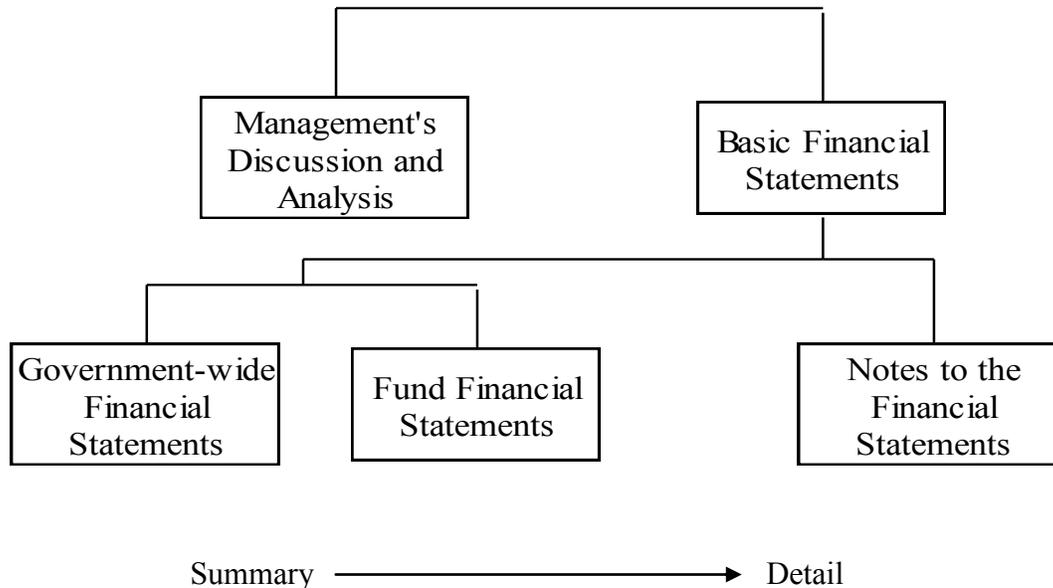
- The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$45,448,926 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$97,947,013 in long-term 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 position.
- The County's total net position increased by \$15,383,219. Net position in the governmental activities increased by \$15,986,093 due primarily from the refunding of debt in general government expenses. Net position in the business-type activities decreased by \$602,874.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$53,909,342, an increase of \$5,693,506, in comparison with the prior year. Approximately 21 percent of this total amount, or \$11,084,885, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$32,436,501, or 30.77 percent of total General Fund expenditures.
- Henderson County's total general obligation, limited obligation and installment note debt decreased \$5,627,152 (4.8 percent) during the current fiscal year primarily from current year debt service payments.

Overview of the Financial Statements

This discussion and analysis is 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 position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position 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 Position 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 Position 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 Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 65,674,080	\$ 60,272,234	\$ 7,009,468	\$ 7,808,910	\$ 72,683,548	\$ 68,081,144
Capital assets	79,340,991	78,345,372	21,306,516	21,599,843	100,647,507	99,945,215
Deferred outflows of resources	<u>4,872,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,872,967</u>	<u>-</u>
Total assets and deferred outflows	<u>149,888,038</u>	<u>138,617,606</u>	<u>28,315,984</u>	<u>29,408,753</u>	<u>178,204,022</u>	<u>168,026,359</u>
Liabilities:						
Long-term liabilities	105,199,105	120,722,554	5,231,461	5,689,276	110,430,566	126,411,830
Other liabilities	21,270,544	10,473,522	740,324	772,404	22,010,868	11,245,926
Deferred inflows of resources	<u>313,662</u>	<u>302,896</u>	<u>-</u>	<u>-</u>	<u>313,662</u>	<u>302,896</u>
Total liabilities and deferred inflows	<u>126,783,311</u>	<u>131,498,972</u>	<u>5,971,785</u>	<u>6,461,680</u>	<u>132,755,096</u>	<u>137,960,652</u>
Net Position:						
Net investment in						
capital assets	73,911,997	47,218,294	18,124,127	18,050,922	92,036,124	65,269,216
Restricted	10,873,904	10,996,211	-	-	10,873,904	10,996,211
Unrestricted	<u>(61,681,174)</u>	<u>(51,095,871)</u>	<u>4,220,072</u>	<u>4,896,151</u>	<u>(57,461,102)</u>	<u>(46,199,720)</u>
Total net position	<u>\$ 23,104,727</u>	<u>\$ 7,118,634</u>	<u>\$ 22,344,199</u>	<u>\$ 22,947,073</u>	<u>\$ 45,448,926</u>	<u>\$ 30,065,707</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources by \$45,448,926 as of June 30, 2013. The County's net position increased by \$15,383,219 for the fiscal year ended June 30, 2013. Net position of the County are reported in three categories: net investment in capital assets of \$92,036,124; restricted net position of \$10,873,904; and unrestricted net position of (\$57,461,102).

The net investment in capital assets 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 position consists of restrictions for Register of Deeds, stabilization for State statute, emergency 911 funds, public transit funds, police protection, education, and other unspent grant proceeds.

Another category of net position is unrestricted net position. At June 30, 2013, the total net deficit is (\$57,461,102).

As with many counties in the State of North Carolina, the County's deficit in unrestricted net position 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 \$98 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 97.15 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 \$11.0 million
- Expenditures, transfers, and other financing uses in the General Fund exceeded revenues and other financing sources by \$1,450,222

Governmental Activities. Governmental activities increased the County's net position by \$15,986,093, or 103.9 percent of the total increase in the net position of the Henderson County.

Business-Type Activities. Business-type activities decreased the County's net position by \$602,874, or a -3.9 percent of the total increase in the net position of the Henderson County. (See Figure 3.)

Financial Analysis of the County's Funds

Henderson County's Change in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,278,106	\$ 6,672,887	\$ 5,562,362	\$ 5,661,118	\$12,840,468	\$12,334,005
Operating grants and contributions	21,680,229	21,900,613	246,534	115,892	21,926,763	22,016,505
Capital grants and contributions contributions	-	457,928	106,573	672,883	106,573	1,130,811
General revenues:						
Property taxes	69,628,114	68,689,187	-	-	69,628,114	68,689,187
Other taxes	19,766,818	19,265,650	-	-	19,766,818	19,265,650
Other	6,675,512	761,199	92,795	98,272	6,768,307	859,471
Total revenues	<u>125,028,779</u>	<u>117,747,464</u>	<u>6,008,264</u>	<u>6,548,165</u>	<u>131,037,043</u>	<u>124,295,629</u>
Expenses:						
General government	17,913,612	16,036,914	-	-	17,913,612	16,036,914
Public safety	31,153,291	30,342,623	-	-	31,153,291	30,342,623
Environmental protection	921,122	678,682	-	-	921,122	678,682
Economic and physical development	2,832,831	3,001,446	-	-	2,832,831	3,001,446
Human services	26,875,838	27,200,233	-	-	26,875,838	27,200,233
Cultural and recreational	2,554,407	3,497,027	-	-	2,554,407	3,497,027
Education	24,025,977	22,798,061	-	-	24,025,977	22,798,061
Interest on long-term debt	3,614,839	4,981,375	-	-	3,614,839	4,981,375
Solid waste disposal	-	-	4,826,309	4,673,770	4,826,309	4,673,770
Other	-	-	935,598	1,082,368	935,598	1,082,368
Total expenses	<u>109,891,917</u>	<u>108,536,361</u>	<u>5,761,907</u>	<u>5,756,138</u>	<u>115,653,824</u>	<u>114,292,499</u>
Increase (decrease) in net assets						
before transfers	15,136,862	9,211,103	246,357	792,027	15,383,219	10,003,130
Transfers	849,231	112,105	(849,231)	(112,105)	-	-
Increase (decrease) in net assets in net assets	15,986,093	9,323,208	(602,874)	679,922	15,383,219	10,003,130
Net Position:						
Beginning of year - July 1	7,118,634	(2,204,574)	22,947,073	22,267,151	30,065,707	20,062,577
End of year - June 30	<u>\$23,104,727</u>	<u>\$ 7,118,634</u>	<u>\$22,344,199</u>	<u>\$22,947,073</u>	<u>\$45,448,926</u>	<u>\$30,065,707</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 \$32,436,501 while total fund balance was \$39,374,425. 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 29.17 percent of total General Fund expenditures and transfers out while total fund balance represents 35.41 percent of that same amount.

At June 30, 2013, the governmental funds of the County reported a combined fund balance of \$53,909,342, an 11.81 percent increase from last year. The significant changes in the General Capital Projects Fund were due to FY2013 committed fund balance on approved multi-year capital projects from transfers received in the current fiscal year.

General Fund Budgetary Highlights. The County's financial position remained basically flat for FY2013 due to better than anticipated revenue collections in a majority of the major revenue categories coupled with actual General Fund expenditures coming in well under budget at fiscal year end. County departments' diligence in monitoring their operational budgets resulted in total expenditures being \$5.5 million under budget at fiscal year-end. On the revenue side, the largest positive budget variances were in the ad valorem property tax, sales tax revenues, other taxes and licenses, permits and fees, sales and services and investment earnings categories which combined to be \$5,507,130 over budget. However, this positive variance was offset by a total of \$52,714 in negative budget variances in two of the General Fund revenue source categories with the most significant variance being in the Restricted Intergovernmental Revenues category. Separately, a total of \$6.9 million in General Fund balance was originally appropriated to balance the FY2013 budget with an additional \$4.0 million appropriated during the fiscal year. Only a small portion of this total, \$10.9 million, ended up having to be utilized due to total revenues having a positive budget variance of \$5.4 million combined with total expenditures having a significant positive budget variance of \$5.5 million.

Total fiscal year 2013 revenues decreased by \$2.1 million, or 2.0 percent, over the prior fiscal year, as compared to expenditures which increased by \$900 thousand, or 0.9 percent, over fiscal year 2012. The significant increase in expenditures over the previous fiscal year is primarily within the Education and General Government categories. This can be attributed in large part to an increase in the operating expenditures for public schools and capital outlay expenditures of community colleges and higher General Government expenditures. Total General Fund balance decreased \$127,531, while the amount of unassigned fund balance that is available for appropriation decreased by over 2 million at fiscal year-end.

The County revised the budget for various reasons 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 \$7,328,907, or 6.8 percent, of the original budget. Declining revenue collections were realized in four out of nine major revenue categories with the largest variance being in the Restricted Intergovernmental Revenues category. This category had a negative actual to budget variance of \$35,902 due to less Federal and State funding received than anticipated. Miscellaneous revenues had a negative actual to budget variance of \$2,545 primarily from less insurance claims being collected. Total General Fund revenues had a total positive actual to budget variance of \$5,454,416.

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 position of all the proprietary funds at the end of the fiscal year amounted to \$4,220,072. During the fiscal year 2013, proprietary fund net position decreased \$602,874. The decrease in total net position for the proprietary funds is primarily due to increase in operating expenses in the Landfill Fund and the increase in transfers out in 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, 2013 totals \$99,945,215 (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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$14,209,795	\$11,447,267	\$ 6,180,170	\$ 1,965,974	\$ 20,389,965	\$13,413,241
Buildings	60,510,620	60,849,658	-	-	60,510,620	60,849,658
Plant and distribution systems	-	-	13,994,407	14,222,922	13,994,407	14,222,922
Equipment	2,008,379	1,868,095	594,221	552,798	2,602,600	2,420,893
Vehicles and motor equipment	2,136,595	2,194,243	77,483	36,426	2,214,078	2,230,669
Construction in progress	<u>475,602</u>	<u>1,986,109</u>	<u>460,235</u>	<u>4,821,723</u>	<u>935,837</u>	<u>6,807,832</u>
Total	<u>\$79,340,991</u>	<u>\$78,345,372</u>	<u>\$21,306,516</u>	<u>\$21,599,843</u>	<u>\$100,647,507</u>	<u>\$99,945,215</u>

Additional information on the County’s capital assets can be found in the note 2A to the basic financial statements.

Long-Term Debt. As of June 30, 2013, Henderson County had total bonded debt outstanding of \$54,225,121 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Limited obligation bonds	\$ 52,909,398	\$ 14,319,221	\$1,315,723	\$1,548,921	\$ 54,225,121	\$ 15,868,142
Installment notes payable	<u>55,706,142</u>	<u>99,556,940</u>	<u>1,866,667</u>	<u>2,000,000</u>	<u>57,572,809</u>	<u>101,556,940</u>
Total	<u>\$108,615,540</u>	<u>\$113,876,161</u>	<u>\$3,182,390</u>	<u>\$3,548,921</u>	<u>\$111,797,930</u>	<u>\$117,425,082</u>

Henderson County’s total long-term debt decreased by \$5,627,152 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 \$867,688,020.

Additional information regarding Henderson County’s long-term debt can be found in the note 2B to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The County of Henderson has approved a \$112,222,749 General Fund budget for fiscal year 2014. All County Departments remained conservative and essentially flat during the budgeting process. The fiscal year 2014 ad valorem property tax rate will remain constant at 51.36 cents per \$100 of assessed valuation.

The following factors were considered when developing the FY2014 budget:

- A flat operational budget for County departments and other outside agencies
- Growth in funding for the community college
- Funding as requested for the public schools
- Funding for a future recreational park project
- An increase in sales tax revenue projections due to an improving local economy
- Maintaining an adequate Unassigned General Fund balance meeting Board Policy and Local Government Commission requirements
- The continued rising cost of healthcare for employees
- Service demands on the County's emergency service departments including the Sheriff, Emergency Medical Services and the Rescue Squad.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities. It being the third year of the current revaluation cycle, there was very little growth in the ad valorem property tax base and the property tax rate was budgeted at the same rate as the previous fiscal year. Projected sales tax revenues were budgeted with a slight increase due to an improving local economy. Unassigned General Fund balance of \$6,730,029 was appropriated to cover the increases to education, emergency services and continued decreases in federal and state program revenues. County departments were again charged with maintaining their operating budgets during a slow economic recovery. A cost of living increase and performance pay were included in the FY2014 budget for employees.

Business-Type Activities. The solid waste tipping fee for the Solid Waste Landfill Enterprise Fund remained unchanged at \$57 per ton. Due to an improving local economy, an increase in tonnage coming into the County's Landfill Transfer Station is projected for FY2014. This anticipated additional tonnage coming in is reflected by a 1.2 percent or \$462,000 increase in user fees budgeted for FY2014. The Fund is also charged with covering the annual debt service required on \$2 million in financing for a solid waste capital improvements project which was completed in FY2012. Solid waste revenues are estimated to offset the projected operating costs for the waste facilities during FY2014.

The Cane Creek Water and Sewer District rates for service remain unchanged for FY2014 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. Due to an improving local economy some growth is anticipated in residential and commercial construction activity for FY2014. District user fees were increased slightly to account for this anticipated growth. Retained earnings of \$1.5 million were also appropriated to pay for several ongoing sewer capital improvement projects in the Cane Creek District. Budgeted operating revenues are 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 remain unchanged for FY2014. Budgeted operating revenues including appropriated retained earnings and expenses in the Justice Academy Sewer Fund were increased by 1.9 percent or approximately \$90,000 to cover capital improvements to the sewer system which serves the Western North Carolina Justice Academy.

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.

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BASIC FINANCIAL STATEMENTS – OVERVIEW

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		Total	Component Units	
	Governmental	Business-Type		Henderson	Henderson
	Activities	Activities		County Hospital Corporation	County Tourism Development Authority
Assets:					
Current assets:					
Cash and cash equivalents	\$ 53,077,350	\$ 6,159,998	\$ 59,237,348	\$ 3,001,823	\$ 454,778
Investments	-	-	-	50,230,431	-
Investment in affiliate	-	-	-	85,288	-
Taxes receivable, net	2,243,903	-	2,243,903	-	-
Receivables, net	7,244,308	849,470	8,093,778	29,091,070	152,064
Pledges receivable	-	-	-	270,993	-
Inventories	58,923	-	58,923	3,206,874	-
Prepaid items	152,058	-	152,058	965,171	1,054
Restricted cash and cash equivalents	2,897,538	-	2,897,538	-	-
Restricted investments	-	-	-	3,977,947	-
Total current assets	<u>65,674,080</u>	<u>7,009,468</u>	<u>72,683,548</u>	<u>90,829,597</u>	<u>607,896</u>
Capital assets:					
Land and construction in progress	14,685,397	6,640,405	21,325,802	6,596,760	-
Other capital assets, net of depreciation	<u>64,655,594</u>	<u>14,666,111</u>	<u>79,321,705</u>	<u>59,834,911</u>	<u>6,913</u>
Total capital assets	<u>79,340,991</u>	<u>21,306,516</u>	<u>100,647,507</u>	<u>66,431,671</u>	<u>6,913</u>
Other assets	-	-	-	57,532	-
Deferred Outflows of Resources	<u>4,872,967</u>	<u>-</u>	<u>4,872,967</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>149,888,038</u>	<u>28,315,984</u>	<u>173,331,055</u>	<u>157,318,800</u>	<u>614,809</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	9,580,784	740,324	10,321,108	12,767,298	64,308
Third-party payer settlements	-	-	-	1,824,995	-
Due within one year	<u>11,689,760</u>	<u>481,819</u>	<u>12,171,579</u>	<u>2,112,449</u>	<u>772</u>
Total current liabilities	<u>21,270,544</u>	<u>1,222,143</u>	<u>22,492,687</u>	<u>16,704,742</u>	<u>65,080</u>
Long-term liabilities:					
Due in more than one year	<u>105,199,105</u>	<u>4,749,642</u>	<u>109,948,747</u>	<u>10,196,325</u>	<u>6,943</u>
Total liabilities	<u>126,469,649</u>	<u>5,971,785</u>	<u>132,441,434</u>	<u>26,901,067</u>	<u>72,023</u>
Deferred Inflows of Resources:					
Prepaid taxes	313,662	-	313,662	-	-
Other deferred inflows	-	-	-	42,999	-
Total deferred inflows of resources	<u>313,662</u>	<u>-</u>	<u>313,662</u>	<u>42,999</u>	<u>-</u>

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

HENDERSON COUNTY, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Primary Government</u>		<u>Total</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Henderson County Hospital Corporation</u>	<u>Henderson County Tourism Development Authority</u>
Net Position:					
Net investment in capital assets	73,911,997	18,124,127	92,036,124	54,122,897	6,913
Restricted for:					
Stabilization for State statute	7,011,940	-	7,011,940	-	152,064
Register of Deeds	199,106	-	199,106	-	-
Emergency telephone	609,406	-	609,406	-	-
Education	2,390,166	-	2,390,166	-	-
Public transit	663,286	-	663,286	-	-
Debt service	-	-	-	1,273,949	-
By donor	-	-	-	3,059,502	-
Tourism promotion	-	-	-	-	383,809
Unrestricted	(61,681,174)	4,220,072	(57,461,102)	71,918,386	-
Total net position	<u>\$ 23,104,727</u>	<u>\$ 22,344,199</u>	<u>\$ 45,448,926</u>	<u>\$ 130,374,734</u>	<u>\$ 542,786</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, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 17,913,612	\$ 711,063	\$ 2,064,465	\$ -
Public safety	31,153,291	4,560,959	1,454,505	-
Environmental protection	921,122	-	47,255	-
Economic and physical development	2,832,831	1,376,578	1,004,929	-
Human services	26,875,838	472,234	15,971,818	-
Cultural and recreational	2,554,407	157,272	202,240	-
Education	24,025,977	-	935,017	-
Interest on long-term debt	3,614,839	-	-	-
Total governmental activities	<u>109,891,917</u>	<u>7,278,106</u>	<u>21,680,229</u>	<u>-</u>
Business-Type Activities:				
Landfill	4,826,309	4,237,811	172,495	-
Cane Creek Water and Sewer	882,351	1,285,671	-	106,573
Justice Academy Sewer	53,247	38,880	74,039	-
Total business-type activities	<u>5,761,907</u>	<u>5,562,362</u>	<u>246,534</u>	<u>106,573</u>
Total primary government	<u>\$ 115,653,824</u>	<u>\$ 12,840,468</u>	<u>\$ 21,926,763</u>	<u>\$ 106,573</u>
Component Unit:				
Henderson County Hospital Corporation	\$ 143,211,085	\$ 143,750,539	\$ -	\$ -
Henderson County Tourism Development Authority	1,051,613	91,161	461,316	-
	<u>\$ 144,262,698</u>	<u>\$ 143,841,700</u>	<u>\$ 461,316</u>	<u>\$ -</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

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
\$ (15,138,084)	\$ -	\$ (15,138,084)		
(25,137,827)	-	(25,137,827)		
(873,867)	-	(873,867)		
(451,324)	-	(451,324)		
(10,431,786)	-	(10,431,786)		
(2,194,895)	-	(2,194,895)		
(23,090,960)	-	(23,090,960)		
(3,614,839)	-	(3,614,839)		
(80,933,582)	-	(80,933,582)		
	(416,003)	(416,003)		
	509,893	509,893		
	59,672	59,672		
	153,562	153,562		
(80,933,582)	153,562	(80,780,020)		
			\$ 539,454	\$ -
			-	(499,136)
			\$ 539,454	\$ (499,136)
69,628,114	-	69,628,114	-	-
18,596,584	-	18,596,584	-	-
1,170,234	-	1,170,234	-	1,034,676
675,387	92,795	768,182	3,104,947	5,703
6,000,125	-	6,000,125	41,686	1,543
96,070,444	92,795	96,163,239	3,146,633	1,041,922
849,231	(849,231)	-	-	-
96,919,675	(756,436)	96,163,239	3,146,633	1,041,922
15,986,093	(602,874)	15,383,219	3,686,087	542,786
7,118,634	22,947,073	30,065,707	126,688,647	-
\$ 23,104,727	\$ 22,344,199	\$ 45,448,926	\$ 130,374,734	\$ 542,786

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

HENDERSON COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>General Capital Projects Fund</u>	<u>Fire Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 39,906,655	\$ 6,841,869	\$ 1,419,424	\$ 4,909,402	\$ 53,077,350
Taxes receivable, net	2,243,903	-	-	-	2,243,903
Other receivables, net	6,959,311	10,478	-	274,519	7,244,308
Due from other funds	14,021	-	-	-	14,021
Inventories	58,923	-	-	-	58,923
Prepaid items	152,058	-	-	-	152,058
Restricted assets:					
Cash and investments	-	366,566	-	2,530,972	2,897,538
Total assets	<u>\$ 49,334,871</u>	<u>\$ 7,218,913</u>	<u>\$ 1,419,424</u>	<u>\$ 7,714,893</u>	<u>\$ 65,688,101</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,335,323	\$ 49,025	\$ 1,444,486	\$ 281,324	\$ 3,110,158
Accrued payroll liabilities	5,850,626	-	-	-	5,850,626
Due to other funds	-	-	-	14,021	14,021
Total liabilities	<u>7,185,949</u>	<u>49,025</u>	<u>1,444,486</u>	<u>295,345</u>	<u>8,974,805</u>
Deferred Inflows of Resources:					
Property taxes receivable	2,243,903	-	-	-	2,243,903
Prepaid taxes	284,205	-	29,457	-	313,662
Other receivables	246,389	-	-	-	246,389
Total deferred inflows of resources	<u>2,774,497</u>	<u>-</u>	<u>29,457</u>	<u>-</u>	<u>2,803,954</u>
Fund Balances:					
Non-spendable:					
Inventory	58,923	-	-	-	58,923
Prepays	152,058	-	-	-	152,058
Restricted:					
Stabilization for State statute	6,726,943	10,478	-	274,519	7,011,940
Restricted, all other	199,106	-	-	3,662,858	3,861,964
Committed	-	7,159,410	-	3,499,477	10,658,887
Assigned for subsequent year's expenditures	6,730,029	-	-	-	6,730,029
Assigned, all other	175,128	-	-	-	175,128
Unassigned	<u>25,332,238</u>	<u>-</u>	<u>(54,519)</u>	<u>(17,306)</u>	<u>25,260,413</u>
Total fund balances	<u>39,374,425</u>	<u>7,169,888</u>	<u>(54,519)</u>	<u>7,419,548</u>	<u>53,909,342</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,334,871</u>	<u>\$ 7,218,913</u>	<u>\$ 1,419,424</u>	<u>\$ 7,714,893</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,340,991
Deferred inflows 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 Position.	2,490,292
Long-term liabilities and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(116,888,865)
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position, but are not current financial resources.	4,872,967
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(620,000)</u>
Net position of governmental activities	<u>\$ 23,104,727</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, 2013

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Fire Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Ad valorem taxes	\$ 62,067,652	\$ -	\$ 6,965,367	\$ 650,291	\$ 69,683,310
Local option sales taxes	18,596,584	-	-	-	18,596,584
Other taxes and licenses	809,445	-	-	211,019	1,020,464
Unrestricted intergovernmental revenues	29,733	-	-	-	29,733
Restricted intergovernmental revenues	18,907,480	-	-	1,777,223	20,684,703
Permits and fees	1,638,646	-	-	-	1,638,646
Sales and services	5,639,464	-	-	17,898	5,657,362
Investment earnings	525,532	76	25,000	124,703	675,311
Miscellaneous	578,276	21,513	-	512,849	1,112,638
Total revenues	<u>108,792,812</u>	<u>21,589</u>	<u>6,990,367</u>	<u>3,293,983</u>	<u>119,098,751</u>
Expenditures:					
Current:					
General government	13,211,723	-	-	606,529	13,818,252
Public safety	22,009,349	-	7,044,886	1,306,131	30,360,366
Environmental protection	606,769	-	-	164,159	770,928
Economic and physical development	1,592,866	-	-	1,185,842	2,778,708
Human services	26,102,907	-	-	-	26,102,907
Cultural and recreational	4,087,986	-	-	-	4,087,986
Education	24,025,977	-	-	-	24,025,977
Capital outlay	-	3,862,734	-	-	3,862,734
Debt service:					
Principal retirement	10,531,167	-	-	99,150	10,630,317
Interest and other charges	3,257,441	703,260	-	7,258	3,967,959
Advanced payment to escrow agent	-	4,841,690	-	-	4,841,690
Total expenditures	<u>105,426,185</u>	<u>9,407,684</u>	<u>7,044,886</u>	<u>3,369,069</u>	<u>125,247,824</u>
Revenues over (under) expenditures	<u>3,366,627</u>	<u>(9,386,095)</u>	<u>(54,519)</u>	<u>(75,086)</u>	<u>(6,149,073)</u>
Other Financing Sources (Uses):					
Transfers from other funds	532,916	-	-	-	532,916
From General Fund	-	5,179,868	-	509,020	5,688,888
From Capital Reserve Fund	-	26,848	-	-	26,848
From other funds	-	-	-	600,000	600,000
Transfers to other funds	(5,763,304)	-	-	(236,117)	(5,999,421)
Refunding bonds issued	-	41,151,000	-	-	41,151,000
Payment to bond escrow agent	-	(36,110,000)	-	-	(36,110,000)
Insurance proceeds	-	6,000,125	-	-	6,000,125
Installment financing issued	413,539	-	-	-	413,539
Contribution to TDA	-	-	-	(461,316)	(461,316)
Total other financing sources (uses)	<u>(4,816,849)</u>	<u>16,247,841</u>	<u>-</u>	<u>411,587</u>	<u>11,842,579</u>
Net change in fund balances	<u>(1,450,222)</u>	<u>6,861,746</u>	<u>(54,519)</u>	<u>336,501</u>	<u>5,693,506</u>
Fund Balances:					
Beginning of year - July 1	<u>40,824,647</u>	<u>308,142</u>	<u>-</u>	<u>7,083,047</u>	<u>48,215,836</u>
End of year - June 30	<u>\$ 39,374,425</u>	<u>\$ 7,169,888</u>	<u>\$ (54,519)</u>	<u>\$ 7,419,548</u>	<u>\$ 53,909,342</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, 2013**

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	\$ 5,693,506
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.	(55,196)
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.	105,612
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.	(1,124,036)
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.	4,952,108
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,811,177)
Long-term obligations to fund economic development incentives expensed on the Statement of Activities, but do not require current financial resources and are not recorded on the fund statements.	
Gain/loss on the disposal of capital assets, not recognized on modified accrual basis.	(145,312)
The refunding of bonds issued for long-term debt provides current financial resources to governmental funds. However, in the Statement of Activities, these transactions are not revenue, rather they are an increase in liabilities.	(41,151,000)
Payment to refunded bond escrow agent for refunding of debt 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.	36,110,000
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	237,000
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(413,539)
Amortization of debt premiums is a reduction of expenses on the Statement of Activities.	84,843

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, 2013**

Expenses reported on fund financial statements that are capitalized on government-wide statements - refunding costs	4,872,967
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>10,630,317</u>
Total change in net position of governmental activities	<u>\$ 15,986,093</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, 2013

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 60,907,747	\$ 60,907,749	\$ 62,067,652	\$ 1,159,903
Local option sales taxes	16,066,421	16,066,421	18,596,584	2,530,163
Other taxes and licenses	535,000	535,000	809,445	274,445
Unrestricted intergovernmental revenues	44,000	44,000	29,733	(14,267)
Restricted intergovernmental revenues	16,159,002	18,363,052	18,327,150	(35,902)
Permits and fees	1,136,750	1,136,750	1,638,646	501,896
Sales and services	4,378,338	4,774,273	5,639,464	865,191
Investment earnings	350,000	350,000	525,532	175,532
Miscellaneous	355,910	580,821	578,276	(2,545)
Total revenues	<u>99,933,168</u>	<u>102,758,066</u>	<u>108,212,482</u>	<u>5,454,416</u>
Expenditures:				
Current:				
General government	11,474,131	11,568,218	11,308,702	259,516
Public safety	22,905,213	23,894,172	22,009,349	1,884,823
Environmental protection	608,242	704,242	606,769	97,473
Economic and physical development	1,360,474	1,732,173	1,592,866	139,307
Human services	27,599,526	28,323,539	26,102,907	2,220,632
Cultural and recreational	4,283,024	4,342,767	4,087,986	254,781
Intergovernmental:				
Education	24,025,977	24,025,977	24,025,977	-
Debt service:				
Principal retirement	10,136,494	10,136,494	10,531,167	(394,673)
Interest and other charges	4,251,182	4,335,492	3,257,441	1,078,051
Total expenditures	<u>106,644,263</u>	<u>109,063,074</u>	<u>103,523,164</u>	<u>5,539,910</u>
Revenues over (under) expenditures	<u>(6,711,095)</u>	<u>(6,305,008)</u>	<u>4,689,318</u>	<u>10,994,326</u>
Other Financing Sources (Uses):				
Installment financing issued	-	413,539	413,539	-
Transfers from other funds	572,098	688,670	532,916	(155,754)
Transfers to other funds	(853,209)	(5,763,305)	(5,763,304)	1
Appropriated fund balance	6,992,206	10,966,104	-	(10,966,104)
Total other financing sources (uses)	<u>6,711,095</u>	<u>6,305,008</u>	<u>(4,816,849)</u>	<u>(11,121,857)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(127,531)</u>	<u>\$ (127,531)</u>
Fund Balance:				
Beginning of year - July 1			39,459,647	
End of year - June 30			<u>\$ 39,332,116</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, 2013**

	Fire Districts Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,818,446	\$ 7,025,946	\$ 6,965,367	\$ (60,579)
Investment earnings	19,875	19,875	25,000	5,125
Total revenues	<u>6,838,321</u>	<u>7,045,821</u>	<u>6,990,367</u>	<u>(55,454)</u>
Expenditures:				
Current:				
Public safety	<u>6,838,321</u>	<u>7,045,821</u>	<u>7,044,886</u>	<u>935</u>
Total expenditures	<u>6,838,321</u>	<u>7,045,821</u>	<u>7,044,886</u>	<u>935</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(54,519)	<u>\$ (54,519)</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ (54,519)</u>	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2013

	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	\$ 1,170,992	\$ 4,339,653	\$ 649,353	\$ 6,159,998
Accounts receivable, net	343,943	502,287	3,240	849,470
Total current assets	<u>1,514,935</u>	<u>4,841,940</u>	<u>652,593</u>	<u>7,009,468</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	5,871,175	769,230	-	6,640,405
Other capital assets, net of depreciation	2,859,438	11,522,166	284,507	14,666,111
Total non-current assets	<u>8,730,613</u>	<u>12,291,396</u>	<u>284,507</u>	<u>21,306,516</u>
Total assets	<u>10,245,548</u>	<u>17,133,336</u>	<u>937,100</u>	<u>28,315,984</u>
Liabilities:				
Current liabilities:				
Accounts payable	345,640	393,230	1,454	740,324
Current portion of compensated absences	3,572	1,705	-	5,277
Current portion of long-term obligations	238,364	238,178	-	476,542
Total current liabilities	<u>587,576</u>	<u>633,113</u>	<u>1,454</u>	<u>1,222,143</u>
Non-current liabilities:				
Liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care costs	1,923,730	-	-	1,923,730
Compensated absences	35,536	11,960	-	47,496
Other post-employment benefits	72,569	-	-	72,569
Long-term obligations	1,628,303	1,077,544	-	2,705,847
Total non-current liabilities	<u>3,660,138</u>	<u>1,089,504</u>	<u>-</u>	<u>4,749,642</u>
Total liabilities	<u>4,247,714</u>	<u>1,722,617</u>	<u>1,454</u>	<u>5,971,785</u>
Net Position:				
Net investment in capital assets	6,863,946	10,975,674	284,507	18,124,127
Unrestricted	(866,112)	4,435,045	651,139	4,220,072
Total net position	<u>\$ 5,997,834</u>	<u>\$ 15,410,719</u>	<u>\$ 935,646</u>	<u>\$ 22,344,199</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 POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Operating Revenues:				
Charges for services	\$ 4,237,811	\$ 1,257,209	\$ 38,880	\$ 5,533,900
Restricted intergovernmental	-	28,462	-	28,462
Total operating revenues	<u>4,237,811</u>	<u>1,285,671</u>	<u>38,880</u>	<u>5,562,362</u>
Operating Expenses:				
Salaries and employee benefits	866,069	-	-	866,069
Other operating expenses	3,594,841	352,615	31,702	3,979,158
Repairs and maintenance	135,737	66,050	11,100	212,887
Depreciation	165,662	420,699	10,445	596,806
Total operating expenses	<u>4,762,309</u>	<u>839,364</u>	<u>53,247</u>	<u>5,654,920</u>
Operating income (loss)	<u>(524,498)</u>	<u>446,307</u>	<u>(14,367)</u>	<u>(92,558)</u>
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	172,495	-	-	172,495
Interest income	18,342	65,445	9,008	92,795
Interest expense	(64,000)	(42,987)	-	(106,987)
Gain/(loss) on sale of fixed assets	74,039	-	-	74,039
Total non-operating revenues (expenses)	<u>200,876</u>	<u>22,458</u>	<u>9,008</u>	<u>232,342</u>
Income (loss) before capital contributions and transfers	<u>(323,622)</u>	<u>468,765</u>	<u>(5,359)</u>	<u>139,784</u>
Transfers:				
Transfers in	142,902	-	-	142,902
Transfers out	-	(992,133)	-	(992,133)
Net transfers	<u>142,902</u>	<u>(992,133)</u>	<u>-</u>	<u>(849,231)</u>
Capital contributions	-	106,573	-	106,573
Change in net position	(180,720)	(416,795)	(5,359)	(602,874)
Net Position:				
Beginning of year - July 1	<u>6,178,554</u>	<u>15,827,514</u>	<u>941,005</u>	<u>22,947,073</u>
End of year - June 30	<u>\$ 5,997,834</u>	<u>\$ 15,410,719</u>	<u>\$ 935,646</u>	<u>\$ 22,344,199</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, 2013

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,302,636	\$ 1,220,942	\$ 38,880	\$ 5,562,458
Cash paid for goods and services	(3,876,351)	(417,685)	(42,621)	(4,336,657)
Cash paid to employees for services	(762,136)	-	-	(762,136)
Net cash provided (used) by operating activities	<u>(335,851)</u>	<u>803,257</u>	<u>(3,741)</u>	<u>463,665</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	142,902	-	-	142,902
Transfers out	-	(992,133)	-	(992,133)
Proceeds from non-capital grants	172,495	-	-	172,495
Net cash provided (used) by non-capital financing activities	<u>315,397</u>	<u>(992,133)</u>	<u>-</u>	<u>(676,736)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(141,014)	(138,579)	-	(279,593)
Premium on long-term debt	-	(9,178)	-	(9,178)
Proceeds from sale of long term asset	74,039	-	-	74,039
Long-term debt payments	(133,333)	(224,020)	-	(357,353)
Interest paid	(64,000)	(42,987)	-	(106,987)
Net cash provided (used) for capital and related financing activities	<u>(264,308)</u>	<u>(414,764)</u>	<u>-</u>	<u>(679,072)</u>
Cash Flows from Investing Activities:				
Interest on investments	18,342	65,445	9,008	92,795
Net increase (decrease) in cash and cash equivalents	(266,420)	(538,195)	5,267	(799,348)
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>1,437,412</u>	<u>4,877,848</u>	<u>644,086</u>	<u>6,959,346</u>
End of year - June 30	<u>\$ 1,170,992</u>	<u>\$ 4,339,653</u>	<u>\$ 649,353</u>	<u>\$ 6,159,998</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, 2013**

	Enterprise Funds			Total
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (524,498)	\$ 446,307	\$ (14,367)	\$ (92,558)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	165,662	420,699	10,445	596,806
Landfill closure and post-closure care costs	(115,050)	-	-	(115,050)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	64,825	(64,729)	-	96
Increase (decrease) in accounts payable and accrued liabilities	51,960	(1,537)	181	50,604
Increase (decrease) in other post-employment benefits	18,565	-	-	18,565
Increase (decrease) in accrued vacation pay	2,685	2,517	-	5,202
Total adjustments	<u>188,647</u>	<u>356,950</u>	<u>10,626</u>	<u>556,223</u>
Net cash provided (used) by operating activities	<u>\$ (335,851)</u>	<u>\$ 803,257</u>	<u>\$ (3,741)</u>	<u>\$ 463,665</u>
Capital assets contributed by developers	<u>\$ -</u>	<u>\$ 106,573</u>	<u>\$ -</u>	<u>\$ 106,573</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2013

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 878,364
Total assets	<u>\$ 878,364</u>
Liabilities:	
Intergovernmental payable	\$ 878,364
Total liabilities and fund balances	<u>\$ 878,364</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, 2013

1. Summary of Significant Accounting Policies

The accounting policies of Henderson County (the "County") and its discretely presented component units 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 units, 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, 2013

Henderson County Tourism Development Authority

The Henderson County Tourism Development Authority (the “TDA”) is authorized by State statute to collect an occupancy tax of 5% on gross revenues from hotel/motel room occupancy within the corporate limits. Collections are remitted to the Henderson County Tourism Development Authority. The TDA, which has a June 30 year-end, is presented as if it were a governmental fund type. The County is financially accountable for the TDA, which is reported as a discrete component unit separate from the financial information of the primary government.

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

Henderson County Tourism Development Authority
201 South Main Street
Hendersonville, NC 28792

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 position 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 Position and the Statement of Activities display information about the primary government (the County) and its component units. 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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. The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The Sierra Nevada Economic Incentive Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB No. 54 they are consolidated in the General Fund.

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 eight nonmajor special revenue funds: Revaluation Reserve, Travel and Tourism, Community Development Block Grant - Scattered Site Housing, Mud Creek Watershed Restoration, Emergency Telephone System (E-911), Public Transit, Immigration Customs Enforcement, and Community Development Block Grant - Talley Drive Community Revitalization Project, and Fire Districts Fund.

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 position 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 position held by the County for the benefit of certain individuals in the County; the Flexible Spending Fund, which accounts for position held for County employees in accordance with the provisions of Internal Revenue Code Section 125; Fireman's Association Fund, which accounts for position 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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 a 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.

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 position. 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-

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources..

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.

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 position 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.

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 General Capital Projects Fund, the Community Development Block Grant - Talley Drive Community Revitalization Project, and the School Capital Projects Fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 function 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.

Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations are in violation of state law [G159-28(b)]. Violations as of June 30, 2013 are as follows:

<u>General Capital Projects Fund</u>	<u>Amount</u>
Payment to bond escrow agent	\$ 53,392,996
<u>Travel and Tourism</u>	
Contribution to TDA	461,316

Management will more closely monitor budget reports to ensure compliance in future years.

B. Deficit Fund Balance or Net Assets of Individual Funds:

For the fiscal year ended June 30, 2013, individual funds had deficit fund balances as follows:

<u>Fund</u>	<u>Amount</u>
Fire District Fund	\$ (54,519)

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

Deposits and Investments

All deposits of the County, the TDA, and Margaret R. Pardee Hospital are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County, the TDA, 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, the TDA, and the Hospital may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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).

The County, the TDA, 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, an 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 and the TDA pool their 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 cash reported in the governmental activities consist of the following:

- \$2,390,166 in the Debt Service Fund for the balance in the Sinking Fund required by a financing contract to construct schools.
- \$140,806 in the Tax Revaluation Fund is also classified as a restricted asset because its use is restricted per North Carolina General Statute 153A-150.
- \$366,566 in the General Capital Projects Fund is also classified as restricted because it represents unspent debt proceeds that are restricted for the purpose of the installment debt.

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, 2012. The County does not currently allow discounts that apply to taxes paid prior to the due date.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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 position acquired prior to July 1, 2003, consist of water and sewer system position 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 and the TDA 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	40 years
Improvements	25 years
Furniture and equipment	10 years
Vehicles	6 years
Computer equipment	3 years

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

For the Hospital, depreciation is computed by the straight-line method over the estimated useful lives of the position 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 Position. In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

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 an 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.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of net position can also report a separate section for deferred inflows of resources.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only three items that meet the criterion for this category – property taxes receivable, prepaid taxes, and other receivables.

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 Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

Restricted fund balance at June 30, 2013 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Fire Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Restricted</u>
Restricted, all other:				
Register of Deeds	\$ 199,106	\$ -	\$ -	\$ 199,106
Public safety	-	-	609,406	609,406
Debt service	-	-	2,390,166	2,390,166
Economic and physical development	-	-	663,286	663,286
Total	<u>\$ 199,106</u>	<u>\$ -</u>	<u>\$ 3,662,858</u>	<u>\$ 3,861,964</u>

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Committed fund balance at June 30, 2013 is as follows:

Purpose	Revaluation Reserve	School Capital Project Fund	General Capital Projects Fund	General Capital Reserve Fund	Total Governmental Funds
Committed:					
Revaluation	\$ 124,207	\$ -	\$ -	\$ -	\$ 124,207
Economic and physical development	-	-	7,159,410	1,386,666	8,546,076
Education	-	1,988,604	-	-	1,988,604
Total	<u>\$ 124,207</u>	<u>\$ 1,988,604</u>	<u>\$ 7,159,410</u>	<u>\$ 1,386,666</u>	<u>\$ 10,658,887</u>

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 fund balance at June 30, 2013 is as follows:

Purpose	General Fund	Total
Assigned:		
Subsequent year's expenditures	\$ 6,730,029	\$ 6,730,029
Public safety	175,128	175,128
Total	<u>\$ 6,905,157</u>	<u>\$ 6,905,157</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 non-county 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.

Henderson County has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the County in such a manner that available fund balance is at least equal to or greater than 12% of actual expenditures. Any portion of the General Fund balance in excess of 12% of actual expenditures may be appropriated for future use for a specific purpose.

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	\$ 39,374,425
Less:	
Inventories	(58,923)
Prepays	(152,058)
Stabilization by State statute	<u>(6,726,943)</u>
Total available fund balance	<u>\$ 32,436,501</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds

A legally budgeted Sierra Nevada Economic Incentive Fund is consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending Exhibit F	\$ 39,332,116
Economic Incentive Fund	
Revenues	580,330
Expenditures	(1,903,021)
Fund balance, beginning	<u>1,365,000</u>
Fund balance, ending Exhibit D	<u>\$ 39,374,425</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

2. Detail Notes On All Funds

A. Assets

Deposits

All of the County's, the TDA's, 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, the TDA, 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, the TDA, 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, the TDA, or the Hospital, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the TDA 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, the TDA, 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.

At June 30, 2013, the County's deposits had a carrying amount of \$33,688,839 and a bank balance of \$35,216,230. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$34,466,230 was covered by collateral held under the Pooling Method. At June 30, 2013, the County had \$6,081 cash on hand.

At June 30, 2013, the Henderson County Tourism Development Authority held deposits with a carrying amount of \$454,278 and a bank balance of approximately \$454,278. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Authority has petty cash on-hand of \$500.

At September 30, 2012, the Hospital's deposits had a carrying amount of \$2,969,000 and a bank balance of approximately \$3,773,000. Of the bank balance, approximately \$650,000 was covered by federal depository insurance, and \$3,123,000 was covered by collateral held under the Pooling Method.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Investments

At June 30, 2013, 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	\$ 25,326,285	\$ -	\$ -	\$ 25,326,285
North Carolina Capital Management Trust - Cash Portfolio	1,599,375	1,599,375	-	-
Commercial paper	2,392,670	2,392,670	-	-
Total	<u>\$ 29,318,330</u>	<u>\$ 3,992,045</u>	<u>\$ -</u>	<u>\$ 25,326,285</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, 2013, 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, 2013. 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, 2013. The County has no formal policy on credit risk.

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 37% and Federal National Mortgage Association are 36% and Federal Home Loan Bank is 27%. The County has no formal policy on the concentration of credit risk.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

At September 30, 2012, the Hospital's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u> <u>Year</u>	<u>2-3</u> <u>Years</u>	<u>4-7</u> <u>Years</u>	<u>No</u> <u>Maturity</u> <u>Date</u>
U.S. government securities	\$ 56,872	\$ 56,872	\$ -	\$ -	\$ -
U.S. government agencies	12,137,019	-	10,624,203	1,512,816	-
North Carolina Capital Management Trust	4,417	-	-	-	4,417
Equity securities and funds	5,988,885	-	-	-	5,988,885
Cash and cash equivalents	28,272,441	-	-	-	28,272,441
Total	<u>\$ 46,459,634</u>	<u>\$ 56,872</u>	<u>\$ 10,624,203</u>	<u>\$ 1,512,816</u>	<u>\$ 34,265,743</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 AAA by Standard & Poor's as of September 30, 2012. The Hospital's investment in NC Capital Management Trust Term Portfolio is unrated. 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.

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.

<u>Year Ended</u> <u>June 30</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,722,736	\$ 447,911	\$ 2,170,647
2010	1,729,782	294,063	2,023,845
2011	1,660,375	132,830	1,793,205
2012	1,643,186	180,750	1,823,936
2013	1,657,186	-	1,657,186
Total	<u>\$ 6,756,079</u>	<u>\$ 1,055,554</u>	<u>\$ 7,811,633</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Receivables

Receivables at the government-wide level at June 30, 2013 were as follows:

	<u>Accounts</u>	<u>Taxes and Accrued Interest</u>	<u>Total</u>
Governmental Activities:			
General	\$ 8,138,176	\$ 4,102,403	\$ 12,240,579
Other governmental	284,997	-	284,997
Total receivables	8,423,173	4,102,403	12,525,576
Allowance for doubtful accounts	(1,178,865)	(1,858,500)	(3,037,365)
Total governmental activities	<u>\$ 7,244,308</u>	<u>\$ 2,243,903</u>	<u>\$ 9,488,211</u>
Business-Type Activities:			
Landfill	\$ 492,156	\$ -	\$ 492,156
Cane Creek	502,287	-	502,287
Justice Academy	3,240	-	3,240
Total receivables	997,683	-	997,683
Allowance for doubtful accounts	(148,213)	-	(148,213)
Total business-type activities	<u>\$ 849,470</u>	<u>\$ -</u>	<u>\$ 849,470</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 01, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 11,447,267	\$ 2,762,528	\$ -	\$ 14,209,795
Construction in progress	1,986,109	93,012	(1,603,519)	475,602
Total non-depreciable capital assets	<u>13,433,376</u>	<u>2,855,540</u>	<u>(1,603,519)</u>	<u>14,685,397</u>
Depreciable Capital Assets:				
Buildings	85,546,862	2,301,460	-	87,848,322
Equipment	4,771,378	663,950	(315,408)	5,119,920
Vehicles and motor equipment	6,148,298	734,677	(379,123)	6,503,852
Total depreciable capital assets	<u>96,466,538</u>	<u>3,700,087</u>	<u>(694,531)</u>	<u>99,472,094</u>
Less Accumulated Depreciation:				
Buildings	24,697,204	2,640,498	-	27,337,702
Equipment	2,903,283	462,882	(254,624)	3,111,541
Vehicles and motor equipment	3,954,055	707,797	(294,595)	4,367,257
Total accumulated depreciation	<u>31,554,542</u>	<u>3,811,177</u>	<u>(549,219)</u>	<u>34,816,500</u>
Total depreciable capital assets	<u>64,911,996</u>	<u>(111,090)</u>	<u>(145,312)</u>	<u>64,655,594</u>
Governmental activities capital assets, net	<u>\$ 78,345,372</u>	<u>\$ 2,744,450</u>	<u>\$ (1,748,831)</u>	<u>\$ 79,340,991</u>

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

General government	\$ 1,717,087
Public safety	1,513,254
Economic and physical development	32,959
Human services	377,393
Cultural and recreational	170,484
Total	<u>\$ 3,811,177</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 01, 2012	Increases	Decreases	Balance June 30, 2013
Business-Type Activities:				
Landfill:				
Non-Depreciable Capital Assets:				
Land	\$ 1,656,979	\$ 4,214,196	\$ -	\$ 5,871,175
Construction in progress	4,490,706	12,439	(4,503,145)	-
Total non-depreciable capital assets	6,147,685	4,226,635	(4,503,145)	5,871,175
Depreciable Capital Assets:				
Plant and distribution systems	2,881,229	221,775	(151,423)	2,951,581
Furniture and maintenance equipment	769,980	106,849	(7,468)	869,361
Vehicles	730,173	88,900	(234,340)	584,733
Total depreciable capital assets	4,381,381	417,524	(393,231)	4,405,675
Less Accumulated Depreciation:				
Plant and distribution systems	676,575	78,089	(70,367)	684,297
Furniture and maintenance equipment	242,390	55,678	(5,837)	292,231
Vehicles	772,154	31,895	(234,340)	569,709
Total accumulated depreciation	1,691,119	165,662	(310,544)	1,546,237
Total depreciable capital assets, net	2,690,262	251,862	(82,687)	2,859,438
Landfill capital assets, net	\$ 8,837,947	\$ 4,478,497	\$ (4,585,832)	\$ 8,730,613
Cane Creek Water and Sewer District:				
Non-Depreciable Capital Assets:				
Land	\$ 308,995	\$ -	\$ -	\$ 308,995
Construction in progress	331,017	129,218	-	460,235
Total non-depreciable capital assets	640,012	129,218	-	769,230
Depreciable Capital Assets:				
Plant and distribution systems	15,721,044	106,573	-	15,827,617
Furniture and maintenance equipment	323,036	9,361	-	332,397
Vehicles	168,526	-	(30,545)	137,981
Total depreciable capital assets	16,212,606	115,934	(30,545)	16,297,995
Less Accumulated Depreciation:				
Plant and distribution systems	3,997,728	387,274	-	4,385,002
Furniture and maintenance equipment	297,828	17,478	-	315,306
Vehicles	90,119	15,947	(30,545)	75,521
Total accumulated depreciation	4,385,675	420,699	(30,545)	4,775,829
Total depreciable capital assets, net	11,826,931	(304,765)	-	11,522,166
Cane Creek Water and Sewer District capital assets, net	12,466,943	\$ (175,547)	\$ -	12,291,396

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Balance July 01, 2012	Increases	Decreases	Balance June 30, 2013
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	146,234	10,445	-	156,679
Furniture and maintenance equipment	17,235	-	-	17,235
Total accumulated depreciation	163,468	10,445	-	173,914
 Total depreciable capital assets, net	 294,953	 (10,445)	 -	 284,507
 Justice Academy Water and Sewer District capital assets, net	 753,374	 \$ (10,445)	 \$ -	 284,507
 Business-type activities capital assets, net	 \$21,599,843			 \$ 21,306,516

Capital asset activity for the Henderson County Hospital Corporation for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Increases	Decreases	Transfers	Balance September 30, 2012
Non-Depreciable Capital Assets:					
Land	\$ 4,900,727	\$ 424,405	\$ -	\$ -	\$ 5,325,132
Construction in progress	1,321,494	3,164,821	-	(3,214,687)	1,271,628
Total non-depreciable capital assets	6,222,221	3,589,226	-	(3,214,687)	6,596,760
Depreciable Capital Assets:					
Land improvements	1,091,638	84,963	-	-	1,176,601
Buildings and fixed equipment	93,983,570	541,617	-	1,214,717	95,739,904
Movable equipment	101,861,348	3,104,610	(598,729)	1,999,970	106,367,199
Total depreciable capital assets	196,936,556	3,731,190	(598,729)	3,214,687	203,283,704
Less Accumulated Depreciation:					
Land improvements	990,466	24,844	-	-	1,015,310
Buildings and fixed equipment	50,434,357	3,540,624	-	-	53,974,981
Moveable equipment	84,097,046	4,945,246	(583,790)	-	88,458,502
Total accumulated depreciation	135,521,869	8,510,714	(583,790)	-	143,448,793
Total depreciable capital assets, net	\$ 67,636,908	\$(1,190,298)	\$ (14,939)	\$ -	\$ 66,431,671

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2013 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Insurance Claims Incurred But Not Reported</u>	<u>Total</u>
Governmental Activities:					
General	\$ 926,413	\$ 5,850,626	\$ 620,000	\$ 408,911	\$7,805,950
Other governmental	<u>1,774,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,774,834</u>
Total governmental activities	<u>\$ 2,701,247</u>	<u>\$ 5,850,626</u>	<u>\$ 620,000</u>	<u>\$ 408,911</u>	<u>\$9,580,784</u>
Business-Type Activities:					
Landfill	\$ 317,724	\$ 27,916	\$ -	\$ -	\$ 345,640
Water and Sewer Fund	388,818	-	4,412	-	393,230
Justice Academy Sewer	<u>1,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,454</u>
Total business-type activities	<u>\$ 707,996</u>	<u>\$ 27,916</u>	<u>\$ 4,412</u>	<u>\$ -</u>	<u>\$ 740,324</u>

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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$2,057,801, \$2,120,471 and \$1,973,451 respectively. The contributions made by the County equaled the required contributions for each year.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2012, the Separation Allowance's membership consisted of 136 active plan members and 10 retired members receiving benefits.

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 position 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, 2011 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 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of position 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, 2011 was 19 years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 336,644
Interest on net pension obligation	100,592
Adjustment to annual required contribution	<u>(125,199)</u>
Annual pension cost	312,037
Employer contributions made	<u>171,055</u>
Increase (decrease) in net pension obligation	140,982
Net pension obligation:	
Beginning of year - July 1	<u>2,011,834</u>
End of year - June 30	<u><u>\$ 2,152,816</u></u>

Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30	Cost (APC)	Contributed	Obligation
2011	\$ 305,105	43.79%	\$ 1,858,101
2012	292,028	47.36%	2,011,834
2013	312,037	54.82%	2,152,816

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,844,834 and the actuarial value of position was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,844,834.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,194,943 and the ratio of the UAAL to the covered payroll was 45.92 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 position 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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 were \$502,179, which consisted of \$386,068 from the County and \$116,111 from the law enforcement officers.

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 (LERS) 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 position may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$11,755.

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 position 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.

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, 63 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2013, the County made payments for post-retirement health benefit premiums of \$496,541. 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, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	64	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	582	127
Total	646	127

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, 2013

The current ARC rate is 4.82% of annual covered payroll. For the current year, the County contributed \$496,541, or 1.68% 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 \$64,222. 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:

	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Annual required contribution	\$ 1,391,548	\$ 28,399	\$ 1,419,947
Interest on net OPEB obligation	118,479	2,167	120,646
Adjustments to annual required contribution	<u>(113,184)</u>	<u>(2,070)</u>	<u>(115,254)</u>
Annual OPEB cost (expense)	1,396,843	28,496	1,425,339
Contributions made	<u>(486,610)</u>	<u>(9,931)</u>	<u>(496,541)</u>
Increase (decrease) in net OPEB obligation	910,233	18,565	928,798
Net OPEB obligation:			
Beginning of year - July 1	<u>2,962,138</u>	<u>54,004</u>	<u>3,016,142</u>
End of year - June 30	<u>\$ 3,872,371</u>	<u>\$ 72,569</u>	<u>\$ 3,944,940</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 1,235,009	39.5%	\$ 2,354,260
2012	1,236,345	46.5%	3,016,142
2013	1,425,339	34.8%	3,944,940

Fund Status and Funding Progress. As of December 31, 2012, 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 \$13,859,722. The covered payroll (annual payroll of active employees covered by the plan) was \$29,479,654, and the ratio of the UAAL to the covered payroll was 47.4%. 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 position 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 position, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% 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 a pre-Medicare trend rate of 8.50% to 5.00% and post-Medicare trend rate of 6.25% to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of position, 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, 2012 was 30 years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

As of June 30, 2013, 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, 2013, 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 .09% 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.

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 \$1,923,730 reported as landfill post-closure care liability at June 30, 2013 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 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Outflows and Inflows of Resources

The balance in deferred inflows of resources in the governmental fund statements at year-end is composed of the following elements:

	<u>Unavailable</u> <u>Revenues</u>	<u>Unearned</u> <u>Revenues</u>
Prepaid revenue not yet earned (General Fund)	\$ -	\$ 284,205
Taxes receivable, net (General Fund)	2,243,903	-
Other receivable (General Fund)	246,389	-
Prepaid fire district tax, net (Special Revenue Fund)	<u>-</u>	<u>29,457</u>
Total	<u>\$2,490,292</u>	<u>\$ 313,662</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of position; 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.

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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>2012</u>	<u>2013</u>
Unpaid claims:		
Beginning of year - July 1	\$ 269,160	\$ 531,185
Incurred claims	7,474,453	6,855,963
Claim payments	<u>(7,212,428)</u>	<u>(6,978,237)</u>
End of year - June 30	<u>\$ 531,185</u>	<u>\$ 408,911</u>

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

Claims and Judgments

At June 30, 2013, 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 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.	\$ 2,860,000
\$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.	6,555,000
\$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.	6,500,000
\$413,539 2013 financing with BB&T governmental finance for the purchase of vehicles. Annual payments of \$106,635, including interest at annual rate of 1.25%	<u>413,539</u>
Total installment contracts	<u>\$16,328,539</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 4,573,066	\$ 793,727
2015	5,418,634	568,919
2016	1,231,520	375,889
2017	605,319	217,316
2018	500,000	192,000
2019-2023	2,000,000	528,000
2024-2028	<u>2,000,000</u>	<u>144,000</u>
Total	<u>\$ 16,328,539</u>	<u>\$ 2,819,851</u>

Advance Refunding

On April 10, 2013, the County issued \$41,151,000 of limited obligation advance refunding bonds to provide resources to refund the 2005 and 2006 COPS installment debt. As a result, the refunded debt amounts are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. The carrying account of the old debt exceeded the reacquisition price by \$5,041,000. This amount is being netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 30 years by \$3,216,478 and resulted in an economic gain of \$1,340,638.

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 position associated with the installment purchase obligation is 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, 2013

Other installment purchase contracts payable at June 30, 2013 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.	\$ 84,161
\$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.	22,857,143
\$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.	2,730,000
\$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.	118,869
\$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.	2,989,280
\$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.	1,265,250
\$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.	6,020,000
\$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.	124,399
\$249,378 vehicles financing contract due in annual payments of \$64,842, including interest at an annual rate of 1.59%. Payments will continue through June 21, 2016.	188,501
Total installment purchases indebtedness	<u>\$ 39,377,603</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Long-Term Debt

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 4,147,037	\$ 1,262,817
2015	4,024,666	1,131,589
2016	3,850,875	1,001,228
2017	3,407,186	999,887
2018	3,520,730	770,676
2019-2023	13,726,644	694,137
2024-2028	<u>6,700,465</u>	<u>320,895</u>
Total	<u>\$ 39,377,603</u>	<u>\$ 6,181,229</u>

Business-Type Activities:

\$2,000,000 Solid Waste system improvements with annual principle payments of \$133,333, including interest that is payable at 3.2%. Payments will continue through December 9, 2026.

\$ 1,866,667

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 133,333	\$ 59,733
2015	133,333	55,467
2016	133,333	51,200
2017	133,333	46,933
2018	133,333	51,224
2019-2023	666,667	170,667
2024-2028	<u>533,335</u>	<u>63,998</u>
Total	<u>\$ 1,866,667</u>	<u>\$ 499,222</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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

The County's limited obligation bonds payable at June 30, 2013 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. \$ 11,654,340

\$16,455,000 Series 2012 Limited Obligation Bonds,
due in annual principal payments ranging from \$405,000 to
\$1,730,000. Payment is due annually on June 30. Interest is
payable annually at 1.98%. Refunding of 2005 COPS. 16,050,000

\$24,696,000 Series 2013 Limited Obligation Bonds,
due in annual principal payments ranging from \$309,000 to
\$2,428,000. Payment is due semi-annually on December 1 and June 1
at a fixed rate of 2.01%. 24,696,000

Total governmental limited obligation bonds payable \$ 52,400,340

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. \$ 1,260,660

Total limited obligation bonds payable \$ 53,661,000

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

Governmental Activities:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,660,000	\$ 989,521
2015	2,742,000	1,178,174
2016	4,185,000	1,082,153
2017	6,360,000	957,041
2018	5,307,000	678,365
2019-2023	18,135,340	1,964,613
2024-2028	<u>13,011,000</u>	<u>513,414</u>
Total	<u>\$ 52,400,340</u>	<u>\$ 7,363,281</u>

Business-Type Activities:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 229,000	\$ 50,000
2015	229,000	41,565
2016	229,000	32,405
2017	229,000	57,175
2018	229,100	31,225
2019-2022	<u>115,560</u>	<u>13,046</u>
Total	<u>\$ 1,260,660</u>	<u>\$ 225,416</u>

At June 30, 2013, the County had no bonds authorized, but unissued, and a legal debt margin of \$867,688,020.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	Balance			Current	
	July 01, 2012	Increases	Decreases	Balance June 30, 2013	Portion of Balance
Governmental Activities:					
Limited obligation bonds	\$ 13,725,320	\$ 41,151,000	\$ (2,475,980)	\$ 52,400,340	\$ 2,660,000
Add unamortized bond premium	593,901	-	(84,843)	509,058	84,843
Total limited obligation bonds	<u>14,319,221</u>	<u>41,151,000</u>	<u>(2,560,823)</u>	<u>52,909,398</u>	<u>2,744,843</u>
Other long-term obligations					
Installment purchases	43,416,940	-	(4,039,337)	39,377,603	4,147,037
Installment contracts	56,140,000	413,539	(40,225,000)	16,328,539	4,573,066
Compensated absences	2,175,317	821,541	(748,720)	2,248,138	224,814
Other post-employment benefits	2,962,138	1,396,843	(486,610)	3,872,371	-
Pension benefit obligations	<u>2,011,834</u>	<u>312,037</u>	<u>(171,055)</u>	<u>2,152,816</u>	<u>-</u>
Total governmental activities	<u>\$ 121,025,450</u>	<u>\$ 44,094,960</u>	<u>\$ (48,231,545)</u>	<u>\$ 116,888,865</u>	<u>\$ 11,689,760</u>
Business-Type Activities:					
Installment purchase	\$ 2,000,000	\$ -	\$ (133,333)	\$ 1,866,667	\$ 133,333
Limited obligation bonds	1,484,680	-	(224,020)	1,260,660	229,000
Add unamortized bond premium	64,241	-	(9,178)	55,063	9,178
Total limited obligation bonds	<u>1,548,921</u>	<u>-</u>	<u>(233,198)</u>	<u>1,315,723</u>	<u>238,178</u>
Accrued landfill closure and post-closure care cost	2,038,780	-	(115,050)	1,923,730	105,031
Other post-employment benefits	54,004	28,496	(9,931)	72,569	-
Compensated absences	<u>47,571</u>	<u>16,238</u>	<u>(11,037)</u>	<u>52,772</u>	<u>5,277</u>
Total business-type activities	<u>\$ 5,689,276</u>	<u>\$ 44,734</u>	<u>\$ (502,549)</u>	<u>\$ 5,231,461</u>	<u>\$ 481,819</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, 2013

Discretely Presented				Current	
Component Unit:	Balance			Balance	Portion of
	<u>October 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2012</u>	<u>Balance</u>
Revenue bonds	\$ 12,621,012	\$ -	\$ 1,299,105	\$ 11,321,907	\$ 1,351,198
Capitalized leases	2,100,313	-	1,002,482	1,097,831	761,251
Total	<u>14,721,325</u>	<u>-</u>	<u>2,301,587</u>	<u>12,419,738</u>	<u>2,112,449</u>
Less unamortized deferred					
loss on refunding	<u>123,314</u>	<u>-</u>	<u>12,350</u>	<u>110,964</u>	<u>-</u>
Total discretely presented					
component unit	<u>\$ 14,598,011</u>	<u>\$ -</u>	<u>\$ 2,289,237</u>	<u>\$ 12,308,774</u>	<u>\$ 2,112,449</u>

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, 2012, the cost of assets held under capital leases was approximately \$11,089,000, less accumulated depreciation and amortization of approximately \$10,083,000. At September 30, 2012, the future minimum payments under the Hospital's capital leases consist of the following:

Year Ending	Principal
September 30	
2013	\$ 761,251
2014	383,811
Total minimum lease payments	1,145,062
Less: amount representing interest	<u>(47,231)</u>
Total capital lease	1,097,831
Less: current portion	<u>(761,251)</u>
Present value of the minimum	
lease payments	<u>\$ 336,580</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

Annual debt service requirements to maturity for Hospital debt obligations are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,351,198	\$ 421,893
2014	1,403,796	372,701
2015	1,461,913	321,455
2016	875,000	272,701
2017	915,000	236,095
2018-2022	<u>5,315,000</u>	<u>564,931</u>
Total	<u>\$ 11,321,907</u>	<u>\$ 2,189,776</u>

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.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2013 are computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 79,340,991	\$ 21,306,516
Restricted cash from debt issuance	366,566	-
Deferred outflows of resources	4,872,967	-
Long-term debt	(108,615,540)	(3,182,389)
Long-term debt for assets not owned by the County	<u>97,947,013</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 73,911,997</u>	<u>\$ 18,124,127</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2013 consist of the following:

	Transfers		Purpose
	From	To	
Community Development Block Grant - Talley Drive General Fund	\$ 10,322	\$ 10,322	Reimbursement for administrative costs
Capital Reserve Fund General Capital Projects Fund	26,848	26,848	Fund capital expansion
General Fund Capital Projects Fund	5,179,868	5,179,868	Fund capital expansion
General Fund General Capital Reserve	200,000	200,000	Fund capital expansion
Cane Creek Water and Sewer District Schools Capital Project Fund	600,000	600,000	Reimbursement of expenses
Cane Creek Water and Sewer District General Fund	323,647	323,647	Reimbursement of expenses
Cane Creek Water and Sewer District Solid Waste	68,486	68,486	Reimbursement of personnel expenses
Emergency Telephone General Fund	49,957	49,957	Emergency communications operations
General Fund Debt Service Fund	164,363	164,363	School debt service
Travel and Tourism Fund General Fund	9,388	9,388	Administrative costs
General Capital Reserve Fund General Fund	26,899	26,899	Fund capital expansion
General Fund Public Transit	144,657	144,657	Administrative reimbursement
General Fund Land fill	74,416	74,416	Promote public transit
Immigration customs enforcement General Fund	<u>112,703</u>	<u>112,703</u>	Administrative costs
Total	<u>\$ 6,991,554</u>	<u>\$ 6,991,554</u>	

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	Mud Creek Watershed Restoration Fund	<u>\$ 14,021</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 ongoing financial responsibility for the Community College, because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$2,179,930 to the Community College for operational expenses and \$646,047 for capital expenditures during the fiscal year ended June 30, 2013. In addition, the County made debt service payments of \$1,616,428, including interest, during the year ended June 30, 2013, 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, 2013. 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 (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, 2013. 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, 2013. Complete financial statements for the Authority may be obtained from the Authority's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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	\$ 2,496,740	\$ 1,108
Medicaid	73,166,753	40,180,998
WIC	2,211,593	-
Adoption Assistance	625,020	157,754
Low Income Energy Assistance	774,286	-
State/County Special Assistance for Adults	-	1,001,891
Total	<u>\$ 79,274,392</u>	<u>\$ 41,341,751</u>

7. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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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

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HENDERSON COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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)					
12/31/2012	\$ -	\$ 2,844,834		0.00%	\$ 2,844,834	\$ 6,194,943	45.92%
12/31/2011	-	3,054,790		0.00%	3,054,790	6,448,953	47.37%
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%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage Contributed
2013	\$ 336,644	50.81%
2012	309,968	44.62%
2011	311,069	42.95%
2010	265,518	40.94%
2009	227,709	47.74%
2008	198,970	33.97%
2007	174,778	30.02%

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, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost of living adjustments	None

HENDERSON COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2013**

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)					
12/31/2012	\$ -	\$ 13,859,722		0.00%	\$ 13,859,722	\$ 29,479,654	47.4%
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

Year Ended June 30	Annual Required Contribution (ARC)		Percentage Contributed
2013	\$	1,419,947	35.0%
2012		1,232,137	46.6%
2011		1,232,137	39.6%
2010		1,187,602	35.6%

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, 2012
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%
Pre-medicare trend rates	8.50% - 5.00%
Post-medicare trend rates	6.25% - 5.00%
Year of ultimate trend rate	2018

* Includes inflation at 3.00%

SUPPLEMENTARY INFORMATION

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

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The General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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HENDERSON COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Sierra Nevada Economic Incentive Fund	Eliminations	Total General Fund
Revenues:				
Ad valorem taxes	\$ 62,067,652	\$ -	\$ -	\$ 62,067,652
Local option sales taxes	18,596,584	-	-	18,596,584
Other taxes and licenses	809,445	-	-	809,445
Unrestricted intergovernmental revenues	29,733	-	-	29,733
Restricted intergovernmental revenues	18,327,150	580,330	-	18,907,480
Permits and fees	1,638,646	-	-	1,638,646
Sales and services	5,639,464	-	-	5,639,464
Investment earnings	525,532	-	-	525,532
Miscellaneous	578,276	-	-	578,276
Total revenues	<u>108,212,482</u>	<u>580,330</u>	<u>-</u>	<u>108,792,812</u>
Expenditures:				
Current:				
General government	11,308,702	1,903,021	-	13,211,723
Public safety	22,009,349	-	-	22,009,349
Environmental protection	606,769	-	-	606,769
Economic and physical development	1,592,866	-	-	1,592,866
Human services	26,102,907	-	-	26,102,907
Cultural and recreation	4,087,986	-	-	4,087,986
Education	24,025,977	-	-	24,025,977
Debt service:				
Principal	10,531,167	-	-	10,531,167
Interest	3,257,441	-	-	3,257,441
Total expenditures	<u>103,523,164</u>	<u>1,903,021</u>	<u>-</u>	<u>105,426,185</u>
Revenues over (under) expenditures	<u>4,689,318</u>	<u>(1,322,691)</u>	<u>-</u>	<u>3,366,627</u>
Other Financing Sources (Uses):				
Transfers from other funds	532,916	-	-	532,916
Transfer to other funds	(5,763,304)	-	-	(5,763,304)
Installment financing issued	413,539	-	-	413,539
Total other financing sources (uses)	<u>(4,816,849)</u>	<u>-</u>	<u>-</u>	<u>(4,816,849)</u>
Net change in fund balances	(127,531)	(1,322,691)	-	(1,450,222)
Fund Balances:				
Beginning of year - July 1	<u>39,459,647</u>	<u>1,365,000</u>	<u>-</u>	<u>40,824,647</u>
End of year - June 30	<u>\$ 39,332,116</u>	<u>\$ 42,309</u>	<u>\$ -</u>	<u>\$ 39,374,425</u>

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		2012	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes - current		\$ 61,617,386		\$ 60,895,006
Penalties, interest, and advertising		450,266		464,788
Total	\$ 60,907,749	62,067,652	\$ 1,159,903	61,359,794
Local Option Sales Taxes:				
Article 39 one percent		8,075,974		7,430,345
Article 40 one-half of one percent		5,475,592		5,316,618
Article 42 one-half of one percent		4,526,820		4,178,694
Article 44 one-half of one percent		38,986		3,611
Medicaid hold harmless		479,212		574,827
Total	16,066,421	18,596,584	2,530,163	17,504,095
Other Taxes and Licenses:				
Deed stamp excise tax		486,957		414,269
Gross receipts rental tax		48,576		43,681
Privilege licenses		273,912		-
Total	535,000	809,445	274,445	457,950
Unrestricted Intergovernmental Revenues:				
Payment in lieu of taxes	44,000	29,733	(14,267)	46,158
Total	44,000	29,733	(14,267)	46,158
Restricted Intergovernmental Revenues:				
Federal and State grants		18,097,371		18,320,480
Controlled substance tax		27,630		32,004
Court facility fee		130,184		134,794
ABC net revenues		47,178		49,518
ABC bottles taxes		24,787		24,218
Total	18,363,052	18,327,150	(35,902)	18,561,014
Permits and Fees:				
Inspection fees		917,172		838,435
Register of Deeds		509,695		495,289
Enforcement fees		211,779		236,369
Total	1,136,750	1,638,646	501,896	1,570,093
Sales and Services:				
Rents, concessions, and fees		2,450,259		2,381,301
Jail fees		145,472		130,098
Ambulance fees		2,886,461		2,423,736
Recreation fees		157,272		167,661
Total	4,774,273	5,639,464	865,191	5,102,796
Investment Earnings				
	350,000	525,532	175,532	621,446
Miscellaneous:				
Sale of materials		90,727		88,323
Other		487,549		754,728
Total	580,821	578,276	(2,545)	843,051
Total revenues	102,758,066	108,212,482	5,454,416	106,066,397

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits		192,162		182,878
Operating expenditures		112,296		136,982
Donations and dues		480,608		358,364
Total	837,092	785,066	52,026	678,224
Administration:				
Salaries and employee benefits		1,039,461		952,740
Operating expenditures		177,234		160,671
Total	1,259,278	1,216,695	42,583	1,113,411
Elections:				
Salaries and employee benefits		369,563		352,906
Operating expenditures		337,324		202,124
Total	797,089	706,887	90,202	555,030
Finance:				
Salaries and employee benefits		635,782		559,205
Operating expenditures		51,048		55,083
Total	704,573	686,830	17,743	614,288
Taxes:				
Salaries and employee benefits		1,370,293		1,362,708
Operating expenditures		552,772		524,940
Capital outlay		19,214		-
Total	2,152,613	1,942,279	210,334	1,887,648
Legal:				
Salaries and employee benefits		562,664		537,115
Contracted services		38,549		33,576
Total	653,905	601,213	52,692	570,691
Register of Deeds:				
Salaries and employee benefits		358,496		382,248
Operating expenditures		60,187		169,439
Total	472,076	418,683	53,393	570,102
Public Buildings:				
Salaries and employee benefits		1,019,716		966,502
Operating expenditures		1,292,686		1,348,568
Total	2,371,581	2,312,402	59,179	2,342,137
Garage and Grounds:				
Salaries and employee benefits		248,046		189,287
Operating expenditures		78,141		43,905
Total	328,616	326,187	2,429	233,192

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		2012	
	Budget	Actual	Variance Over/Under	Actual
Court Facilities:				
Operating expenditures		164,159		168,522
Total	190,000	164,159	25,841	168,522
Data Processing:				
Salaries and employee benefits		675,234		654,209
Operating expenditures		1,044,606		1,222,291
Capital outlay		72,416		122,848
Total	1,801,395	1,792,256	9,139	1,999,348
Wellness Clinic:				
Salaries and employee benefits		248,464		241,182
Operating expenditures		107,581		107,804
Total	380,685	356,045	24,640	348,986
Total general government	11,568,218	11,308,702	640,201	10,732,593
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits		9,515,121		9,253,953
Operating expenditures		1,815,512		2,404,299
Capital outlay		408,491		334,247
Total	12,337,592	11,739,124	598,468	11,992,499
Jail:				
Salaries and employee benefits		2,935,287		3,059,597
Operating expenditures		896,237		857,974
Capital outlay		23,362		-
Total	4,311,039	3,854,886	456,153	3,917,571
Emergency Management:				
Salaries and employee benefits		178,936		170,271
Operating expenditures		42,683		62,873
Capital outlay		58,336		-
Total	349,405	279,955	69,450	233,144
Fire Services:				
Salaries and employee benefits		267,299		268,456
Operating expenditures		76,000		89,903
Total	412,112	343,299	68,813	358,359
Inspections:				
Salaries and employee benefits		557,651		583,594
Operating expenditures		75,082		77,744
Capital outlay		31,461		29,093
Total	802,945	664,194	138,751	690,431

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
Code Enforcement Services:				
Salaries and employee benefits		200,713		195,865
Operating expenditures		32,050		23,148
Total	258,887	232,763	26,124	219,013
Emergency Medical Services:				
Salaries and employee benefits		3,356,293		3,272,871
Operating expenditures		479,474		509,720
Capital outlay		420,379		249,378
Total	4,354,768	4,256,146	98,622	4,031,969
Animal Control:				
Salaries and employee benefits		339,932		325,468
Operating expenditures		187,326		120,744
Total	573,754	527,258	46,496	446,212
Day Reporting Center:				
Salaries and employee benefits		-		49,582
Operating expenditures		-		45,632
Total	-	-	-	95,214
Rescue Squad:				
Operating expenditures	112,985	111,724	1,261	103,075
Property Addressing:				
Salaries and employee benefits		-		50,224
Operating expenditures		-		6,014
Capital outlay		-		11,061
Total	-	-	-	67,299
Total public safety	23,894,172	22,009,349	1,528,778	22,503,772
Environmental Protection:				
Soil and Water Conservation:				
Salaries and employee benefits		246,270		229,640
Operating expenditures		89,916		44,500
Total	360,061	336,186	23,875	274,140
Forestry Service	65,899	48,490	17,409	47,336
Utilities:				
Salaries and employee benefits		221,980		196,462
Operating expenditures		113		130
Total	278,282	222,093	56,189	196,592
Total environmental protection	704,242	606,769	97,473	518,068
Economic and Physical Development:				
Planning:				
Salaries and employee benefits		426,631		351,452
Operating expenditures		36,190		35,312
Total	538,674	462,821	75,853	386,764

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
Agricultural Extension:				
Salaries and employee benefits		221,534		233,585
Operating expenditures		60,060		62,683
Total	321,326	281,594	39,732	296,268
Land Records Management:				
Operating expenditures		-		220
Total	-	-	-	220
Other Transfers:				
Salaries and benefits	115,970	115,609	361	118,603
Economic development contracts	756,203	732,842	23,361	644,151
Total	872,173	848,451	23,722	762,754
Total economic and physical development	1,732,173	1,592,866	139,307	1,446,006
Human Services:				
Health:				
General and Administration:				
Salaries and employee benefits		4,520,366		4,342,802
Operating expenditures		1,011,597		1,072,404
Capital outlay		22,970		-
Total	6,173,603	5,554,933	618,670	5,415,206
Total public health	6,173,603	5,554,933	618,670	5,415,206
Environmental Health:				
Salaries and employee benefits		799,459		809,828
Operating expenditures		69,150		48,596
Total	937,464	868,609	68,855	858,424
Home and Community Block Grant:				
Salaries and employee benefits	1,310	1,470		1,300
Operating expenditures	768,216	759,762	8,454	731,594
Total	769,526	761,232	8,454	732,894
Medical Services:				
Operating expenditures		45,700		46,400
Total	46,250	45,700	550	46,400
Mental Health:				
Operating expenditures		528,612		528,612
Total	528,612	528,612	-	575,012
Administration:				
Salaries and employee benefits		9,710,258		9,693,655
Operating expenditures		1,355,424		1,456,339
Capital outlay		12,098		34,275
Total	11,840,994	11,077,780	763,214	11,184,269

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
Smart Start:				
Salaries and employee benefits		43,117		42,173
Operating expenditures		493,924		492,915
Total	539,841	537,041	2,800	535,088
TANF Program :				
County participation only	2,950	1,950	1,000	111,465
Income Maintenance Program:				
Supplemental aid to the aged		457,717		489,200
Supplemental aid to the disabled		610,689		585,768
Crisis intervention payments		453,411		553,100
Total	1,649,297	1,521,817	127,480	1,628,068
Daycare Operations:				
Daycare for children	2,706,449	2,738,729	(32,280)	3,105,836
LIEAP Operations:				
LIEAP Operations	217,262	216,800	462	130,200
Foster Care:				
State boarding home		88,081		139,771
Foster care - children		606,675		551,225
Adoption assistance		247,368		253,640
Total	1,240,072	942,124	297,948	944,636
Other Assistance:				
Social work contracts	58,868	58,861	7	59,750
Medicaid transportation	950,000	707,415	242,585	897,611
Aid to the blind	5,300	4,552	748	4,301
Adult day care	16,000	16,000	-	14,000
General assistance	57,000	35,194	21,806	40,323
JOBS program	23,050	22,346	704	26,979
EDTAP program	267,294	210,906	56,388	218,824
Emergency assistance	5,000	3,315	1,685	17,604
Other assistance	52,861	32,693	20,168	45,555
Total	1,435,373	1,091,282	344,091	1,324,947
Total social services	20,160,850	18,656,135	1,504,715	19,539,521
Veteran Services:				
Salaries and employee benefits		23,487		22,598
Operating expenditures		5,300		1,730
Total	44,888	28,787	16,101	24,328
Juvenile Justice Grant:				
Operating expenditures	190,958	187,511	3,447	190,684
Total human services	28,323,539	26,102,907	2,220,242	26,761,057
Cultural and Recreational:				
Library:				
Salaries and employee benefits		2,009,501		1,942,218
Operating expenditures		740,269		682,602
Capital outlay		9,868		8,055
Total	2,918,190	2,759,638	158,552	2,632,875

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		2012	
	Budget	Actual	Variance Over/Under	Actual
Parks and Recreation:				
Salaries and employee benefits		756,142		715,229
Operating expenditures		519,828		476,200
Capital outlay		52,378		5,000
Total	<u>1,424,577</u>	<u>1,328,348</u>	<u>96,229</u>	<u>1,196,429</u>
Total cultural and recreational	<u>4,342,767</u>	<u>4,087,986</u>	<u>254,781</u>	<u>3,829,304</u>
Intergovernmental:				
Education:				
Public schools - current expense		20,700,000		18,561,999
Public schools - capital expense		500,000		1,000,000
Community colleges - capital expense		2,825,977		2,241,826
Total education	<u>24,025,977</u>	<u>24,025,977</u>	<u>-</u>	<u>21,803,825</u>
Debt Service:				
Principal	10,136,494	10,531,167	(394,673)	10,003,240
Interest	<u>4,335,492</u>	<u>3,257,441</u>	<u>1,078,051</u>	<u>5,011,641</u>
Total debt service	<u>14,471,986</u>	<u>13,788,608</u>	<u>683,378</u>	<u>15,014,881</u>
Total expenditures	<u>109,063,074</u>	<u>103,523,164</u>	<u>5,564,160</u>	<u>102,609,506</u>
Revenues over (under) expenditures	<u>(6,305,008)</u>	<u>4,689,318</u>	<u>10,994,326</u>	<u>3,456,891</u>
Other Financing Sources (Uses):				
Installment financing issued	413,539	413,539	-	249,377
Transfers in	688,670	532,916	(155,754)	468,420
Transfers out	(5,763,305)	(5,763,304)	1	(1,883,180)
Appropriated fund balance	<u>10,966,104</u>	<u>-</u>	<u>(10,966,104)</u>	<u>-</u>
Total other financing sources (uses)	<u>6,305,008</u>	<u>(4,816,849)</u>	<u>(11,121,857)</u>	<u>(1,165,383)</u>
Net changes in fund balance	<u>\$ -</u>	<u>(127,531)</u>	<u>\$ (127,531)</u>	<u>2,291,508</u>
Fund Balance:				
Beginning of year - July 1		<u>39,459,647</u>		<u>37,168,139</u>
End of year - June 30		<u>\$ 39,332,116</u>		<u>\$ 39,459,647</u>

HENDERSON COUNTY, NORTH CAROLINA

**SIERRA NEVADA ECONOMIC INCENTIVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ 1,689,918	\$ 580,330	\$ (1,109,588)	\$ -
Expenditures:				
General government	3,064,918	1,903,021	1,161,897	10,000
Revenues over (under) expenditures	(1,375,000)	(1,322,691)	52,309	(10,000)
Other Financing Sources (Uses):				
Transfers (to) from other funds	1,375,000	-	(1,375,000)	1,375,000
Net change in fund balance	\$ -	(1,322,691)	\$ (1,322,691)	1,365,000
Fund Balance:				
Beginning of year - July 1		1,365,000		-
End of year - June 30		\$ 42,309		\$ 1,365,000

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Other Major Governmental Funds

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

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

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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, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues	\$ 1,000,000	\$ 1,000,201	\$ -	\$ 1,000,201
Investment earnings	-	2,151,189	76	2,151,265
Miscellaneous	1,500,000	1,058,996	21,513	1,080,509
Total	2,500,000	4,210,386	21,589	4,231,975
Expenditures:				
General government	60,000,000	59,373,705	3,862,734	63,236,439
Total general government	60,000,000	59,373,705	3,862,734	63,236,439
Debt Service:				
Advanced payment to escrow agent	-	-	4,841,690	4,841,690
Interest and fees	-	509,674	703,260	1,212,934
Total debt service	-	509,674	5,544,950	6,054,624
Total expenditures	60,000,000	59,883,379	9,407,684	69,291,063
Revenues over (under) expenditures	(57,500,000)	(55,672,993)	(9,386,095)	(65,059,088)
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	3,021,494	5,179,868	8,201,362
From Capital Reserve Fund	300,000	2,192,959	26,848	2,219,807
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	5,109,082	5,206,716	10,315,798
Installment financing issued	48,420,030	50,269,535	-	50,269,535
Refunding bonds issued	-	17,037,084	41,151,000	58,188,084
Payment to bond escrow agent	-	(17,282,996)	(36,110,000)	(53,392,996)
Bond premium	-	848,430	-	848,430
Insurance proceeds	6,000,000	-	6,000,125	6,000,125
Appropriated fund balance	186,700	-	-	-
Total other financing sources (uses)	57,500,000	55,981,135	16,247,841	72,228,976
Net change in fund balance	\$ -	\$ 308,142	6,861,746	\$ 7,169,888
Fund Balance:				
Beginning of year - July 1			308,142	
End of year - June 30			\$ 7,169,888	

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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.

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.

Community Development Block Grant – Talley Drive Community Revitalization Project Fund – accounts for a federal grant for rehabilitation of privately owned dwellings and infrastructure improvements in the Talley Drive Community.

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Nonmajor Special			
	Revaluation Reserve Fund	Travel and Tourism Fund	Mud Creek Watershed Restoration Fund	Emergency Telephone System Fund (E-911)
Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ 243,770
Accounts receivable, net	-	-	25,139	85,475
Restricted cash	<u>140,806</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 140,806</u>	<u>\$ -</u>	<u>\$ 25,139</u>	<u>\$ 329,245</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 16,599	\$ -	\$ 3,285	\$ 16,844
Due to other funds	<u>-</u>	<u>-</u>	<u>14,021</u>	<u>-</u>
Total liabilities	<u>16,599</u>	<u>-</u>	<u>17,306</u>	<u>16,844</u>
Fund Balances:				
Restricted				
Stabilization for State statute	-	-	25,139	85,475
Restricted, all other	-	-	-	226,926
Committed	124,207	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(17,306)</u>	<u>-</u>
Total fund balances	<u>124,207</u>	<u>-</u>	<u>7,833</u>	<u>312,401</u>
Total liabilities and fund balances	<u>\$ 140,806</u>	<u>\$ -</u>	<u>\$ 25,139</u>	<u>\$ 329,245</u>

<u>Revenue Funds</u>		<u>Nonmajor Capital Projects Fund</u>				
<u>Public Transit Fund</u>	<u>Immigration Customs Enforcement Fund</u>	<u>Schools Capital Project Fund</u>	<u>General Capital Reserve Fund</u>	<u>Totals June 30, 2013</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 894,685	\$ 395,677	\$ 1,988,604	\$ 1,386,666	\$ 4,909,402	\$ -	\$ 4,909,402
87,678	76,227	-	-	274,519	-	274,519
-	-	-	-	140,806	2,390,166	2,530,972
<u>\$ 982,363</u>	<u>\$ 471,904</u>	<u>\$ 1,988,604</u>	<u>\$ 1,386,666</u>	<u>\$ 5,324,727</u>	<u>\$ 2,390,166</u>	<u>\$ 7,714,893</u>
\$ 231,399	\$ 13,197	\$ -	\$ -	\$ 281,324	\$ -	\$ 281,324
-	-	-	-	14,021	-	14,021
<u>231,399</u>	<u>13,197</u>	<u>-</u>	<u>-</u>	<u>295,345</u>	<u>-</u>	<u>295,345</u>
87,678	76,227	-	-	274,519	-	274,519
663,286	382,480	-	-	1,272,692	2,390,166	3,662,858
-	-	1,988,604	1,386,666	3,499,477	-	3,499,477
-	-	-	-	(17,306)	-	(17,306)
<u>750,964</u>	<u>458,707</u>	<u>1,988,604</u>	<u>1,386,666</u>	<u>5,029,382</u>	<u>2,390,166</u>	<u>7,419,548</u>
<u>\$ 982,363</u>	<u>\$ 471,904</u>	<u>\$ 1,988,604</u>	<u>\$ 1,386,666</u>	<u>\$ 5,324,727</u>	<u>\$ 2,390,166</u>	<u>\$ 7,714,893</u>

HENDERSON COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Nonmajor Special				
			Community Development Block Grant - Scattered Site Housing Fund	Mud Creek Watershed Restoration Fund	Emergency Telephone System Fund (E-911)
	Revaluation Reserve Fund	Travel and Tourism Fund			
Revenues:					
Ad valorem taxes	\$ 650,291	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	211,019	-	-	-
Restricted intergovernmental revenues	-	-	11,000	167,306	-
Sales and services	-	17,898	-	-	-
Investment earnings	1,544	1,141	-	-	6,236
Miscellaneous	-	-	-	-	512,849
Total revenues	<u>651,835</u>	<u>230,058</u>	<u>11,000</u>	<u>167,306</u>	<u>519,085</u>
Expenditures:					
Current:					
General government	606,529	-	-	-	-
Public safety	-	-	-	-	672,523
Environmental protection	-	-	-	164,159	-
Economic and physical development	-	204,380	11,000	-	-
Debt service:					
Principal repayments	-	-	-	-	99,150
Interest	-	-	-	-	7,258
Total expenditures	<u>606,529</u>	<u>204,380</u>	<u>11,000</u>	<u>164,159</u>	<u>778,931</u>
Revenues over (under) expenditures	<u>45,306</u>	<u>25,678</u>	<u>-</u>	<u>3,147</u>	<u>(259,846)</u>
Other Financing Sources (Uses):					
Transfers from:					
Sewer districts	-	-	-	-	-
Transfers to:					
General Capital Projects Fund	-	-	-	-	-
Contribution to TDA	-	(461,316)	-	-	-
General Fund	-	(9,388)	-	-	(49,957)
Total other financing sources (uses)	<u>-</u>	<u>(470,704)</u>	<u>-</u>	<u>-</u>	<u>(49,957)</u>
Net change in fund balances	45,306	(445,026)	-	3,147	(309,803)
Fund Balances:					
Beginning of year - July 1	<u>78,901</u>	<u>445,026</u>	<u>-</u>	<u>4,686</u>	<u>622,204</u>
End of year - June 30	<u>\$ 124,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,833</u>	<u>\$ 312,401</u>

Revenue Funds			Nonmajor Capital Project Funds				
Public Transit Fund	Immigration Customs Enforcement Fund	Community Development Block Grant - Talley Drive Project Fund	School Capital Projects Fund	General Capital Reserve Fund	Totals June 30, 2013	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,291	\$ -	\$ 650,291
-	-	-	-	-	211,019	-	211,019
789,680	542,880	266,357	-	-	1,777,223	-	1,777,223
-	-	-	-	-	17,898	-	17,898
-	-	-	158	-	9,079	115,624	124,703
-	-	-	-	-	512,849	-	512,849
<u>789,680</u>	<u>542,880</u>	<u>266,357</u>	<u>158</u>	<u>-</u>	<u>2,911,844</u>	<u>115,624</u>	<u>3,293,983</u>
-	-	-	-	-	606,529	-	606,529
-	633,608	-	-	-	1,306,131	-	1,306,131
-	-	-	-	-	164,159	-	164,159
714,427	-	256,035	-	-	1,185,842	-	1,185,842
-	-	-	-	-	99,150	-	99,150
-	-	-	-	-	7,258	-	7,258
<u>714,427</u>	<u>633,608</u>	<u>256,035</u>	<u>-</u>	<u>-</u>	<u>3,113,034</u>	<u>-</u>	<u>3,369,069</u>
<u>75,253</u>	<u>(90,728)</u>	<u>10,322</u>	<u>158</u>	<u>-</u>	<u>(201,190)</u>	<u>115,624</u>	<u>(75,086)</u>
-	-	-	600,000	-	600,000	-	600,000
-	-	-	-	(26,848)	(26,848)	-	(26,848)
-	-	-	-	-	(461,316)	-	(461,316)
-	(112,703)	(10,322)	-	(26,899)	(209,269)	-	(209,269)
<u>144,657</u>	<u>(112,703)</u>	<u>(10,322)</u>	<u>600,000</u>	<u>146,253</u>	<u>247,224</u>	<u>164,363</u>	<u>411,587</u>
219,910	(203,431)	-	600,158	146,253	56,514	279,987	336,501
<u>531,054</u>	<u>662,138</u>	<u>-</u>	<u>1,388,446</u>	<u>1,240,413</u>	<u>4,972,868</u>	<u>2,110,179</u>	<u>7,083,047</u>
<u>\$ 750,964</u>	<u>\$ 458,707</u>	<u>\$ -</u>	<u>\$ 1,988,604</u>	<u>\$ 1,386,666</u>	<u>\$ 5,029,382</u>	<u>\$ 2,390,166</u>	<u>\$ 7,419,548</u>

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Ad valorem taxes	\$ 650,291	\$ 650,291	\$ -	\$ 641,359
Investment earnings	-	1,544	1,544	1,002
Total revenues	<u>650,291</u>	<u>651,835</u>	<u>1,544</u>	<u>642,361</u>
Expenditures:				
Current:				
General government	<u>650,291</u>	<u>606,529</u>	<u>43,762</u>	<u>603,302</u>
Total expenditures	<u>650,291</u>	<u>606,529</u>	<u>43,762</u>	<u>603,302</u>
Net change in fund balance	<u>\$ -</u>	45,306	<u>\$ 45,306</u>	39,059
Fund Balance:				
Beginning of year - July 1		<u>78,901</u>		<u>39,842</u>
End of year - June 30		<u>\$ 124,207</u>		<u>\$ 78,901</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, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Other taxes and licenses	\$ 1,081,081	\$ 211,019	\$ (870,062)	\$ 1,189,215
Sales and services	106,000	17,898	(88,102)	101,961
Investment earnings	-	1,141	1,141	3,303
Total revenues	<u>1,187,081</u>	<u>230,058</u>	<u>(957,023)</u>	<u>1,294,479</u>
Expenditures:				
Current:				
Economic and physical development	<u>1,265,754</u>	<u>204,380</u>	<u>1,061,374</u>	<u>936,238</u>
Total expenditures	<u>1,265,754</u>	<u>204,380</u>	<u>1,061,374</u>	<u>936,238</u>
Revenues over (under) expenditures	<u>(78,673)</u>	<u>25,678</u>	<u>104,351</u>	<u>358,241</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(56,327)	(9,388)	46,939	(48,000)
Contribution to TDA	-	(461,316)	(461,316)	-
Appropriated fund balance	<u>135,000</u>	<u>-</u>	<u>(135,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>78,673</u>	<u>(470,704)</u>	<u>(549,377)</u>	<u>(48,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(445,026)</u>	<u>\$ (445,026)</u>	310,241
Fund Balance:				
Beginning of year - July 1		<u>445,026</u>		<u>134,785</u>
End of year - June 30		<u>\$ -</u>		<u>\$ 445,026</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, 2013**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 391,063	\$ 11,000	\$ 402,063
Total revenues	<u>400,000</u>	<u>391,063</u>	<u>11,000</u>	<u>402,063</u>
Expenditures:				
Current:				
Economic and physical development	<u>400,000</u>	<u>391,063</u>	<u>11,000</u>	<u>402,063</u>
Total expenditures	<u>400,000</u>	<u>391,063</u>	<u>11,000</u>	<u>402,063</u>
Net change in fund balance	<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

**MUD CREEK WATERSHED RESTORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental revenues	\$ 255,681	\$ 167,306	\$ (88,375)	\$ 62,145
Total revenues	<u>255,681</u>	<u>167,306</u>	<u>(88,375)</u>	<u>62,145</u>
Expenditures:				
Current:				
Environmental protection	<u>255,681</u>	<u>164,159</u>	<u>91,522</u>	<u>61,814</u>
Total expenditures	<u>255,681</u>	<u>164,159</u>	<u>91,522</u>	<u>61,814</u>
Net change in fund balance	<u>\$ -</u>	<u>3,147</u>	<u>\$ 3,147</u>	<u>331</u>
Fund Balance:				
Beginning of year - July 1		<u>4,686</u>		<u>4,355</u>
End of year - June 30		<u>\$ 7,833</u>		<u>\$ 4,686</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, 2013 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 366,152	\$ 6,236	\$ (359,916)	\$ 8,635
Miscellaneous	512,849	512,849	-	521,560
Total revenues	<u>879,001</u>	<u>519,085</u>	<u>(359,916)</u>	<u>530,195</u>
Expenditures:				
Current:				
Public safety	722,605	672,523	50,082	345,800
Debt service:				
Principal	99,064	99,150	(86)	187,936
Interest	7,332	7,258	74	24,694
Total expenditures	<u>829,001</u>	<u>778,931</u>	<u>50,070</u>	<u>558,430</u>
Revenues over (under) expenditures	<u>50,000</u>	<u>(259,846)</u>	<u>(309,846)</u>	<u>(28,235)</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	<u>(50,000)</u>	<u>(49,957)</u>	<u>43</u>	<u>(49,674)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(49,957)</u>	<u>43</u>	<u>(49,674)</u>
Net change in fund balance	<u>\$ -</u>	<u>(309,803)</u>	<u>\$ (309,803)</u>	<u>(77,909)</u>
Fund Balance:				
Beginning of year - July 1		<u>622,204</u>		<u>700,113</u>
End of year - June 30		<u>\$ 312,401</u>		<u>\$ 622,204</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, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 627,059	\$ 789,680	\$ 162,621	\$ 659,037
Total revenues	<u>627,059</u>	<u>789,680</u>	<u>162,621</u>	<u>659,037</u>
Expenditures:				
Current:				
Economic and physical development	<u>854,971</u>	<u>714,427</u>	<u>140,544</u>	<u>801,136</u>
Total expenditures	<u>854,971</u>	<u>714,427</u>	<u>140,544</u>	<u>801,136</u>
Revenues over (under) expenditures	<u>(227,912)</u>	<u>75,253</u>	<u>303,165</u>	<u>(142,099)</u>
Other Financing Sources (Uses):				
Transfers in:				
General Fund	144,657	144,657	-	171,985
Appropriated fund balance	<u>83,255</u>	<u>-</u>	<u>(83,255)</u>	<u>-</u>
Total other financing sources (uses)	<u>227,912</u>	<u>144,657</u>	<u>(83,255)</u>	<u>171,985</u>
Net change in fund balance	<u>\$ -</u>	<u>219,910</u>	<u>\$ 219,910</u>	<u>29,886</u>
Fund Balance:				
Beginning of year - July 1		<u>531,054</u>		<u>501,168</u>
End of year - June 30		<u>\$ 750,964</u>		<u>\$ 531,054</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, 2013 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenues	\$ 843,908	\$ 542,880	\$ (301,028)	\$ 832,354
Total revenues	843,908	542,880	(301,028)	832,354
Expenditures:				
Current:				
Public safety	731,205	633,608	97,597	941,255
Total expenditures	731,205	633,608	97,597	941,255
Revenues over (under) expenditures	112,703	(90,728)	(203,431)	(108,901)
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(112,703)	(112,703)	-	(64,315)
Total other financing sources (uses)	(112,703)	(112,703)	-	(64,315)
Net change in fund balance	\$ -	(203,431)	\$ (203,431)	(173,216)
Fund Balance:				
Beginning of year - July 1		662,138		835,354
End of year - June 30		\$ 458,707		\$ 662,138

HENDERSON COUNTY, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT -
TALLEY DRIVE COMMUNITY REVITALIZATION PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ 850,000	\$ 266,357	\$ (583,643)	\$ 30,493
Total revenues	<u>850,000</u>	<u>266,357</u>	<u>(583,643)</u>	<u>30,493</u>
Expenditures:				
Current:				
Economic and physical development	<u>820,000</u>	<u>256,035</u>	<u>563,965</u>	<u>7,999</u>
Total expenditures	<u>820,000</u>	<u>256,035</u>	<u>563,965</u>	<u>7,999</u>
Revenues over (under) expenditures	<u>30,000</u>	<u>10,322</u>	<u>(19,678)</u>	<u>22,494</u>
Other Financing Sources (Uses):				
Transfers out:	<u>(30,000)</u>	<u>(10,322)</u>	<u>(19,678)</u>	<u>(22,494)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(10,322)</u>	<u>(19,678)</u>	<u>(22,494)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund Balance:				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ -</u>		<u>\$ -</u>

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Project Authorization</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Sale of assets	\$ -	\$ -	\$ -	\$ 700,000
Total revenues	-	-	-	700,000
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(26,899)	(26,899)	-	-
To General Capital Projects Fund	(200,000)	(26,848)	173,152	(535,039)
Transfers in:				
From General Fund	200,000	200,000	-	-
Appropriated fund balance	26,899	-	(26,899)	-
Total other financing sources (uses)	-	146,253	146,253	(535,039)
Net change in fund balance	\$ -	146,253	\$ 146,253	164,961
Fund Balance:				
Beginning of year - July 1		1,240,413		1,075,452
End of year - June 30		\$ 1,386,666		\$ 1,240,413

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, 2013

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,660,133	158	1,660,291
Miscellaneous	-	1,339,796	-	1,339,796
Total revenues	<u>456,629</u>	<u>3,456,558</u>	<u>158</u>	<u>3,456,716</u>
Expenditures:				
Capital outlay:				
General education	<u>75,059,621</u>	<u>74,806,686</u>	-	<u>74,806,686</u>
Total expenditures	<u>75,059,621</u>	<u>74,806,686</u>	-	<u>74,806,686</u>
Revenues over (under) expenditures	<u>(74,602,992)</u>	<u>(71,350,128)</u>	<u>158</u>	<u>(71,349,970)</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
From sewer districts	600,000	-	600,000	600,000
Transfers out:				
To General Fund	(1,425,000)	(1,425,000)	-	(1,425,000)
Appropriated fund balance	<u>1,264,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>74,602,992</u>	<u>72,738,574</u>	<u>600,000</u>	<u>73,338,574</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,388,446</u>	600,158	<u>\$ 1,988,604</u>
Fund Balance:				
Beginning of year - July 1			<u>1,388,446</u>	
End of year - June 30			<u>\$ 1,988,604</u>	

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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.

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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, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 115,624	\$ 115,624	\$ 101,086
Total revenues	-	115,624	115,624	101,086
Expenditures:				
Debt service:				
Principal repayments	164,364	-	164,364	-
Total expenditures	164,364	-	164,364	-
Revenues over (under) expenditures	(164,364)	115,624	279,988	101,086
Other Financing Sources (Uses):				
From General Fund	164,364	164,363	(1)	164,363
Total other financing sources (uses)	164,364	164,363	(1)	164,363
Net change in fund balance	\$ -	279,987	\$ 279,987	265,449
Fund Balance:				
Beginning of year - July 1		2,110,179		1,844,730
End of year - June 30		\$ 2,390,166		\$ 2,110,179

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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.

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HENDERSON COUNTY, NORTH CAROLINA

**LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues	\$ 4,338,327	\$ 4,320,498	\$ (17,829)	\$ 4,341,961
Operating grants	130,000	172,495	42,495	115,892
Non-operating revenues:				
Sale of fixed assets	10,000	74,039	64,039	-
Interest income	25,000	18,342	(6,658)	21,726
Total revenues	<u>4,503,327</u>	<u>4,585,374</u>	<u>82,047</u>	<u>4,479,579</u>
Expenditures:				
Salaries and employee benefits	949,830	866,069	83,761	915,798
Other operating expenditures	3,427,022	3,595,422	(168,400)	3,428,785
Repairs and maintenance	126,435	135,737	(9,302)	132,135
Capital outlay	100,900	141,014	(40,114)	2,821,119
Total expenditures	<u>4,604,187</u>	<u>4,738,242</u>	<u>(134,055)</u>	<u>7,297,837</u>
Debt Service:				
Interest paid	64,000	64,000	-	-
Principal retirement	133,333	133,333	-	-
Total debt service	<u>197,333</u>	<u>197,333</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	<u>(298,193)</u>	<u>(350,201)</u>	<u>216,102</u>	<u>(2,818,258)</u>
Other Financing Sources (Uses):				
Transfers in	163,318	142,902	(20,416)	221,832
Transfers out	-	-	-	(29,900)
Debt issuance	-	-	-	2,000,000
Appropriated retained earnings	134,875	-	(134,875)	-
Total other financing sources (uses)	<u>298,193</u>	<u>142,902</u>	<u>(155,291)</u>	<u>2,191,932</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(207,299)</u>	<u>\$ (207,299)</u>	<u>\$ (626,326)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Change in other post-employment benefits		18,565		
Capital outlay, capitalized		141,014		
Principal paid on debt		133,333		
Bond premium amortization		9,178		
Change in accrued vacation		5,201		
Post-closure care costs		(115,050)		
Depreciation		(165,662)		
Total reconciling items		<u>26,579</u>		
Change in net position		<u>\$ (180,720)</u>		

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, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 1,147,146	\$ 1,257,209	\$ 110,063	\$ 1,278,016
Restricted intergovernmental	398,696	-	(398,696)	-
Non-operating revenues:				
Interest income	-	65,445	65,445	67,795
Total revenues	<u>1,545,842</u>	<u>1,322,654</u>	<u>(223,188)</u>	<u>1,345,811</u>
Expenditures:				
Water and sewer administration:				
Operating expenditures	421,399	324,153	97,246	419,836
Repairs and maintenance	76,500	66,050	10,450	161,872
Capital outlay	<u>1,711,000</u>	<u>138,579</u>	<u>1,572,421</u>	<u>88,680</u>
Total water and sewer administration	<u>2,208,899</u>	<u>528,782</u>	<u>1,680,117</u>	<u>670,388</u>
Debt Service:				
Interest paid	52,167	42,987	9,180	49,738
Principal retirement	<u>224,020</u>	<u>224,020</u>	-	<u>225,972</u>
Total debt service	<u>276,187</u>	<u>267,007</u>	<u>9,180</u>	<u>275,710</u>
Revenues over (under) expenditures	<u>(939,244)</u>	<u>526,865</u>	<u>1,466,109</u>	<u>399,713</u>
Other Financing Sources (Uses):				
Proceeds from long-term debt issued:				
Transfers out:	(992,133)	(992,133)	-	(304,037)
Appropriated retained earnings	<u>1,931,377</u>	-	<u>(1,931,377)</u>	-
Total other financing sources (uses)	<u>939,244</u>	<u>(992,133)</u>	<u>(1,931,377)</u>	<u>(304,037)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(465,268)</u>	<u>\$ (465,268)</u>	<u>\$ 95,676</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital contribution		106,573		
Capital outlay		138,579		
Principal paid on debt		224,020		
Depreciation		<u>(420,699)</u>		
Total reconciling items		<u>48,473</u>		
Change in net position		<u>\$ (416,795)</u>		

HENDERSON COUNTY, NORTH CAROLINA

**JUSTICE ACADEMY SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Operating revenues	\$ 38,880	\$ 38,880	\$ -	\$ 41,140
Non-operating revenues:				
Interest income	6,875	9,008	2,133	8,751
Total revenues	<u>45,755</u>	<u>47,888</u>	<u>2,133</u>	<u>49,891</u>
Expenditures:				
Water and sewer administration:				
Salaries and employee benefits				
Operating expenditures	36,750	31,702	5,048	29,005
Repairs and maintenance	<u>9,005</u>	<u>11,100</u>	<u>(2,095)</u>	<u>3,520</u>
Total expenditures	<u>45,755</u>	<u>42,802</u>	<u>2,953</u>	<u>32,525</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>5,086</u>	<u>\$ 5,086</u>	<u>\$ 17,366</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Depreciation		<u>(10,445)</u>		
Total reconciling items		<u>(10,445)</u>		
Change in net position		<u>\$ (5,359)</u>		

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Agency Funds

Agency Funds are used to account for position 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 position held by the Social Services Department for the benefit of certain individuals in the County.

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

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

Fireman's Association Fund – accounts for position held for the Fireman's Association.

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.

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HENDERSON COUNTY, NORTH CAROLINA

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN POSITION AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 29,698	\$ 343,532	\$ 313,222	\$ 60,008
Liabilities:				
Accounts payable	\$ 29,698	\$ 343,532	\$ 313,222	\$ 60,008
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ 27,905	\$ 20,766	\$ 19,017	\$ 29,654
Liabilities:				
Intergovernmental payable	\$ 27,905	\$ 20,766	\$ 19,017	\$ 29,654
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ -	\$ 198,728	\$ 198,728	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 198,728	\$ 198,728	\$ -
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ 171,482	\$ 57,364	\$ 12,536	\$ 216,310
Liabilities:				
Intergovernmental payable	\$ 171,482	\$ 57,364	\$ 12,536	\$ 216,310
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ 4,050	\$ 353,260	\$ 115,663	\$ 241,647
Liabilities:				
Intergovernmental payable	\$ 4,050	\$ 353,260	\$ 115,663	\$ 241,647

HENDERSON COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN POSITION AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
School Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 426,510	\$ 426,510	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 426,510	\$ 426,510	\$ -
Motor Vehicle Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,341	\$ 32,983	\$ 32,899	\$ 2,425
Liabilities:				
Intergovernmental payable	\$ 2,341	\$ 32,983	\$ 32,899	\$ 2,425
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 7,188	\$ 91,307	\$ 90,898	\$ 7,597
Liabilities:				
Intergovernmental payable	\$ 7,188	\$ 91,307	\$ 90,898	\$ 7,597
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 299,571	\$ 3,716,408	\$ 3,695,256	\$ 320,723
Liabilities:				
Intergovernmental payable	\$ 299,571	\$ 3,716,408	\$ 3,695,256	\$ 320,723
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ 542,235	\$ 5,240,858	\$ 4,904,729	\$ 878,364
Liabilities:				
Intergovernmental payable	\$ 542,235	\$ 5,240,858	\$ 4,904,729	\$ 878,364

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, 2013.

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HENDERSON COUNTY, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2013**

Fiscal Year	Uncollected Balance July 1, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 62,312,153	\$ 60,535,291	\$ 1,776,862
2011-2012	1,684,259	-	1,159,706	524,553
2010-2011	715,198	-	321,294	393,904
2009-2010	311,100	-	93,449	217,651
2008-2009	259,208	-	29,451	229,757
2007-2008	228,224	-	9,662	218,562
2006-2007	296,685	-	8,892	287,793
2005-2006	178,350	-	7,850	170,500
2004-2005	135,159	-	5,051	130,108
2003-2004	160,520	-	7,807	152,713
2002-2003	165,435	-	165,435	-
Total	\$ 4,134,138	\$ 62,312,153	\$ 62,343,888	4,102,403
Less: allowance for uncollectible accounts: General Fund				<u>(1,858,500)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 2,243,903</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 62,067,652
Ad valorem taxes - Revaluation Fund				<u>650,291</u>
Total ad valorem taxes				62,717,943
Reconciling items:				
Interest				(375,842)
Tax refunds				(155,084)
Other miscellaneous adjustments				(8,564)
Amounts written off per Statute of Limitations				<u>165,435</u>
Total collections and credits				<u>\$ 62,343,888</u>

HENDERSON COUNTY, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2013**

	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	\$ 11,442,543,808	\$ 0.5136	\$ 58,768,905	\$ 57,518,819	\$ 1,250,086
Motor vehicles taxed at prior year's rate	690,042,424	0.4620	3,187,996	-	3,187,996
Total	12,132,586,233		61,956,901	57,518,819	4,438,082
Discoveries:					
Current year taxes	60,345,405	0.5136	309,934	309,934	-
Prior year taxes	20,297,835	0.4620	93,776	93,776	-
Penalties	20,883,762	0.5136	107,259	107,259	-
Total	101,527,002		510,969	510,969	-
Abatements	(30,318,731)	0.5136	(155,717)	(130,080)	(25,637)
Total property valuation	\$ 12,203,794,504				
Net Levy			62,312,153	57,899,708	4,412,445
Uncollected taxes at June 30, 2013			(1,776,862)	(1,223,191)	(553,671)
Current Year's Taxes Collected			\$ 60,535,291	\$ 56,676,517	\$ 3,858,774
Current Levy Collection Percentage			97.15%	97.89%	87.45%

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.

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 46,920,197	\$ 45,283,045	\$ 45,090,597	\$ 47,218,294	\$ 73,911,997
Restricted	-	343,790	9,154,768	10,996,211	10,873,904
Unrestricted	<u>(47,594,779)</u>	<u>(49,123,482)</u>	<u>(56,449,939)</u>	<u>(51,095,871)</u>	<u>(61,681,174)</u>
Total governmental activities	<u>\$ (674,582)</u>	<u>\$ (3,496,647)</u>	<u>\$ (2,204,574)</u>	<u>\$ 7,118,634</u>	<u>\$ 23,104,727</u>
Business-type activities					
Net investment in capital assets	\$ 14,917,293	\$ 15,562,023	\$ 16,818,425	\$ 18,050,922	\$ 18,124,127
Unrestricted	<u>6,798,777</u>	<u>6,597,775</u>	<u>5,448,726</u>	<u>4,896,151</u>	<u>4,220,072</u>
Total business-type activities	<u>\$ 21,716,070</u>	<u>\$ 22,159,798</u>	<u>\$ 22,267,151</u>	<u>\$ 22,947,073</u>	<u>\$ 22,344,199</u>
Primary government					
Net investment in capital assets	\$ 61,837,490	\$ 60,845,068	\$ 61,909,022	\$ 65,269,216	\$ 92,036,124
Restricted	-	343,790	9,154,768	10,996,211	10,873,904
Unrestricted	<u>(40,796,002)</u>	<u>(42,525,707)</u>	<u>(51,001,213)</u>	<u>(46,199,720)</u>	<u>(57,461,102)</u>
Total primary government net position	<u>\$ 21,041,488</u>	<u>\$ 18,663,151</u>	<u>\$ 20,062,577</u>	<u>\$ 30,065,707</u>	<u>\$ 45,448,926</u>

Note: The significant increase in total net position of the County from FY2012 to FY2013 is primarily due to an increase in new facilities reported as capital assets net of debt combined with a significant increase in the total restricted net position for governmental activities of the County. Only five fiscal years are being presented for this schedule.

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 17,377,905	\$ 12,790,053	\$ 19,654,791	\$ 16,036,914	\$ 17,913,612
Public safety	29,733,774	31,522,260	27,061,623	30,342,623	31,153,291
Environmental protection	819,015	620,661	759,241	678,682	921,122
Economic and physical development	3,131,673	3,019,284	3,524,661	3,001,446	2,832,831
Human Services	32,525,413	29,464,315	27,889,051	27,200,233	26,875,838
Cultural and recreation	3,139,072	4,522,826	4,657,512	3,497,027	2,554,407
Education	48,916,897	32,884,958	29,708,049	22,798,061	24,025,977
Interest on long term debt	5,502,008	5,331,692	5,007,243	4,981,375	3,614,839
Total governmental activities	<u>141,145,757</u>	<u>120,156,049</u>	<u>118,262,171</u>	<u>108,536,361</u>	<u>109,891,917</u>
Business-type activities:					
Landfill	4,110,540	4,365,097	4,311,315	4,673,770	4,826,309
Cane Creek water and sewer	852,213	907,057	921,563	1,039,398	882,351
Other business-type activities	42,278	41,848	52,167	42,970	53,247
Total business-type activities	<u>5,005,031</u>	<u>5,314,002</u>	<u>5,285,045</u>	<u>5,756,138</u>	<u>5,761,907</u>
Total primary government expenses	<u>\$ 146,150,788</u>	<u>\$ 125,470,051</u>	<u>\$ 123,547,216</u>	<u>\$ 114,292,499</u>	<u>\$ 115,653,824</u>
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 631,057	\$ 565,665	\$ 2,877,560	\$ 631,150	\$ 711,063
Public safety	3,836,365	4,471,480	3,357,700	4,010,900	4,560,959
Environmental protection	-	-	14,224	-	-
Economic and physical development	1,818,025	1,687,452	131,193	1,305,720	1,376,578
Human services	2,837,931	536,580	447,382	557,456	472,234
Cultural and recreation	243,102	245,224	436,437	167,661	157,272
Education	-	-	-	-	-
Operating grants and contributions:					
General government	841,768	974,454	1,827,808	2,127,237	2,064,465
Public safety	1,869,045	1,649,828	2,890,615	2,128,666	1,454,505
Environmental protection	681,813	47,252	78,413	47,133	47,255
Economic and physical development	1,350,792	81,645	303,595	363,456	1,004,929
Human services	18,171,953	17,675,287	17,460,691	16,014,799	15,971,818
Cultural and recreation	267,173	242,402	230,446	197,661	202,240
Education	959,681	1,327,382	1,635,063	1,021,661	935,017
Capital grants and contributions:					
General government	-	48,242	-	-	-
Environmental protection	-	740,216	-	-	-
Economic and physical development	-	880,680	469,493	337,184	-
Cultural and recreation	-	-	-	-	-
Education	-	-	139,428	120,744	-
Total governmental activities program revenues	<u>33,508,705</u>	<u>31,173,789</u>	<u>32,300,048</u>	<u>29,031,428</u>	<u>28,958,335</u>
Business-type activities:					
Charges for services	5,616,874	5,590,190	5,261,018	5,661,118	5,562,362
Operating grants and contributions	201,061	135,743	148,645	115,892	246,534
Capital grants and contributions	228,096	162,590	77,092	672,883	106,573
Total business-type activities program revenues	<u>6,046,031</u>	<u>5,888,523</u>	<u>5,486,755</u>	<u>6,449,893</u>	<u>5,915,469</u>
Total primary government program revenues	<u>\$ 39,554,736</u>	<u>\$ 37,062,312</u>	<u>\$ 37,786,803</u>	<u>\$ 35,481,321</u>	<u>\$ 34,873,804</u>
Net (Expense)/Revenue					
Governmental activities	\$ (107,637,052)	\$ (88,982,260)	\$ (85,962,123)	\$ (79,504,933)	\$ (80,933,582)
Business-type activities	<u>1,041,000</u>	<u>574,521</u>	<u>201,710</u>	<u>693,755</u>	<u>153,562</u>

	Fiscal Year				
	2009	2010	2011	2012	2013
Total primary government net (expense)/revenue	\$ <u>(106,596,052)</u>	\$ <u>(88,407,739)</u>	\$ <u>(85,760,413)</u>	\$ <u>(78,811,178)</u>	\$ <u>(80,780,020)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 66,151,942	\$ 67,341,066	\$ 67,886,712	\$ 68,689,187	\$ 69,628,114
Local option sales tax	21,161,570	16,265,083	16,463,074	17,504,095	18,596,584
Other taxes and licenses	1,932,087	1,760,761	1,884,433	1,761,555	1,170,234
Grants and contributions not restricted	58,351	-	-	-	-
Investment earnings	1,161,801	614,221	821,618	761,199	675,387
Miscellaneous	-	-	-	-	6,000,125
Transfers	165,492	179,064	198,359	112,105	849,231
Total governmental activities:	<u>90,631,243</u>	<u>86,160,195</u>	<u>87,254,196</u>	<u>88,828,141</u>	<u>96,919,675</u>
Business-type activities:					
Investment earnings	446,576	48,271	104,001	98,272	92,795
Miscellaneous	-	-	-	-	-
Transfers	(165,492)	(179,064)	(198,359)	(112,105)	(849,231)
Total business-type activities	<u>281,084</u>	<u>(130,793)</u>	<u>(94,358)</u>	<u>(13,833)</u>	<u>(756,436)</u>
Total primary government	<u>\$ 90,912,327</u>	<u>\$ 86,029,402</u>	<u>\$ 87,159,838</u>	<u>\$ 88,814,308</u>	<u>\$ 96,163,239</u>
Change in Net Position					
Governmental activities	\$ (17,005,809)	\$ (2,822,065)	\$ 1,292,073	\$ 9,323,208	\$ 15,986,093
Business-type activities	<u>1,322,084</u>	<u>443,728</u>	<u>107,352</u>	<u>679,922</u>	<u>(602,874)</u>
Total primary government	<u>\$ (15,683,725)</u>	<u>\$ (2,378,337)</u>	<u>\$ 1,399,425</u>	<u>\$ 10,003,130</u>	<u>\$ 15,383,219</u>

Note: Only five fiscal years are being presented for this schedule.

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

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Nonspendable:				
Inventories	\$ 11,649	\$ 18,295	\$ 14,998	\$ 16,333
Prepaid items	46,310	67,145	56,110	53,335
Restricted:				
Stabilization for State statute	7,118,014	6,085,013	7,542,377	8,972,465
Restricted, all other	111,956	160,729	248,699	318,524
Committed:				
Assigned for subsequent year's expenditures	400,000	-	515,000	1,841,778
Assigned all other	-	-	-	99,126
Unassigned:	<u>7,284,036</u>	<u>9,932,388</u>	<u>12,902,473</u>	<u>15,381,495</u>
Total General Fund	<u>\$ 14,971,965</u>	<u>\$ 16,263,570</u>	<u>\$ 21,279,657</u>	<u>\$ 26,683,056</u>
All Other Governmental Funds				
Nonspendable:				
Prepaid items	\$ -	\$ -	\$ -	\$ 5,986
Restricted:				
Stabilization for State statute	64,047	159,701	401,060	153,693
Restricted, all other	-	-	-	-
Committed:				
Special revenue and debt service funds	590,310	781,540	942,744	2,663,109
Capital project funds	660,117	23,357,918	42,402,936	26,184,220
Assigned all other:	-	-	-	-
Unassigned:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,314,474</u>	<u>\$ 24,299,159</u>	<u>\$ 43,746,740</u>	<u>\$ 29,001,022</u>

Fiscal Year

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 14,386	\$ 25,843	\$ 34,082	\$ 46,785	\$ 61,586	\$ 58,923
98,803	92,671	136,140	145,801	124,902	152,058
9,257,898	7,263,179	6,522,876	6,367,890	6,749,449	6,726,943
346,809	324,500	343,790	258,575	161,443	199,106
2,352,740	720,778	6,418,905	3,194,191	5,617,206	6,730,029
26,996	37,422	87,492	305,525	77,195	175,128
<u>21,872,379</u>	<u>26,747,571</u>	<u>23,498,852</u>	<u>26,849,372</u>	<u>28,032,866</u>	<u>25,332,238</u>
<u>\$ 33,970,011</u>	<u>\$ 35,211,964</u>	<u>\$ 37,042,137</u>	<u>\$ 37,168,139</u>	<u>\$ 40,824,647</u>	<u>\$ 39,374,425</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
273,611	409,967	526,857	962,962	608,963	284,997
-	-	-	3,413,004	3,476,356	3,662,858
4,127,851	4,165,361	5,549,793	1,115,294	1,319,314	3,499,477
32,637,787	6,114,403	9,320,682	4,775,469	1,628,356	7,159,410
-	-	-	7,834	310,293	-
-	-	-	(19,551)	47,907	(71,825)
<u>\$ 37,039,249</u>	<u>\$ 10,689,731</u>	<u>\$ 15,397,332</u>	<u>\$ 10,255,012</u>	<u>\$ 7,391,189</u>	<u>\$ 14,534,917</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes:				
Property	\$ 46,232,977	\$ 47,851,376	\$ 52,074,680	\$ 58,637,892
Sales	18,851,961	19,730,435	20,540,587	22,661,455
Other	1,876,023	2,210,814	2,892,255	2,752,039
Total taxes	<u>66,960,961</u>	<u>69,792,625</u>	<u>75,507,522</u>	<u>84,051,386</u>
Intergovernmental	13,899,560	16,307,844	18,472,353	18,113,945
Permits and Fees	1,810,064	1,945,291	2,081,006	2,295,267
Sales and Services	3,966,080	3,899,319	5,909,591	7,500,403
Investment Earnings	147,743	558,999	1,463,391	3,602,951
Miscellaneous	1,448,034	1,566,357	2,945,274	3,925,450
Total Revenues	<u>88,232,442</u>	<u>94,070,435</u>	<u>106,379,137</u>	<u>119,489,402</u>
Expenditures				
General Government	8,710,370	9,569,567	10,166,052	11,479,942
Public Safety	15,629,184	22,169,007	23,090,778	23,989,110
Environmental Protection	368,585	744,817	2,777,434	725,323
Economic Development	2,799,098	3,250,597	2,901,890	3,235,715
Human Services	23,452,151	25,769,902	27,968,583	31,276,781
Culture and Recreation	3,047,538	3,308,167	3,529,766	3,561,998
Education	19,191,870	19,770,627	20,418,061	22,038,249
Capital Outlay	9,211,337	6,069,945	24,539,541	23,222,119
Debt Service:				
Principal	4,498,477	4,888,061	5,587,776	7,680,164
Interest	2,442,078	1,746,726	2,808,404	4,702,820
Advanced payment to escrow agent	-	-	-	-
Total Expenditures	<u>89,350,688</u>	<u>97,287,416</u>	<u>123,788,285</u>	<u>131,912,221</u>
Excess of revenues over (under) expenditures	<u>(1,118,246)</u>	<u>(3,216,981)</u>	<u>(17,409,148)</u>	<u>(12,422,819)</u>
Other Financing Sources (Uses)				
Transfers in	1,946,650	3,742,448	1,060,357	1,077,587
Transfers out	(1,785,558)	(2,086,473)	(797,541)	(866,099)
Proceeds from certificates of participation	-	25,837,296	41,610,000	-
Bond proceeds	205,949	-	-	-
Refunding bonds issued	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Bond premium	-	-	-	-
Insurance proceeds	-	-	-	-
Sale of capital assets	5,000	-	-	-
Installment financing issued	-	-	-	2,875,000
Contribution to TDA	-	-	-	-
Total other financing sources (uses)	<u>372,041</u>	<u>27,493,271</u>	<u>41,872,816</u>	<u>3,086,488</u>
Net change in fund balances	<u>\$ (746,205)</u>	<u>\$ 24,276,290</u>	<u>\$ 24,463,668</u>	<u>\$ (9,336,331)</u>
Debt service as a percentage of noncapital expenditures	7.80%	7.10%	7.57%	10.68%

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	64,439,584	\$	66,018,584	\$	67,108,338	\$	67,640,556	\$	68,869,266	\$	69,683,310
	23,380,137		20,674,811		16,265,083		16,463,074		17,504,095		18,596,584
	2,646,547		1,853,877		1,716,654		1,839,151		1,647,165		1,020,464
	<u>90,466,268</u>		<u>88,547,272</u>		<u>85,090,075</u>		<u>85,942,781</u>		<u>88,020,526</u>		<u>89,300,358</u>
	19,838,087		23,056,971		22,579,216		23,955,738		20,506,382		20,714,436
	2,555,970		1,259,149		1,303,741		1,259,908		1,570,092		1,638,646
	7,395,847		8,060,928		5,606,937		5,808,063		5,204,757		5,657,362
	2,780,131		1,161,801		614,221		821,618		761,199		675,311
	2,732,901		1,708,592		1,692,157		1,289,906		2,158,119		1,112,638
	<u>125,769,204</u>		<u>123,794,713</u>		<u>116,886,347</u>		<u>119,078,014</u>		<u>118,221,075</u>		<u>119,098,751</u>
	13,046,727		14,533,347		10,460,904		17,181,746		11,345,895		13,818,252
	27,503,940		28,865,600		30,198,709		31,113,589		30,683,571		30,360,366
	715,577		821,125		612,539		645,457		579,882		770,928
	2,900,510		3,096,497		2,823,059		3,414,401		3,333,698		2,778,708
	31,776,627		32,308,980		28,796,898		28,494,208		26,736,224		26,102,907
	3,618,956		3,018,141		4,283,758		4,462,354		3,829,304		4,087,986
	36,524,184		48,916,897		32,884,958		29,708,049		22,798,061		24,025,977
	14,678,560		3,321,887		1,197,171		2,433,642		3,231,758		3,862,734
	7,535,472		14,324,588		8,947,223		9,654,619		10,189,756		10,630,317
	4,640,599		5,505,708		5,612,835		4,929,086		5,084,218		3,967,959
	-		-		-		-		-		4,841,690
	<u>142,941,152</u>		<u>154,712,770</u>		<u>125,818,054</u>		<u>132,037,151</u>		<u>117,812,367</u>		<u>125,247,824</u>
	<u>(17,171,948)</u>		<u>(30,918,057)</u>		<u>(8,931,707)</u>		<u>(12,959,137)</u>		<u>408,708</u>		<u>(6,149,073)</u>
	2,540,801		1,828,034		4,000,986		2,217,302		1,339,807		6,848,652
	(2,322,657)		(1,662,542)		(3,821,922)		(2,018,943)		(1,205,208)		(5,999,421)
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		17,037,084		-		-		41,151,000
	-		-		(17,282,996)		-		-		(36,110,000)
	-		-		848,430		-		-		-
	-		-		-		-		-		6,000,125
	-		-		-		-		-		-
	32,273,000		5,645,000		14,687,899		7,744,460		249,378		413,539
	-		-		-		-		-		(461,316)
	<u>32,491,144</u>		<u>5,810,492</u>		<u>15,469,481</u>		<u>7,942,819</u>		<u>383,977</u>		<u>11,842,579</u>
\$	<u>15,319,196</u>	\$	<u>(25,107,565)</u>	\$	<u>6,537,774</u>	\$	<u>(5,016,318)</u>	\$	<u>792,685</u>	\$	<u>5,693,506</u>
	9.49%		13.10%		11.73%		11.84%		13.35%		12.03%

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

Fiscal Year	Residential Property	Real Property Commercial Property	Industrial Property	Present-use Value (1)	Personal Property
2004	\$ 5,938,575,453	\$ 984,707,640	\$ 186,990,000	\$ 175,533,400	1,304,635,023
2005	6,116,732,717	1,042,055,875	*	175,077,500	1,373,596,646
2006	6,300,234,699	1,103,108,886	*	176,733,520	1,406,919,730
2007	6,202,171,841	1,201,065,700	177,020,530	115,788,123	1,722,357,586
2008	9,117,452,386	1,287,653,289	*	153,220,366	1,769,324,843
2009	8,934,833,585	1,748,314,967	220,892,345	142,880,776	1,715,328,348
2010	9,092,887,260	1,763,941,443	203,969,345	146,464,425	1,681,442,498
2011 (5)	9,220,396,484	1,799,570,575	222,759,000	158,081,190	1,588,713,764
2012	8,476,402,185	1,411,863,040	195,764,850	152,004,206	1,617,858,308
2013	8,047,908,421	1,718,687,844	421,967,800	150,329,169	1,657,680,403

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 North Carolina 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

Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 160,976,534	\$ 8,751,418,050	\$ 0.4750	\$ 9,470,206,742
161,003,632	8,868,466,370	0.4750	10,257,305,540
168,808,340	9,155,805,175	0.5150	10,921,871,854
193,340,879	9,611,744,659	0.5650	9,813,911,230
198,266,344	12,525,917,228	0.4620	13,802,663,612
198,684,287	12,960,934,308	0.4620	14,865,161,496
203,783,025	13,092,487,996	0.4620	15,016,043,120
201,935,623	13,191,456,636	0.4620	13,801,482,147
199,963,948	12,053,856,537	0.5136	12,599,412,233
207,220,867	12,203,794,504	0.5136	12,578,268,139

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

	Fiscal Year			
	2004	2005	2006	2007
Henderson County	\$ 0.4750	\$ 0.4750	\$ 0.5150	\$ 0.5650
Municipality Rates:				
Hendersonville	0.4300	0.4300	0.4300	0.4300
Laurel Park	0.3000	0.3100	0.3100	0.3350
Fletcher	0.2500	0.2700	0.2700	0.2200
Mills River	0.0700	0.0750	0.0750	0.0750
Flat Rock	-	-	0.0850	0.0850
Saluda	0.5000	0.5000	0.5000	0.5400
Downtown - Main Street	0.3000	0.3000	0.3000	0.3000
Downtown - Seventh Ave.	0.1000	0.1000	0.1000	0.1000
Fire Districts:				
Bat Cave	0.0900	0.0900	0.0900	0.0900
Blue Ridge	0.0800	0.0950	0.0950	0.0950
Dana	0.0900	0.0900	0.0900	0.1000
Edneyville	0.0900	0.0900	0.0925	0.0950
Etowah-Horse Shoe	0.0750	0.0750	0.0850	0.0850
Fletcher	0.0950	0.0950	0.0950	0.0950
Gerton	0.1200	0.1150	0.1150	0.1150
Green River	0.0750	0.0750	0.0750	0.0750
Mills River	0.0600	0.0650	0.0650	0.0650
Mountain Home	0.0950	0.1050	0.1050	0.1050
Raven Rock	0.0900	0.0900	0.0900	0.0900
Valley Hill	0.0800	0.0800	0.0800	0.0800
Valley Hill II	0.0800	0.0800	0.0800	0.0800

Source: Henderson County Tax Collector

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.5136	\$ 0.5136
0.3800	0.3800	0.3800	0.3800	0.4100	0.4100
0.2700	0.2700	0.3100	0.3100	0.3600	0.3600
0.2700	0.2700	0.3200	0.3200	0.3250	0.3250
0.0750	0.0750	0.0750	0.0750	0.0874	0.0974
0.0750	0.0750	0.0750	0.0750	0.0840	0.0840
0.6050	0.6050	0.5150	0.5150	0.6250	0.6050
0.2500	0.2500	0.2500	0.2500	0.2800	0.2800
0.1000	0.0800	0.0800	0.0800	0.1200	0.1200
0.0800	0.0900	0.0900	0.0900	0.1000	0.1000
0.0850	0.0850	0.0850	0.0850	0.0950	0.0950
0.1000	0.1000	0.1000	0.1000	0.1100	0.1100
0.0850	0.0850	0.0850	0.0850	0.0950	0.0950
0.0800	0.0850	0.0850	0.0850	0.0950	0.0950
0.0950	0.0950	0.0950	0.0950	0.1000	0.1000
0.1150	0.1150	0.1150	0.1150	0.1250	0.1250
0.0600	0.0600	0.0600	0.0600	0.0650	0.0650
0.0650	0.0650	0.0650	0.0650	0.0750	0.0750
0.0950	0.0950	0.0950	0.0950	0.1050	0.1050
0.0750	0.0750	0.0750	0.0750	0.0850	0.0850
0.0700	0.0700	0.0700	0.0700	0.0800	0.0800
0.0700	0.0700	0.0700	0.0700	NA	NA

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2013</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Continental Automotive Systems Inc.	Automobile brake systems	\$ 113,418,734	1	0.93%
Meritor Heavy Vehicle Systems	Truck axles	64,357,315	2	0.53%
Berkley Mills	Textiles	63,320,600	3	0.52%
UPM Raflatac Inc.	Paper products	57,188,206	4	0.47%
Wilsonart International, Inc.	Laminate products	45,934,328	5	0.38%
Borg-Warner Automotive Cooling	Automobile cooling systems	33,509,596	6	0.28%
GE Lighting Systems Inc.	Lighting equipment	29,846,383	7	0.25%
Morris Broadband LLC	Multimedia Cable Company	28,033,494	8	0.23%
Ingles Markets	Retail Grocery	25,632,718	9	0.21%
Kyocera Industrial Ceramics Corp	Communications Equipment	17,551,700	10	0.14%
Totals		<u>\$ 478,793,074</u>		3.94%

Source: Henderson County Assessor

Note: N/A - information not available

Fiscal Year 2003		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$ 99,946,800	1	1.33%
88,654,800	3	1.18%
91,773,600	2	1.22%
88,466,600	4	1.18%
33,375,200	8	0.44%
31,035,400	9	0.41%
47,160,600	5	0.63%
N/A	N/A	0.00%
N/A	N/A	0.00%
N/A	N/A	0.00%
\$ <u>480,413,000</u>		6.40%

**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>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>
	<u>Amount</u>	<u>Percentage of Original Levy</u>					
2004	\$ 41,378,068	\$ 210,365	\$ 41,588,433	\$ 40,302,593	96.91%	\$ 1,133,128	
2005	42,241,452	51,043	42,292,495	41,166,934	97.34%	968,937	
2006	46,981,907	229,493	47,211,400	45,835,220	97.09%	1,205,125	
2007	54,697,004	(357,661)	54,339,343	52,721,515	97.02%	1,330,035	
2008	58,186,499	64,973	58,251,472	56,887,367	97.66%	1,145,543	
2009	60,238,220	(244,892)	59,993,328	58,473,336	97.47%	1,290,234	
2010	60,846,087	(276,429)	60,569,659	59,003,033	97.41%	1,348,977	
2011	61,296,106	(268,085)	61,028,021	58,085,624	95.18%	2,548,490	
2012	61,814,359	(215,538)	61,598,821	59,928,822	97.29%	1,159,706	
2013	62,467,870	(155,714)	62,312,153	60,535,291	97.17%	-	

Source: Henderson County Tax Collector

Total Collections to Date		
Amount	Percentage of Adjusted Levy	Uncollected
\$ 41,435,721	99.63%	\$ 152,713
42,135,871	99.63%	130,108
47,040,345	99.64%	170,500
54,051,550	99.47%	287,793
58,032,910	99.62%	218,562
59,763,570	99.62%	229,757
60,352,010	99.64%	217,651
60,634,114	99.35%	393,904
61,088,528	99.17%	524,553
60,535,291	97.15%	1,776,862
		<u>\$ 4,102,403</u>

**Schedule 9
Henderson County
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					General Obligation Bonds
	General Obligation Bonds	Limited Obligation Bonds	Installment Contracts	Installment Purchases	Other	
2004	\$ 10,645,000	\$ -	\$ 20,635,000	\$ 18,415,037	\$ 1,425,550	\$ 1,238,000
2005	8,640,000	-	45,240,000	16,751,301	1,054,197	1,209,000
2006	6,680,000	-	84,950,000	15,473,676	532,952	1,178,000
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	-
2012	-	13,725,320	56,140,000	43,416,940	-	-
2013	-	52,909,398	16,328,539	39,377,603	-	-

Note: 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. Personal income data is not yet available for FY2013.

Business - Type Activities

Limited Obligation Bonds	Installment Purchases	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
- \$	- \$	52,358,587	\$ 554	1.96%
-	-	72,894,498	758	2.54%
-	-	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	3.29%
1,484,680	2,000,000	116,766,940	1,077	3.02%
1,315,723	1,866,667	111,797,930	1,032	*

Schedule 10
Henderson County
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

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					
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	0.40%	0.12%	142	
2012	-	15,210,000	2,295,000	12,915,000	0.33%	0.11%	119	
2013	-	54,225,121	2,889,000	51,336,121	-	0.42%	474	

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. Personal income data is not yet available for 2013.

(2) See Schedule 5 for assessed property valuation data.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Value of Property	\$ 8,751,418	\$ 8,868,466	\$ 9,155,805	\$ 9,611,745
Debt Limit, 8% of Assessed Value (Statutory Limitation)	700,113	709,477	732,464	768,940
Amount of Debt Applicable to Limit:				
Less: Gross debt	<u>52,359</u>	<u>72,894</u>	<u>108,815</u>	<u>106,571</u>
Less: Debt outstanding for water and sewer purposes	<u>1,238</u>	<u>1,209</u>	<u>1,178</u>	<u>3,019</u>
Total net debt applicable to limit	<u>51,121</u>	<u>71,685</u>	<u>107,637</u>	<u>103,552</u>
Legal Debt Margin	<u>\$ 647,754</u>	<u>\$ 637,792</u>	<u>\$ 624,827</u>	<u>\$ 665,388</u>
Total debt applicable to the limit as a percentage of debt limit	7.48%	10.10%	14.70%	13.47%

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 12,525,917	\$ 12,960,934	\$ 13,092,488	\$ 13,191,457	\$ 12,053,856	\$ 12,203,794
1,002,073	1,036,874	1,047,399	1,055,316	964,308	976,304
<u>130,998</u>	<u>122,006</u>	<u>127,055</u>	<u>125,154</u>	<u>114,767</u>	<u>111,798</u>
<u>2,701</u>	<u>2,384</u>	<u>1,922</u>	<u>1,711</u>	<u>1,485</u>	<u>3,182</u>
<u>128,297</u>	<u>119,622</u>	<u>125,133</u>	<u>123,443</u>	<u>113,282</u>	<u>108,616</u>
<u>\$ 873,776</u>	<u>\$ 917,252</u>	<u>\$ 922,266</u>	<u>\$ 931,873</u>	<u>\$ 851,026</u>	<u>\$ 867,688</u>
12.80%	11.54%	11.95%	11.70%	11.75%	11.13%

**Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013**

<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	\$ 111,797,930	100.00%	\$ 111,797,930
Overlapping:			
City of Hendersonville	2,440,000	100.00%	2,250,000
Town of Fletcher	9,639,632	100.00%	<u>9,300,000</u>
Total overlapping debt			11,550,000
Total direct and overlapping debt			<u>\$ 123,347,930</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those governments that is borne by the residents and businesses of the city or town 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>
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	3,805,442	35,577	13,177	7.90%	15,799
2012	108,448	3,869,462	35,853	13,197	8.20%	16,114
2013	108,340	*	*	13,316	6.60%	18,918

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.

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

Employer	2013		
	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1873	1	3.64%
Margaret R. Pardee Hospital	1198	2	2.33%
Park Ridge Hospital	1174	3	2.28%
Henderson County	730	4	1.42%
Wilsonart International Inc.	664	5	1.29%
Meritor Heavy Vehicle Systems LLC	480	9	0.93%
General Electric	440	8	0.85%
Ingles Markets Inc.	406	6	0.79%
Wal-Mart Associates Inc.	395	8	0.77%
UPM Raflatac	351	10	0.68%

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

<u>Function/Program</u>	Full-Time Equivalent				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	89	93	97	103	104
Public safety	228	236	258	271	265
Environmental protection	22	22	23	23	21
Economic and physical development	20	21	21	21	22
Human Services	239	251	263	273	272
Cultural and recreation	49	48	50	50	54
Total	<u>647</u>	<u>671</u>	<u>712</u>	<u>741</u>	<u>738</u>

Source: Human Resources Department

Note: This schedule represents number of persons employed as of June 30 of each year.
Full-time personnel work from 1950 to 2080 base hours per year (less vacation and sick leave).

Employees As of June 30

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
106	98	95	97	100
271	266	274	261	269
23	18	20	22	22
22	23	23	22	22
281	285	288	272	267
<u>56</u>	<u>48</u>	<u>51</u>	<u>49</u>	<u>50</u>
<u><u>759</u></u>	<u><u>738</u></u>	<u><u>751</u></u>	<u><u>723</u></u>	<u><u>730</u></u>

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

Function	2004	2005	2006	2007
<u>General Government</u>				
# of Registered Voters	70,558	67,992	70,510	71,431
<u>Public Safety</u>				
# of building permits issued	4,040	4,158	4,433	4,014
# of calls dispatched	84,727	87,875	88,884	103,320
<u>Human Services</u>				
# of food & lodging sites inspected	1,686	1,654	1,701	1,745
# of Health clients served	9,477	9,503	9,317	9,038
<u>Economic and Physical Development</u>				
Number of major subdivision plan reviews	22	36	44	50
<u>Cultural and Recreation</u>				
Library book circulation	785,999	818,842	916,649	929,304
<u>Education</u>				
Total \$ spent per ADM	\$ 1,850	\$ 1,820	\$ 1,920	\$ 2,151
<u>Enterprise Fund - Landfill</u>				
Solid waste generated # tons/day	310	280	343	314

Source: Fiscal year data for various governmental and business-type functions.

Note: Health client totals do not include Foreign Travel services. The decline in the # of food & 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. The decline in major subdivision plan reviews is related to the downturn in the economy that began in late 2008. The increase in building permits issued in 2012 and 2013 for new residential and commercial construction is due to an improving local economy.

Fiscal Year					
2008	2009	2010	2011	2012	2013
74,823	74,581	76,117	75,821	78,326	76,224
4,990	4,471	4,915	4,735	5,077	6,025
133,644	120,202	117,422	131,706	133,353	140,288
1,461	1,431	1,492	1,546	1,479	1,545
9,580	10,250	13,210	12,494	12,090	11,344
29	11	4	2	3	5
955,670	952,439	972,262	987,905	947,866	981,738
\$ 2,286	\$ 2,426	\$ 2,281	\$ 2,319	\$ 2,162	\$ 2,226
255	272	245	203	218	240

]

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

Function	Fiscal Year			
	2004	2005	2006	2007
<u>Public Safety</u>				
Sheriff's Department:				
Stations	1	1	1	1
Vehicles	121	124	130	130
<u>Cultural and Recreation</u>				
Park Acreage	305	305	320	320
Parks	7	7	7	7
Ballfields and courts	27	27	31	31
Libraries	5	6	6	6

Source: Various County Departments

Fiscal Year					
2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
136	159	162	163	176	168
320	320	320	320	323	349
7	8	8	8	8	10
31	31	31	31	36	35
6	6	6	6	6	6

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COMPLIANCE SECTION

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Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Commissioners
Henderson County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 31, 2013. Our report includes a reference to other auditors who audited the financial statements of Henderson County Hospital Corporation as described in our report on Henderson County's financial statements. The financial statements of Henderson County Hospital Corporation and the Henderson County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henderson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henderson County's internal control. Accordingly, we do not express an opinion on the effectiveness of County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, 2013-001, 2013-002, and 2013-003 described in the accompanying Schedule of Findings, Responses, and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2013-001 and 2013-003.

Henderson County's Responses to Findings

Henderson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 31, 2013

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

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

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance with OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Henderson County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the compliance of Henderson County, North Carolina with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Henderson County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing, such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Henderson County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Henderson County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Henderson County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henderson County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 31, 2013

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

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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance with OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Henderson County, North Carolina

Report on Compliance for Each Major State Program

We have audited the compliance of Henderson County, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Henderson County's major State programs for the year ended June 30, 2013. Henderson County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Henderson County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of Henderson County's compliance.

Opinion on Each Major State Program

In our opinion, Henderson County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Henderson County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henderson County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on our requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 31, 2013

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Non-compliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, section .510(a)? Yes X No

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.720, 93.775, 93.777, 93.778
TANF Cluster	93.558, 93.714, 93.716

Dollar threshold used to distinguish between Type A and Type B Programs \$2,618,024

Auditee qualified as low-risk auditee? Yes X No

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2. Findings Related to the Audit of the Basic Financial statements

2013-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting and to insure compliance with General Statutes and other Administrative Codes. (DSS and SSA)

Condition: Lack of monitoring and review associated with the Social Services Trust Fund resulting in General Statute and Administrative Code violations.

Context: While performing documentation and testing of the Social Services Trust Fund, it was noted that returned benefit checks were not being submitted back to the State in a timely manner.

Effect: Violations of General Statutes and Administrative Codes.

Cause: There are a limited number of personnel for certain functions of review and monitoring.

Recommendation: The returned benefit checks should be returned to the proper State Agency. Management should establish a more defined and timely review of General Statute requirements.

Contact Person: Carey McLelland, Finance Director

Management's Response: Management acknowledges the existence of the weakness, concurs with the finding; and has taken the necessary steps to correct this violation.

2013-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicated that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Context: The external auditor identified significant audit adjustments as defined above.

Effect: Internal financial statements, provided to management during the year, may report results that are significantly different than the audited results provided after year-end.

Cause: Insufficient monthly reconciliations and inherent limitations due to the size of finance staff.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the County's available resources.

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Name of Contact Person: Carey McLelland, Finance Director

Management's Response: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus, reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

Finding 2013-003:

Criteria: North Carolina General Statutes require that the County have policies and procedures in place to monitor budgetary compliance throughout the year. Management should have a control system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, there were several violations of the General Statutes regarding expenditures exceeding appropriations and a fund operating in a deficit.

Effect: The County was in violation of North Carolina General Statutes.

Cause: The County expended more than had been budgeted in the budget ordinance, and budget amendments had not been made for these items. There was a lack of monitoring and insufficient controls over budget compliance.

Context: The County expended more than was budgeted and had a fund at year-end with a deficit fund balance.

Recommendation: Implement stringent budgetary preparation controls and monitoring controls to prevent expenditures exceeding appropriations. Management should review its policies and procedures regarding budget amendments to determine if modifications are necessary.

Name of Contact Person: Carey McLelland, Finance Director

Management's Response/Corrective Action: Management concurs with the condition and the recommendation. The County will consult with auditors prior to year-end to discuss measures for developing estimates for year-end closeout.

Proposed Completion Date: Immediately

HENDERSON COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

3. Federal Award Findings, Responses, and Questioned Costs

None reported

4. State Award Findings, Responses, and Questioned Costs

None reported

HENDERSON COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding: 2012-01

Status: Repeated as 2013-001

Finding: 2012-02

Status: Repeated as 2013-002

Finding: 2012-03

Status: Corrected

HENDERSON COUNTY GOVERNMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Fed.(Direct and Pass-Through) Expenditures	State Expenditures
Federal Awards:				
<u>U. S. Department of Agriculture</u>				
<u>Food and Nutrition Service</u>				
Passed-Through N.C. Department of Health and Human Services:				
Division of Social Services:				
Administration:				
<u>Supplemental Nutrition Assist. Program:</u>				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program Cluster	10.561		\$ 741,238	\$ -
Food Distribution	10.570		39,252	-
Total Supplemental Nutrition Assist. Program			<u>780,490</u>	<u>-</u>
Passed-Through N.C. Department of Health and Human Services:				
Division of Public Health				
Administration:				
Special Supplemental Nutrition Program for Women,				
Infants, and Children	10.557		511,048	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women,				
Infants, and Children	10.557		1,700,545	-
Total U.S. Department of Agriculture			<u>2,992,083</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through N.C. Department of Commerce:				
Community Development Block Grant, State Administered CDBG Cluster				
CDBG - Sierra Nevada Water/Sewer Project	14.228	07-D-2388	350,863	-
CDBG - Scattered Site Housing	14.228	11-C-2316	11,000	-
CDBG - Talley Drive Project	14.228	09-C-2066	266,359	-
Total Community Development Block Grant			<u>628,222</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>628,222</u>	<u>-</u>
<u>U.S. Department of Energy</u>				
Passed-Through Triangle J Council of Governments:				
ARRA - Conservation Research and Development Program Grant				
Carolina Blue Skies and Green Jobs Initiative	81.086		161,650	-
Total U.S. Department of Energy			<u>161,650</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>				
Passed-Through the N.C. Department of Environmental and Natural Resources:				
Non-Point Source Pollution Control Grant				
Total Environmental Protection Agency	66.460		<u>167,306</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Program:				
Federal Drug Forfeiture Program	16.000		91,855	-
Passed-Through N.C. Department of Crime Control and Public Safety:				
JAG Program Cluster				
Recovery Act-Edward Byrne Memorial Justice Assistance Grant				
(JAG) Program/Grants to Units of Local Government	16.804		11,032	-
Total JAG Program Cluster			<u>11,032</u>	<u>-</u>
State Criminal Alien Assistance Program	16.606		21,721	-
Total U.S. Department of Justice			<u>124,608</u>	<u>-</u>

HENDERSON COUNTY GOVERNMENT

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Fed.(Direct and Pass-Through) Expenditures	State Expenditures
<u>U. S. Election Assistance Commission</u>				
Passed-Through N.C. State Board of Elections Help America Vote Act Requirements Payments	90.401		6,412	-
Total U. S. Election Assistance Commission			<u>6,412</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed-Through N.C. Department of Public Safety: Hazardous Materials Emergency Planning Grant	20.703		8,431	-
Total Department of Public Safety Cluster			<u>8,431</u>	<u>-</u>
<u>Federal Transit Administration</u>				
Passed-Through N.C. Department of Transportation: Administration: Federal Transit Cluster				
Federal Transit- Formula Grants	20.507		297,979	-
Total Federal Transit Cluster			<u>297,979</u>	<u>-</u>
<u>Federal Highway Administration</u>				
Passed-Through N.C. Department of Transportation: Highway Safety Cluster				
State and Community Highway Safety	20.600		81,422	-
Total Highway Safety Cluster			<u>81,422</u>	<u>-</u>
Total U.S. Department of Transportation			<u>387,832</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed-Through N.C. Department of Crime Control and Public Safety: Emergency Management Performance Grant	97.042		49,878	-
Homeland Security Grant Program - Mobile Generator/Light Tower Project	97.067		60,977	-
Homeland Security Grant Program - Emergency Exercise Grant	97.067		31,816	-
Total U.S. Department of Homeland Security			<u>142,671</u>	<u>-</u>
<u>U. S. Department of Health and Human Services</u>				
<u>Administration for Children and Families</u>				
Passed-Through N.C. Department of Health and Human Services: Division of Aging and Adult Services: Division of Social Services:				
SSBG	93.667		-	12,500
Temporary Assistance for Needy Families	93.558		5,055	-
SSBG- State In Home Services	93.667		52,903	-
SSBG -State Adult Day Care	93.667		7,053	6,947
APS	93.667		21,753	-
CPS TANF to SSBG	93.667		143,023	-
Respite	93.667		21,890	626
<u>Temporary Assistance for Needy Families Cluster</u>				
Temporary Assistance for Needy Families (TANF)/ Work First	93.558		1,181,343	1,108
TANF/ Work First- Direct Benefit Payments	93.558		851,206	-
Total TANF Cluster			<u>2,284,226</u>	<u>21,181</u>
Division of Social Services:				
Promoting Safe and Stable Families	93.556		9,254	-
Direct Benefit Payments - AFDC	93.560		(488)	(134)
N.C. Child Support Enforcement Section - IV-D Administration	93.563		441,118	-
Low Income Home Energy Assistance Block Grant: Administration	93.568		65,741	-
Crisis Intervention Program	93.568		491,745	-
Low Income Home Energy Assistance	93.568		216,800	-

HENDERSON COUNTY GOVERNMENT

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Fed.(Direct and Pass-Through) Expenditures	State Expenditures
Child Welfare Services - State Grants - Permanency Planning Grant - Families for Kids	93.645		43,338	116
Child Welfare Services - State Grants - Adoption Subsidy - Direct Benefit Payments	93.645		-	221,932
SSBG - Other Service and Training	93.667		212,069	22,369
Independent Living Grant - LINKS	93.674		22,100	3,548
Total Division of Social Services			<u>1,501,677</u>	<u>247,831</u>
<u>Foster Care and Adoption Cluster³:</u>				
Division of Social Services:				
Title IV-E Foster Care- Administration	93.658		392,098	-
Foster Care- Direct Benefits Payments	93.658		390,196	101,201
Foster Care - Adoption	93.658		277,027	53,926
Foster Care IV-E - CPS	93.658		236,315	88,684
Adoption Assistance	93.659		25,670	-
Adoption Assistance-Direct Benefit Payments	93.659		599,350	159,341
Total Foster Care and Adoption Cluster ³			<u>1,920,656</u>	<u>403,152</u>
<u>Subsidized Child Care Cluster³</u>				
<u>Child Care Development Cluster:</u>				
Division of Social Services:				
Childcare Development Fund - Administration	93.596		123,605	-
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575		797,177	-
Child Care and Development Fund - Mandatory	93.596		358,199	-
Child Care and Development Fund - Match	93.596		714,590	325,037
Total Child Care Development Fund Cluster			<u>1,993,571</u>	<u>325,037</u>
Temporary Assistance for Needy Families	93.558		459,136	-
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families				
Social Security Block Grant	93.667		12,240	-
FC Title IV-E	93.658		21,482	10,558
State Appropriations	XXXX		-	301,508
TANF - Maintenance of Effort	XXXX		-	221,672
Total Subsidized Child Care Cluster ³			<u>2,486,429</u>	<u>858,775</u>
Total Administration for Children and Families			<u>8,192,988</u>	<u>1,530,939</u>
<u>Centers for Medicare and Medicaid Services</u>				
Passed-Through N.C. Department of Health and Human Services:				
Medicaid Cluster				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778		71,611,272	40,138,272
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778		1,555,481	42,726
Total Medicaid Cluster			<u>73,166,753</u>	<u>40,180,998</u>
State Children's Insurance Program - N.C. Health Choice	93.767		75,295	3,788
Total Centers for Medicare and Medicaid Services			<u>73,242,048</u>	<u>40,184,786</u>

HENDERSON COUNTY GOVERNMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Fed.(Direct and Pass-Through) Expenditures	State Expenditures
<u>Centers for Disease Control and Prevention</u>				
Passed-Through N.C. Department of Health and Human Services:				
Division of Public Health:				
Immunization Grants	93.268		18,115	-
Statewide Health Promotion Program	93.991		16,467	-
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		27,825	5,100
Division of Community Health:				
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283		137,378	-
Public Health Emergency Preparedness	93.069		52,199	-
<u>Health Resources and Services Administration</u>				
Passed-Through N.C. Department of Health and Human Services:				
Division of Public Health:				
State Health Access Program	93.256		11,004	-
Maternal and Child Health Services Block Grant	93.994		145,681	109,274
<u>Office of the Population Affairs</u>				
Passed-Through N.C. Department of Health and Human Services:				
Division of Public Health:				
Family Planning Services	93.217		30,521	-
<u>Administration on Aging</u>				
<u>Division of Aging and Adult Services</u>				
Passed-Through Land of the Sky Regional Council:				
<u>Aging and Adult Services</u>				
Title III B (Legal, Access, In-Home)	93.044	NC-02	207,189	301,512
Title III C1 (Congregate Nutrition)	93.045	NC-02	16,774	987
Title III C2 (Home-Delivered Meals)	93.045	NC-02	125,314	115,327
SSBG - Respite	93.667	NC-02	21,890	626
Total Aging and Adult Services			371,167	418,452
Total Administration on Aging			371,167	418,452
<u>Administration for Community Living</u>				
Passed-Through N.C. State Board of Elections				
HAVA - Voting Access for Individuals with Disabilities Grant	93.617		13,008	-
Total U. S. Department of Health and Human Services			82,258,401	42,248,551
Total Federal Awards			87,267,450	42,248,551

HENDERSON COUNTY GOVERNMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Fed.(Direct and Pass-Through) Expenditures	State Expenditures
State Awards:				
<u>N.C. Department of Cultural Resources</u>				
Division of State Library:				
State Aid to Public Libraries	XXXX			129,425
Total N. C. Department of Cultural Resources				<u>129,425</u>
<u>N.C. Department of Environment and Natural Resources</u>				
Clean Water Management Trust Fund Grant	XXXX			95,774
Environmental Health	XXXX			22,556
Abandoned Manufactured Home Removal Grant Program	XXXX			15,651
Electronics Management Grant Program	XXXX			6,224
Total N. C. Department of Environment and Natural Resources				<u>140,205</u>
<u>N.C. Department of Agriculture and Consumer Services</u>				
NCADFP Trust Fund Grant	XXXX			5,356
Total N. C. Department of Agriculture and Consumer Services				<u>5,356</u>
<u>N.C. Department of Health and Human Services</u>				
Division of Public Health:				
Food and Lodging Fees	XXXX			15,761
Environmental Health	XXXX			4,000
ESMM Community Grants	XXXX			9,300
Mosquito-Public Health Pesticide	XXXX			2,795
General Aid to Counties	XXXX			91,732
Public Health Nursing	XXXX			1,200
General Communicable Disease Control	XXXX			2,586
Women's Health Service Fund	XXXX			10,870
Interpreter Grant II				20,900
School Nurse Funding Initiative				100,000
Healthy Communities				2,839
Tuberculosis				11,722
TB Medical Service				540
Total Division of Public Health				<u>274,245</u>
Division of Social Services:				
State/County Special Assistance for Adults - Direct Benefit Payments	XXXX			1,001,891
State Foster Care Benefits Program	XXXX			25,140
Energy Assistance - Private Grants	XXXX			2,712
DCD Smart Start	XXXX			56,423
Total Division of Social Services				<u>1,086,166</u>
Total N.C. Department of Health and Human Services				<u>1,360,411</u>
<u>N.C. Department of Administration</u>				
Veteran Services	XXXX			1,452
Total N.C. Department of Administration				<u>1,452</u>
<u>Office of the Governor</u>				
Department of Juvenile Justice and Delinquency Prevention				
Juvenile Crime Prevention Council Programs	XXXX			190,958
Total Office of the Governor				<u>190,958</u>
<u>N.C. Department of Public Instruction</u>				
Public School Building Capital Fund:				
NC Education Lottery Proceeds	XXXX			935,017
Total N.C. Department of Public Instruction				<u>935,017</u>

HENDERSON COUNTY GOVERNMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Fed.(Direct and Pass-Through) Expenditures	State Expenditures
<u>N.C. Rural Economic Development Center</u>				
Rural Health Care Community Program Grant	XXXX			240,000
Total N.C. Rural Economic Development Center				<u>240,000</u>
<u>N.C. Department of Transportation</u>				
Rural Operating Assistance Program (ROAP)				
ROAP Elderly and Disabled Transportation Assistance Program	XXXX	DOT-16CL		85,560
ROAP Rural General Public Program	XXXX	DOT-16CL		98,000
ROAP Work First Transitional- Employment Transportation Assistance Program	XXXX	DOT-16CL		27,532
Total ROAP				<u>211,092</u>
Public Transportation Division				
State Maintenance Assistance Program	XXXX			156,618
Total N.C. Department of Transportation				<u>367,710</u>
<u>Golden Leaf Foundation</u>				
Economic Catalyst Grant Program	XXXX			39,000
Total State Awards				<u>3,409,534</u>
Total Federal and State Awards			<u>\$ 87,267,450</u>	<u>\$ 45,658,085</u>

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

1 Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and state grant activity of Henderson County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2 The following are cluster by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

Subsidized Child Care, Foster Care and Adoption, and Aging Programs