

**HENDERSON COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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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

November 7, 2014

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, 2014 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, 2014 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, 2014 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, 2014, 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 Tourism Development Authority (the "TDA") is authorized by State statute to collect an occupancy tax of 5 percent on gross revenues from hotel/motel/bed and breakfast occupancy within the corporate limits. Collections are remitted to the TDA. The TDA is presented as if it were a governmental type fund as of June 30, 2014. 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. The members of the TDA are appointed by the County Commissioners.

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 2,050 in Henderson County which ranks 15th in travel impact, among North Carolina's 100 Counties. The benefit derived from tourists visiting the County increased by 6.78 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 \$233.25 million. This provides an annual tax savings to each County resident of approximately \$185.00.

**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>
2014	592	\$116,820,046	4.9%
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%

The number of permits issued for new residential and commercial construction was up slightly by 1.0 percent from FY2013 and the total dollar value of those new permits increased by \$8.6 million or 7.0 percent. The local unemployment rate continued to improve during the fiscal year as local companies began hiring employees 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>
Continental Teves, Inc.	Automotive brake systems	603
Wilsonart International	Laminated plastics	584
Meritor Vehicle Systems	Truck axles	480
General Electric	Utility	420
UPM Raflatac, Inc.	Paper products	358
Borg-Warner	Automotive cooling systems	243
Manual Woodworkers	Wooden crafts and woven products	229

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 \$2.2 million over the previous fiscal year or 2.0 percent. Total General Fund expenditures increased by \$2.9 million or 2.8 percent over FY2013 primarily due to increased expenditures for public safety, human services and education. Total General Fund Balance increased by \$2,163,335 to \$41,537,760 and the Unassigned Fund Balance amount available for appropriation decreased by \$1.2 million to \$24,141,639 primarily due to more fund balance being assigned to balance the FY2015 budget. All other Governmental Funds ended the fiscal year in a positive financial position. The net position of the County's three Enterprise Funds decreased in FY2014 due to operating expenditures and transfers out to other Funds exceeding operating revenues and transfers in for the fiscal year.

The Board was a leader in bringing together a major project that included five partners in the process. Wingate University has a presence in Henderson County and requires more space due to growth. The Board of Commissioners is determined to keep Wingate here and provide the new space. The City of Hendersonville was involved and identified real property to construct a new facility. The City purchased the property and will deed it over to the County. Also, Blue Ridge Community College will also be housing their Allied Health Programs in this new facility. Lastly, Margaret R. Pardee Hospital will be constructing a Cancer Center in this new facility as well. The Board of Commissioners approved the project as well did the other partners and engaged architectural services to begin the design. The current rough estimate for this new 90,000 square foot facility is \$32 million which will be financed by the County. Construction on this major project is expected to begin in late FY2015 and completed in August 2016.

The Board was awarded a \$500,000 Parks and Recreation Trust Fund (PARTF) Grant and allocated funds to install artificial turf and lighting on a playing field located at the Henderson County Athletics and Activities Center. These field renovations were completed in FY2014.

The County was awarded a \$3.6 million grant by the North Carolina 911 Board for construction of a new 911 Emergency Communications Center at the current Law Enforcement Center and for the purchase of current state of the art emergency communications equipment for its new location. This project is scheduled to be completed before the end of FY2015.

The Board allocated funds to begin the planning for a new County park in the Tuxedo/Green River Community and renovations and repair to a park in the Dana Community. These two park projects will be completed in FY2015.

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 FY2014.

FOR THE FUTURE. For FY2015, the Board budgeted revenues conservatively without any tax increase. Sales tax revenues were increased due to an improving local economy. Expenditures for most County departments and other outside agencies were essentially held flat. Funding for the public schools and the community college was provided as requested. Funding was also provided for two future recreational park projects. Debt service rolling off in FY2014 is being transferred to the Capital Reserve Fund in FY2015 for future school capital projects. The Board budgeted \$8.7 million in Unassigned General Fund Balance to balance the FY2015 budget primarily to cover an increase in funding for public schools, service demands for emergency service departments and anticipated decreases in federal and state program revenues. A cost of living increase and performance pay was included in the FY2015 budget again after several years of no increases during the financial turn down in the economy.

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 \$24.1 million in Unassigned General Fund Balance or 22.1 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. 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).

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.

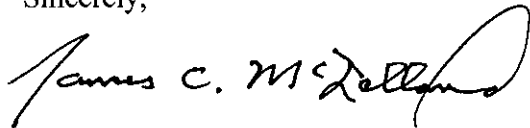
AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2013. This was the twenty-fifth consecutive year Henderson County received 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.

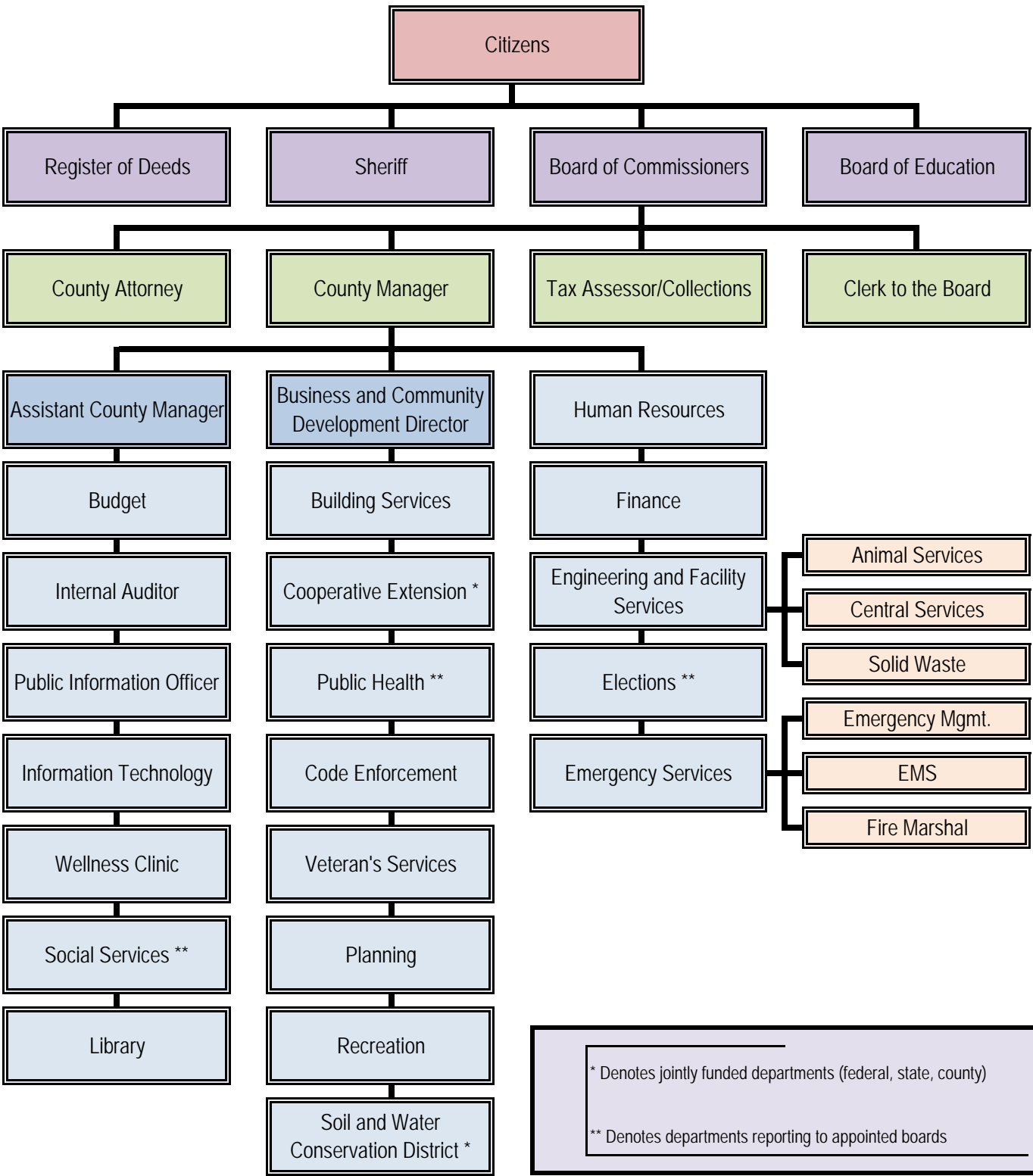
ACKNOWLEDGMENTS. A combined effort of Martin Starnes & Associates, CPAs, P.A., the Henderson County Finance Department Staff, the Internal Auditor and County Departments made preparation of this comprehensive annual financial report possible. Each has my sincere appreciation for their contributions made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

A handwritten signature in black ink that reads "James C. McLelland". The signature is fluid and cursive, with a large loop at the end of the last name.

J. Carey McLelland
Finance Director



* Denotes jointly funded departments (federal, state, county)

** Denotes departments reporting to appointed boards

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HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2014

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
Assistant County Manager.....	Amy Brantley
Animal Services Director.....	Brad Rayfield
Building Services Director.....	Thomas Stauffer
Business and Community Director	John Mitchell
Central Services Manager	David Berry
Clerk to the Board.....	Teresa L. Wilson
Clerk of Superior Court	Kimberly G. Justice
Code Enforcement Director	Toby Linville
County Assessor/Tax Collector	Stan Duncan
County Attorney.....	C. Russell Burrell
County Cooperative Extension Director	Marvin Owings, Jr.
County Engineer	Marcus Jones
Assistant County Engineer.....	Natalie Berry
Elections Director	Beverly Cunningham
Emergency Services Director/Fire Marshal.....	Rocky D. Hyder
EMS Manager	Michael Barnett
Environmental Programs Coordinator	Rachel A. Hodge
Finance Director.....	J. Carey McLelland
Human Resources Director	Janice Prichard
Information Technology Director	Becky Snyder
Internal Auditor	Darlene Burgess
Library Director	William E. Snyder, Jr.
Property Addressing Coordinator.....	Curtis Griffin
Public Health Director	Steven E. Smith
Public Information Officer.....	Kathryn Finotti
Public Transit Manager/Transportation Planner	Matt Cable
Purchasing Agent	Randall L. Cox
Recreation Director	Tim Hopkin
Register of Deeds.....	Nedra W. Moles
Research & Budget Analyst	Megan P. Powell
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 Director	Jamie Gibbs

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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, 2013

Executive Director/CEO

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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 Commissioners
Henderson County
Hendersonville, 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, 2014, 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 the Henderson County Hospital Corporation, which represents 99.5 percent, 99.5 percent, and 99.0 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 the Henderson County Hospital Corporation and 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, North Carolina, as of June 30, 2014, 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, 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, and statistical section 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, and other schedules 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, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical section 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 November 7, 2014 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
November 7, 2014

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HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2014

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, 2014. 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

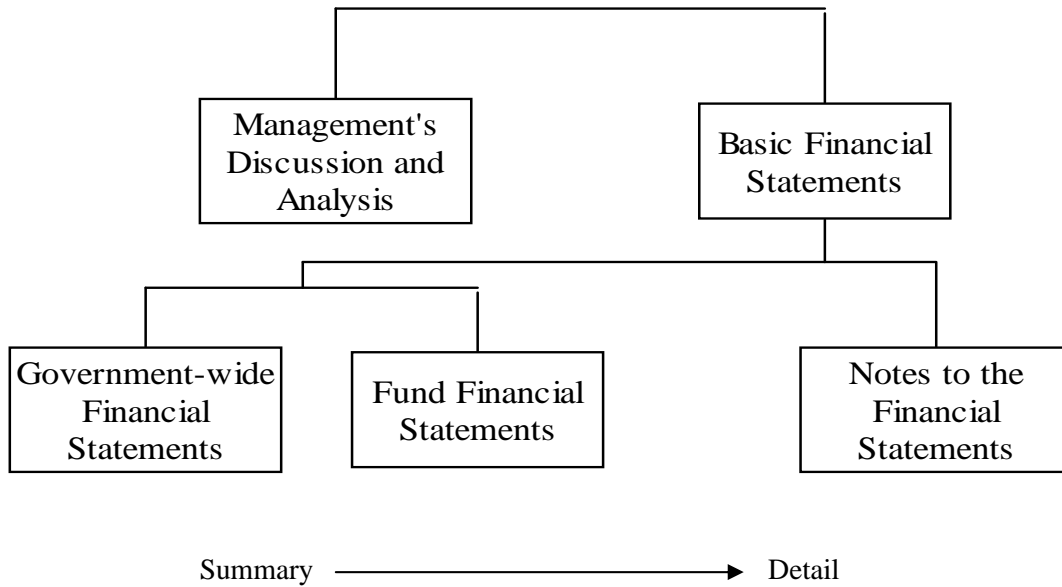
- The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$55,732,971 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$88,370,184 in long-term 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 \$10,284,045. Net position in the governmental activities increased by \$10,627,745. This was due primarily from a \$2.6 million increase in total assets and a \$7.3 million decrease in total liabilities over the prior fiscal year which provided a significant decrease in the unrestricted net position for governmental activities. Net position in the business-type activities decreased by \$343,700.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$55,801,598, an increase of \$1,892,256, in comparison with the prior year. Approximately 23 percent of this total amount, or \$13,058,924, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$33,269,648, or 30.71 percent, of total General Fund expenditures.
- Henderson County's total general obligation, limited obligation and installment note debt decreased \$11,066,093 (9.9 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:

Governmental 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 and Tourism Development Authority for which Henderson County is financially accountable. Financial information for these component units are 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 governmental 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets and Deferred Outflows:						
Current and other assets	\$ 69,657,112	\$ 65,674,080	\$ 5,774,293	\$ 7,009,468	\$ 75,431,405	\$ 72,683,548
Capital assets	78,482,525	79,340,991	21,976,932	21,306,516	100,459,457	100,647,507
Deferred outflows of resources	<u>4,872,967</u>	<u>4,872,967</u>	-	-	<u>4,872,967</u>	<u>4,872,967</u>
Total assets and deferred outflows	<u>153,012,604</u>	<u>149,888,038</u>	<u>27,751,225</u>	<u>28,315,984</u>	<u>180,763,829</u>	<u>178,204,022</u>
Liabilities and Deferred Outflows:						
Long-term liabilities	92,404,864	105,199,105	4,760,985	5,231,461	97,165,849	110,430,566
Other liabilities	26,292,539	21,270,544	989,741	740,324	27,282,280	22,010,868
Deferred inflows of resources	<u>78,628</u>	<u>313,662</u>	-	-	<u>78,628</u>	<u>313,662</u>
Total liabilities and deferred inflows	<u>118,776,031</u>	<u>126,783,311</u>	<u>5,750,726</u>	<u>5,971,785</u>	<u>124,526,757</u>	<u>132,755,096</u>
Net Position:						
Net investment in						
capital assets	73,306,086	73,911,997	19,160,584	18,124,127	92,466,670	92,036,124
Restricted	12,822,921	10,873,904	-	-	12,822,921	10,873,904
Unrestricted	<u>(52,396,535)</u>	<u>(61,681,174)</u>	<u>2,839,915</u>	<u>4,220,072</u>	<u>(49,556,620)</u>	<u>(57,461,102)</u>
Total net position	<u>\$ 33,732,472</u>	<u>\$ 23,104,727</u>	<u>\$ 22,000,499</u>	<u>\$ 22,344,199</u>	<u>\$ 55,732,971</u>	<u>\$ 45,448,926</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 \$55,732,971 as of June 30, 2014. The County's net position increased by \$10,284,045 for the fiscal year ended June 30, 2014. Net position of the County is reported in three categories: net investment in capital assets of \$92,466,670, restricted net position of \$12,822,921, and unrestricted net position of (\$49,556,620).

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 telephone, public transit, and education.

Another category of net position is unrestricted net position. At June 30, 2014, the total net deficit is (\$49,556,620).

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 \$88 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 97.81 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 4,737,513.
- Expenditures, transfers, and other financing uses in the General Fund exceeded revenues and other financing sources by \$2,163,335

Governmental Activities. Governmental activities increased the County's net position by \$10,627,745, or 103.3 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 \$343,700, or a -3.3 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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 8,006,234	\$ 7,278,106	\$ 5,875,638	\$ 5,562,362	\$13,881,872	\$12,840,468
Operating grants and contributions	21,334,661	21,680,229	150,304	246,534	21,484,965	21,926,763
Capital grants and contributions	102,842	-	180,418	106,573	283,260	106,573
General revenues:						
Property taxes	72,197,460	69,628,114	-	-	72,197,460	69,628,114
Other taxes	20,760,039	19,766,818	-	-	20,760,039	19,766,818
Other	(63,275)	6,675,512	53,943	92,795	(9,332)	6,768,307
Total revenues	<u>122,337,961</u>	<u>125,028,779</u>	<u>6,260,303</u>	<u>6,008,264</u>	<u>128,598,264</u>	<u>131,037,043</u>
Expenses:						
General government	14,762,338	17,913,612	-	-	14,762,338	17,913,612
Public safety	33,519,129	31,153,291	-	-	33,519,129	31,153,291
Environmental protection	424,250	921,122	-	-	424,250	921,122
Economic and physical development	2,628,397	2,832,831	-	-	2,628,397	2,832,831
Human services	27,594,630	26,875,838	-	-	27,594,630	26,875,838
Cultural and recreational	4,496,879	2,554,407	-	-	4,496,879	2,554,407
Education	25,261,561	24,025,977	-	-	25,261,561	24,025,977
Interest on long-term debt	2,969,032	3,614,839	-	-	2,969,032	3,614,839
Solid waste disposal	-	-	5,001,377	4,826,309	5,001,377	4,826,309
Other	-	-	1,656,626	935,598	1,656,626	935,598
Total expenses	<u>111,656,216</u>	<u>109,891,917</u>	<u>6,658,003</u>	<u>5,761,907</u>	<u>118,314,219</u>	<u>115,653,824</u>
Increase (decrease) in net position						
before transfers	10,681,745	15,136,862	(397,700)	246,357	10,284,045	15,383,219
Transfers	(54,000)	849,231	54,000	(849,231)	-	-
Increase (decrease) in net position	10,627,745	15,986,093	(343,700)	(602,874)	10,284,045	15,383,219
Net Position:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$33,732,472</u>	<u>\$23,104,727</u>	<u>\$22,000,499</u>	<u>\$22,344,199</u>	<u>\$55,732,971</u>	<u>\$45,448,926</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 \$33,269,648, while total fund balance was \$41,537,760. 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 30.45 percent of total General Fund expenditures and transfers out, while total fund balance represents 38.02 percent of that same amount.

At June 30, 2014, the governmental funds of the County reported a combined fund balance of \$55,801,598, a 3.51 percent increase from last year. This increase was primarily due to the positive budget to actual variance in the County's General Fund for FY2014 as compared to the previous fiscal year.

General Fund Budgetary Highlights. The County's financial position improved for FY2014 due to better than anticipated revenue collections in all but one 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 \$4.6 million under budget at fiscal year-end. On the revenue side, the largest positive budget variances were in the ad valorem property taxes, local option sales taxes, other taxes and licenses, permits and fees, and sales and services categories which combined to be \$5,256,645 over budget. However, this positive variance was offset by a negative budget to actual variance in investment earnings of \$723,290 which was due from marking down certain investments to their actual market value as of June 30, 2014. Separately, a total of \$6.9 million in General Fund balance was appropriated to balance the FY2014 budget. None of the \$6.9 million ended up having to be utilized due to total revenues and other financing sources having a positive budget variance of \$5.3 million combined with total expenditures and other financing uses having a significant positive budget variance of \$5.0 million.

Total fiscal year 2014 General Fund revenues increased by \$2.2 million, or 2.0 percent, over the prior fiscal year, as compared to General Fund expenditures which increased by \$2.9 million, or 2.8 percent, over fiscal year 2013. The significant increase in expenditures over the previous fiscal year is primarily within the Public Safety, Human Services and Education categories. This can be attributed in large part to providing an increased level of services needed for public safety departments, an increase in service demands for the Department of Social Services with the addition of NCFAST and increases in certain federal and state programs. The public schools and the community college were provided the increased funding they requested for education. Total General Fund balance increased \$2,163,335, while the amount of unassigned fund balance that is available for appropriation decreased by over 1.1 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 \$1,690,087, or 1.5 percent, of the original budget. Increasing revenue collections were realized in all but one out of nine major revenue categories with the largest variance being in the Local Option Sales Taxes category. This category had a positive actual to budget variance of \$2,834,622. The second largest variance was in Ad Valorem Taxes which had a positive actual to budget variance of \$1,075,420. The only category with a negative actual to budget variance was Investment Earnings. This was due to having to mark down certain investments to their actual market value as of June 30, 2014. Total General Fund revenues had a total positive actual to budget variance of \$4,884,136.

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 \$2,839,915. During the fiscal year 2014, proprietary fund net position decreased \$343,700. The decrease in total net position for the proprietary funds is due primarily from total operating expenditures exceeding total operating revenues for the fiscal year in the Landfill Fund.

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, 2014 totals \$100,459,457 (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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$14,209,795	\$14,209,795	\$ 6,340,366	\$ 6,180,170	\$ 20,550,161	\$ 20,389,965
Buildings	58,162,711	60,510,620	-	-	58,162,711	60,510,620
Plant and distribution systems	-	-	13,623,568	13,994,407	13,623,568	13,994,407
Equipment	1,672,846	2,008,379	580,919	594,221	2,253,765	2,602,600
Vehicles and motor equipment	2,120,460	2,136,595	154,549	77,483	2,275,009	2,214,078
Construction in progress	<u>2,316,713</u>	<u>475,602</u>	<u>1,277,529</u>	<u>460,235</u>	<u>3,594,242</u>	<u>935,837</u>
Total	<u>\$78,482,525</u>	<u>\$79,340,991</u>	<u>\$21,976,931</u>	<u>\$21,306,516</u>	<u>\$100,459,456</u>	<u>\$ 100,647,507</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, 2014, Henderson County had total bonded debt outstanding of \$51,242,101 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Limited obligation bonds	\$ 50,159,087	\$ 52,909,398	\$ 1,083,014	\$ 1,315,723	\$ 51,242,101	\$ 54,225,121
Installment notes payable	<u>47,756,402</u>	<u>55,706,142</u>	<u>1,733,334</u>	<u>1,866,667</u>	<u>49,489,736</u>	<u>57,572,809</u>
Total	<u>\$ 97,915,489</u>	<u>\$ 108,615,540</u>	<u>\$ 2,816,348</u>	<u>\$ 3,182,390</u>	<u>\$ 100,731,837</u>	<u>\$ 111,797,930</u>

Henderson County's total long-term debt decreased by \$11,066,093 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 & Poor's	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 \$910,951,397.

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 \$117,076,752 General Fund budget for fiscal year 2015. The majority of County departments remained conservative and essentially flat during the budgeting process. The fiscal year 2015 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 FY2015 budget:

- An essentially flat operational budget for County departments and other outside agencies
- Funding as requested for the community college
- Funding as requested for the public schools
- Funding for two 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
- Transfer of debt service roll-off into the Capital Reserve Fund for upcoming school capital projects

- Service demands on the County's emergency service departments including the Sheriff, Emergency Medical Services and the Rescue Squad
- Service demands on the Department of Social Services with the addition of NCFAST
- Increased staffing needs associated with an improving economy particularly in the areas associated with residential and commercial construction

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. It being the fourth 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 an increase based on the previous fiscal year's collections and due to an improving local economy. Unassigned General Fund balance of \$8,729,065 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 FY2015 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 FY2015. This anticipated additional tonnage coming in is reflected by a 1.4 percent increase in user fees budgeted for FY2015. 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 FY2015.

The Cane Creek Water and Sewer District rates for service remain unchanged for FY2015 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 a continued improving local economy, additional growth is anticipated in residential and commercial construction activity for FY2015. District user fees were increased slightly to account for this anticipated growth. Retained earnings of \$2.54 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 FY2015. Budgeted operating revenues included appropriated retained earnings in the Justice Academy Sewer Fund of approximately \$95,000 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

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HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total	Component Units	
	Governmental Activities	Business-Type Activities		Henderson County Hospital Corporation	Henderson County Tourism Development Authority
Assets:					
Current assets:					
Cash and cash equivalents	\$ 55,458,634	\$ 4,867,552	\$ 60,326,186	\$ 4,688,923	\$ 645,004
Investments	-	-	-	46,559,023	-
Investment in affiliate	-	-	-	85,288	-
Taxes receivable, net	1,998,679	-	1,998,679	-	-
Receivables, net	8,781,422	906,741	9,688,163	30,894,125	162,673
Pledges receivable	-	-	-	242,909	-
Inventories	57,349	-	57,349	3,119,404	-
Prepaid items	178,654	-	178,654	1,184,541	-
Restricted cash and cash equivalents	3,182,374	-	3,182,374	-	-
Restricted investments	-	-	-	8,253,272	-
Total current assets	<u>69,657,112</u>	<u>5,774,293</u>	<u>75,431,405</u>	<u>95,027,485</u>	<u>807,677</u>
Capital assets:					
Land and construction in progress	16,526,508	7,617,895	24,144,403	8,076,674	-
Other capital assets, net of depreciation	<u>61,956,017</u>	<u>14,359,037</u>	<u>76,315,054</u>	<u>61,376,078</u>	<u>6,138</u>
Total capital assets	<u>78,482,525</u>	<u>21,976,932</u>	<u>100,459,457</u>	<u>69,452,752</u>	<u>6,138</u>
Other assets	-	-	-	248,671	-
Deferred Outflows of Resources	<u>4,368,866</u>	<u>-</u>	<u>4,368,866</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>152,508,503</u>	<u>27,751,225</u>	<u>180,259,728</u>	<u>164,728,908</u>	<u>813,815</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	12,014,933	989,741	13,004,674	13,075,699	56,986
Third-party payer settlements	-	-	-	1,911,046	-
Due within one year	<u>14,277,606</u>	<u>480,615</u>	<u>14,758,221</u>	<u>2,049,332</u>	<u>2,065</u>
Total current liabilities	<u>26,292,539</u>	<u>1,470,356</u>	<u>27,762,895</u>	<u>17,036,077</u>	<u>59,051</u>
Long-term liabilities:					
Due in more than one year	<u>92,404,864</u>	<u>4,280,370</u>	<u>96,685,234</u>	<u>11,277,229</u>	<u>18,581</u>
Total liabilities	<u>118,697,403</u>	<u>5,750,726</u>	<u>124,448,129</u>	<u>28,313,306</u>	<u>77,632</u>
Deferred Inflows of Resources:					
Prepaid taxes	78,628	-	78,628	-	-
Other deferred inflows	-	-	-	46,943	-
Total deferred inflows of resources	<u>78,628</u>	<u>-</u>	<u>78,628</u>	<u>46,943</u>	<u>-</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total	Component Units	
	Governmental Activities	Business-Type Activities		Henderson County Hospital Corporation	Henderson County Tourism Development Authority
	Net Position:				
Net investment in capital assets	73,306,086	19,160,584	92,466,670	56,126,191	6,138
Restricted for:					
Stabilization for State statute	8,651,234	-	8,651,234	-	162,673
Register of Deeds	177,966	-	177,966	-	-
Emergency telephone	224,934	-	224,934	-	-
Education	3,000,000	-	3,000,000	-	-
Public transit	768,787	-	768,787	-	-
Debt service	-	-	-	808,960	-
By donor	-	-	-	7,802,184	-
Tourism promotion	-	-	-	-	567,372
Unrestricted	(52,396,535)	2,839,915	(49,556,620)	71,631,324	-
Total net position	\$ 33,732,472	\$ 22,000,499	\$ 55,732,971	\$ 136,368,659	\$ 736,183

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

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HENDERSON COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 14,762,338	\$ 672,612	\$ 461,373	\$ -
Public safety	33,519,129	5,208,326	2,773,066	-
Environmental protection	424,250	-	57,655	-
Economic and physical development	2,628,397	1,440,014	1,027,427	102,842
Human services	27,594,630	504,719	15,853,571	-
Cultural and recreational	4,496,879	180,563	206,592	-
Education	25,261,561	-	954,977	-
Interest on long-term debt	2,969,032	-	-	-
Total governmental activities	<u>111,656,216</u>	<u>8,006,234</u>	<u>21,334,661</u>	<u>102,842</u>
Business-Type Activities:				
Landfill	5,001,377	4,479,953	138,304	-
Cane Creek Water and Sewer	1,609,949	1,356,805	12,000	180,418
Justice Academy Sewer	46,677	38,880	-	-
Total business-type activities	<u>6,658,003</u>	<u>5,875,638</u>	<u>150,304</u>	<u>180,418</u>
Total primary government	<u>\$ 118,314,219</u>	<u>\$ 13,881,872</u>	<u>\$ 21,484,965</u>	<u>\$ 283,260</u>
Component Unit:				
Henderson County Hospital Corporation	\$ 149,050,046	\$ 152,767,581	\$ -	\$ -
Henderson County Tourism Development Authority	1,334,598	114,108	-	-
Total	<u>\$ 150,384,644</u>	<u>\$ 152,881,689</u>	<u>\$ -</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
\$ (13,628,353)	\$ -	\$ (13,628,353)		
(25,537,737)	-	(25,537,737)		
(366,595)	-	(366,595)		
(58,114)	-	(58,114)		
(11,236,340)	-	(11,236,340)		
(4,109,724)	-	(4,109,724)		
(24,306,584)	-	(24,306,584)		
(2,969,032)	-	(2,969,032)		
<u>(82,212,479)</u>	<u>-</u>	<u>(82,212,479)</u>		
	(383,120)	(383,120)		
	(60,726)	(60,726)		
	(7,797)	(7,797)		
	<u>(451,643)</u>	<u>(451,643)</u>		
<u>(82,212,479)</u>	<u>(451,643)</u>	<u>(82,664,122)</u>		
			\$ 3,717,535	\$ -
			<u>-</u>	<u>(1,220,490)</u>
			<u>3,717,535</u>	<u>(1,220,490)</u>
72,197,460	-	72,197,460	-	-
19,760,279	-	19,760,279	-	-
999,760	-	999,760	-	1,417,955
(170,434)	53,943	(116,491)	2,428,480	5,484
107,159	-	107,159	16,406	-
<u>92,894,224</u>	<u>53,943</u>	<u>92,948,167</u>	<u>2,444,886</u>	<u>1,423,439</u>
<u>(54,000)</u>	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>92,840,224</u>	<u>107,943</u>	<u>92,948,167</u>	<u>2,444,886</u>	<u>1,423,439</u>
10,627,745	(343,700)	10,284,045	6,162,421	202,949
<u>23,104,727</u>	<u>22,344,199</u>	<u>45,448,926</u>	<u>130,206,238</u>	<u>533,234</u>
<u>\$ 33,732,472</u>	<u>\$ 22,000,499</u>	<u>\$ 55,732,971</u>	<u>\$ 136,368,659</u>	<u>\$ 736,183</u>

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

HENDERSON COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<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	\$ 42,528,262	\$ 7,836,602	\$ 1,670,711	\$ 3,423,059	\$ 55,458,634
Taxes receivable, net	1,998,679	-	-	-	1,998,679
Other receivables, net	8,162,297	16,693	47,307	555,125	8,781,422
Due from other funds	140,586	-	-	-	140,586
Inventories	57,349	-	-	-	57,349
Prepaid items	178,654	-	-	-	178,654
Restricted assets:					
Cash and investments	-	-	-	3,182,374	3,182,374
Total assets	<u>\$ 53,065,827</u>	<u>\$ 7,853,295</u>	<u>\$ 1,718,018</u>	<u>\$ 7,160,558</u>	<u>\$ 69,797,698</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,423,390	\$ 518,556	\$ 1,716,176	\$ 90,968	\$ 3,749,090
Accrued payroll liabilities	7,758,343	-	-	-	7,758,343
Due to other funds	-	-	-	140,586	140,586
Total liabilities	<u>9,181,733</u>	<u>518,556</u>	<u>1,716,176</u>	<u>231,554</u>	<u>11,648,019</u>
Deferred Inflows of Resources:					
Property taxes receivable	1,998,679	-	-	-	1,998,679
Prepaid taxes	76,881	-	1,747	-	78,628
Other receivables	270,774	-	-	-	270,774
Total deferred inflows of resources	<u>2,346,334</u>	<u>-</u>	<u>1,747</u>	<u>-</u>	<u>2,348,081</u>
Fund Balances:					
Non-spendable:					
Inventory	57,349	-	-	-	57,349
Prepays	178,654	-	-	-	178,654
Restricted:					
Stabilization for State statute	8,032,109	16,693	47,307	555,125	8,651,234
Restricted, all other	177,966	-	-	3,993,721	4,171,687
Committed	-	7,318,046	-	2,529,651	9,847,697
Assigned for subsequent year's expenditures	8,729,065	-	-	-	8,729,065
Assigned, all other	220,978	-	-	-	220,978
Unassigned	24,141,639	-	(47,212)	(149,493)	23,944,934
Total fund balances	<u>41,537,760</u>	<u>7,334,739</u>	<u>95</u>	<u>6,929,004</u>	<u>55,801,598</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 53,065,827</u>	<u>\$ 7,853,295</u>	<u>\$ 1,718,018</u>	<u>\$ 7,160,558</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.	78,482,525
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.	2,269,453
Long-term liabilities and compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(106,682,470)
Deferred charges related to advance refunding bond issued - included on government-wide Statement of Net Position, but are not current financial resources.	4,368,866
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(507,500)
Net position of governmental activities	<u>\$ 33,732,472</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, 2014

	<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	\$ 64,423,559	\$ -	\$ 7,337,811	\$ 681,313	\$ 72,442,683
Local option sales taxes	19,760,279	-	-	-	19,760,279
Other taxes and licenses	931,782	-	-	-	931,782
Unrestricted intergovernmental revenues	67,978	-	-	-	67,978
Restricted intergovernmental revenues	17,954,826	966,174	-	1,717,852	20,638,852
Permits and fees	1,619,034	-	-	-	1,619,034
Sales and services	5,835,390	-	-	527,426	6,362,816
Investment earnings	(323,290)	15	17,733	135,108	(170,434)
Miscellaneous	720,777	59,557	-	56,408	836,742
Total revenues	<u>110,990,335</u>	<u>1,025,746</u>	<u>7,355,544</u>	<u>3,118,107</u>	<u>122,489,732</u>
Expenditures:					
Current:					
General government	11,916,994	-	-	641,123	12,558,117
Public safety	23,715,132	-	7,300,930	839,074	31,855,136
Environmental protection	353,846	-	-	-	353,846
Economic and physical development	1,774,027	-	-	799,634	2,573,661
Human services	27,215,341	-	-	-	27,215,341
Cultural and recreational	4,343,834	-	-	-	4,343,834
Education	25,146,823	-	-	67,802	25,214,625
Capital outlay	-	2,754,492	-	-	2,754,492
Debt service:					
Principal retirement	10,821,563	-	-	102,642	10,924,205
Interest and other charges	3,055,507	107,473	-	3,395	3,166,375
Total expenditures	<u>108,343,067</u>	<u>2,861,965</u>	<u>7,300,930</u>	<u>2,453,670</u>	<u>120,959,632</u>
Revenues over (under) expenditures	<u>2,647,268</u>	<u>(1,836,219)</u>	<u>54,614</u>	<u>664,437</u>	<u>1,530,100</u>
Other Financing Sources (Uses):					
Transfers from other funds	120,536	-	-	-	120,536
From General Fund	-	-	-	859,466	859,466
From Capital Reserve Fund	-	1,893,911	-	-	1,893,911
Transfers to other funds	(913,466)	-	-	(2,014,447)	(2,927,913)
Insurance proceeds	-	107,159	-	-	107,159
Installment financing issued	308,997	-	-	-	308,997
Total other financing sources (uses)	<u>(483,933)</u>	<u>2,001,070</u>	<u>-</u>	<u>(1,154,981)</u>	<u>362,156</u>
Net change in fund balances	2,163,335	164,851	54,614	(490,544)	1,892,256
Fund Balances:					
Beginning of year - July 1	<u>39,374,425</u>	<u>7,169,888</u>	<u>(54,519)</u>	<u>7,419,548</u>	<u>53,909,342</u>
End of year - June 30	<u>\$ 41,537,760</u>	<u>\$ 7,334,739</u>	<u>\$ 95</u>	<u>\$ 6,929,004</u>	<u>\$ 55,801,598</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, 2014**

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	\$ 1,892,256
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.	(245,223)
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.	24,384
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.	(493,656)
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.	3,075,023
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,895,398)
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, and transfer of asset not recognized on modified accrual basis	(38,091)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	112,500
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(308,997)
Amortization of debt premiums is a reduction of expenses on the Statement of Activities.	84,843
Expenses reported on fund financial statements that are capitalized on government-wide statements - refunding costs	(504,101)
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>10,924,205</u>
Total change in net position of governmental activities	<u>\$ 10,627,745</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, 2014

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 63,348,139	\$ 63,348,139	\$ 64,423,559	\$ 1,075,420
Local option sales taxes	16,925,657	16,925,657	19,760,279	2,834,622
Other taxes and licenses	507,069	507,069	931,782	424,713
Unrestricted intergovernmental revenues	45,000	45,000	67,978	22,978
Restricted intergovernmental revenues	16,911,906	17,799,465	17,899,804	100,339
Permits and fees	1,252,000	1,252,000	1,619,034	367,034
Sales and services	5,219,034	5,280,634	5,835,390	554,756
Investment earnings	400,000	400,000	(323,290)	(723,290)
Miscellaneous	352,669	493,213	720,777	227,564
Total revenues	<u>104,961,474</u>	<u>106,051,177</u>	<u>110,935,313</u>	<u>4,884,136</u>
Expenditures:				
Current:				
General government	12,387,217	12,239,085	11,835,784	403,301
Public safety	24,657,623	25,431,126	23,715,132	1,715,994
Environmental protection	637,788	681,523	353,846	327,677
Economic and physical development	1,775,285	1,882,429	1,774,027	108,402
Human services	28,283,031	29,069,617	27,215,341	1,854,276
Cultural and recreational	4,396,240	4,523,491	4,343,834	179,657
Intergovernmental:				
Education	25,146,823	25,146,823	25,146,823	-
Debt service:				
Principal retirement	10,831,527	10,831,527	10,821,563	9,964
Interest and other charges	3,064,833	3,064,833	3,055,507	9,326
Total expenditures	<u>111,180,367</u>	<u>112,870,454</u>	<u>108,261,857</u>	<u>4,608,597</u>
Revenues over (under) expenditures	<u>(6,218,893)</u>	<u>(6,819,277)</u>	<u>2,673,456</u>	<u>9,492,733</u>
Other Financing Sources (Uses):				
Installment financing issued	-	308,997	308,997	-
Transfers from other funds	531,246	573,614	136,657	(436,957)
Transfers to other funds	(1,042,382)	(1,042,382)	(913,466)	128,916
Appropriated fund balance	6,730,029	6,979,048	-	(6,979,048)
Total other financing sources (uses)	<u>6,218,893</u>	<u>6,819,277</u>	<u>(467,812)</u>	<u>(7,287,089)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,205,644	<u>\$ 2,205,644</u>
Fund Balance:				
Beginning of year - July 1			<u>39,332,116</u>	
End of year - June 30			<u>\$ 41,537,760</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, 2014**

	Fire Districts Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,973,838	\$ 7,281,838	\$ 7,337,811	\$ 55,973
Investment earnings	19,875	19,875	17,733	(2,142)
Total revenues	<u>6,993,713</u>	<u>7,301,713</u>	<u>7,355,544</u>	<u>53,831</u>
Expenditures:				
Current:				
Public safety	<u>6,993,713</u>	<u>7,301,713</u>	<u>7,300,930</u>	<u>783</u>
Total expenditures	<u>6,993,713</u>	<u>7,301,713</u>	<u>7,300,930</u>	<u>783</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	54,614	<u>\$ 54,614</u>
Fund Balance:				
Beginning of year - July 1			<u>(54,519)</u>	
End of year - June 30			<u>\$ 95</u>	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2014

	Business-Type Activities			Total
	Major			
	Landfill Fund	Cane Creek Water and Sewer District Fund	Justice Academy Sewer Fund	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 605,851	\$ 3,603,559	\$ 658,142	\$ 4,867,552
Accounts receivable, net	343,665	559,836	3,240	906,741
Total current assets	<u>949,516</u>	<u>4,163,395</u>	<u>661,382</u>	<u>5,774,293</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	6,031,371	1,586,524	-	7,617,895
Other capital assets, net of depreciation	<u>2,777,220</u>	<u>11,307,755</u>	<u>274,062</u>	<u>14,359,037</u>
Total non-current assets	<u>8,808,591</u>	<u>12,894,279</u>	<u>274,062</u>	<u>21,976,932</u>
Total assets	<u>9,758,107</u>	<u>17,057,674</u>	<u>935,444</u>	<u>27,751,225</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	395,472	592,981	1,288	989,741
Current portion of compensated absences	3,215	2,084	-	5,299
Current portion of long-term obligations	<u>242,607</u>	<u>232,709</u>	<u>-</u>	<u>475,316</u>
Total current liabilities	<u>641,294</u>	<u>827,774</u>	<u>1,288</u>	<u>1,470,356</u>
Non-current liabilities:				
Accrued landfill closure and post-closure care costs	1,807,148	-	-	1,807,148
Compensated absences	28,939	18,752	-	47,691
Other post-employment benefits	84,499	-	-	84,499
Long-term obligations	<u>1,490,727</u>	<u>850,305</u>	<u>-</u>	<u>2,341,032</u>
Total non-current liabilities	<u>3,411,313</u>	<u>869,057</u>	<u>-</u>	<u>4,280,370</u>
Total liabilities	<u>4,052,607</u>	<u>1,696,831</u>	<u>1,288</u>	<u>5,750,726</u>
Net Position:				
Net investment in capital assets	7,075,257	11,811,265	274,062	19,160,584
Unrestricted	<u>(1,369,757)</u>	<u>3,549,578</u>	<u>660,094</u>	<u>2,839,915</u>
Total net position	<u>\$ 5,705,500</u>	<u>\$ 15,360,843</u>	<u>\$ 934,156</u>	<u>\$ 22,000,499</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, 2014

	Business-Type Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Operating Revenues:				
Charges for services	\$ 4,479,953	\$ 1,356,805	\$ 38,880	\$ 5,875,638
Total operating revenues	<u>4,479,953</u>	<u>1,356,805</u>	<u>38,880</u>	<u>5,875,638</u>
Operating Expenses:				
Salaries and employee benefits	838,603	-	-	838,603
Other operating expenses	3,638,392	1,080,401	29,081	4,747,874
Repairs and maintenance	191,432	77,070	7,151	275,653
Depreciation	242,368	418,427	10,445	671,240
Total operating expenses	<u>4,910,795</u>	<u>1,575,898</u>	<u>46,677</u>	<u>6,533,370</u>
Operating income (loss)	<u>(430,842)</u>	<u>(219,093)</u>	<u>(7,797)</u>	<u>(657,732)</u>
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	138,304	12,000	-	150,304
Interest income	7,376	40,260	6,307	53,943
Interest expense	(90,582)	(34,051)	-	(124,633)
Total non-operating revenues (expenses)	<u>55,098</u>	<u>18,209</u>	<u>6,307</u>	<u>79,614</u>
Income (loss) before capital contributions and transfers	<u>(375,744)</u>	<u>(200,884)</u>	<u>(1,490)</u>	<u>(578,118)</u>
Transfers:				
Transfers in	54,000	-	-	54,000
Net transfers	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Capital contributions	29,410	151,008	-	180,418
Change in net position	(292,334)	(49,876)	(1,490)	(343,700)
Net Position:				
Beginning of year - July 1	<u>5,997,834</u>	<u>15,410,719</u>	<u>935,646</u>	<u>22,344,199</u>
End of year - June 30	<u>\$ 5,705,500</u>	<u>\$ 15,360,843</u>	<u>\$ 934,156</u>	<u>\$ 22,000,499</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, 2014

	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	\$ 4,480,231	\$ 1,299,256	\$ 38,880	\$ 5,818,367
Cash paid for goods and services	(3,896,574)	(950,548)	(36,398)	(4,883,520)
Cash paid to employees for services	(833,627)	-	-	(833,627)
Net cash provided (used) by operating activities	<u>(249,970)</u>	<u>348,708</u>	<u>2,482</u>	<u>101,220</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	54,000	-	-	54,000
Proceeds from non-capital grants	138,304	12,000	-	150,304
Net cash provided (used) by non-capital financing activities	<u>192,304</u>	<u>12,000</u>	<u>-</u>	<u>204,304</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(290,936)	(870,302)	-	(1,161,238)
Long-term debt payments	(133,333)	(223,531)	-	(356,864)
Interest paid	(90,582)	(43,229)	-	(133,811)
Net cash provided (used) for capital and related financing activities	<u>(514,851)</u>	<u>(1,137,062)</u>	<u>-</u>	<u>(1,651,913)</u>
Cash Flows from Investing Activities:				
Interest on investments	7,376	40,260	6,307	53,943
Net increase (decrease) in cash and cash equivalents	(565,141)	(736,094)	8,789	(1,292,446)
Cash and Cash Equivalents:				
Beginning of year - July 1	1,170,992	4,339,653	649,353	6,159,998
End of year - June 30	<u>\$ 605,851</u>	<u>\$ 3,603,559</u>	<u>\$ 658,142</u>	<u>\$ 4,867,552</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, 2014

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (430,842)	\$ (219,093)	\$ (7,797)	\$ (657,732)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	242,368	418,427	10,445	671,240
Landfill closure and post-closure care costs	(116,582)	-	-	(116,582)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	278	(57,549)	-	(57,271)
Increase (decrease) in accounts payable and accrued liabilities	49,832	199,752	(166)	249,418
Increase (decrease) in other post-employment benefits	11,930	-	-	11,930
Increase (decrease) in accrued vacation pay	(6,954)	7,171	-	217
Total adjustments	<u>180,872</u>	<u>567,801</u>	<u>10,279</u>	<u>758,952</u>
Net cash provided (used) by operating activities	<u>\$ (249,970)</u>	<u>\$ 348,708</u>	<u>\$ 2,482</u>	<u>\$ 101,220</u>
Capital assets contributed by developers	<u>\$ -</u>	<u>\$ 151,008</u>	<u>\$ -</u>	<u>\$ 151,008</u>
Contribution of capital assets	<u>\$ 29,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,410</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, 2014

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 766,077
Total assets	<u>\$ 766,077</u>
 Liabilities:	
Intergovernmental payable	\$ 766,077
Total liabilities and fund balances	<u>\$ 766,077</u>

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

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HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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; thus, the District's governing body is substantially the same as the governing body of the County. Therefore, the District is reported as an enterprise fund in the County's basic financial statements (blended component unit). 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. The County has also issued revenue bond debt on behalf of the hospital.

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, 2014

Henderson County Tourism Development Authority

The Henderson County Tourism Development Authority (the “TDA”) is authorized by State statute to collect an occupancy tax of 5.0% 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. The members of the TDA Board are appointed by the County Commissioners.

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. 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 it is consolidated in the General Fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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 seven nonmajor special revenue funds: Revaluation Reserve Fund; Community Development Block Grant - Scattered Site Housing Fund; Community Development Block Grant – Dodd Meadows Habitat for Humanity Catalyst Project Fund; Mudd Creek Watershed Restoration Fund; Emergency Telephone Systems Fund (E-911); Public Transit Fund; and the Immigration and Customs Enforcement (ICE) 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 Reserve 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; 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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 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, 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, 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 State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in 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 - Dodd Meadows Project Fund, the General Capital Projects Fund, and the School Capital Projects Fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County and the Hospital to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County and the Hospital's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, 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 pools 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted Assets

The restricted cash reported in the governmental activities consists of the following:

- \$3,000,000 in the Debt Service Fund for the balance in the Sinking Fund required by a financing contract to construct schools.
- \$182,374 in the Tax Revaluation Fund is also classified as a restricted asset because its use is restricted per North Carolina General Statute 153A-150.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. The County does not currently allow discounts that apply to taxes paid prior to the due date.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

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

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 provides 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 Net 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. The County has one item that meets this criterion – a charge on refunding.

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

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

Restricted Fund Balance

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

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

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

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Restricted fund balance at June 30, 2014 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Restricted</u>
Restricted, all other:			
Register of Deeds	\$ 177,966	\$ -	\$ 177,966
Public safety	-	224,934	224,934
Debt service	-	3,000,000	3,000,000
Economic and physical development	-	768,787	768,787
Total	<u>\$ 177,966</u>	<u>\$ 3,993,721</u>	<u>\$ 4,171,687</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 body 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.

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

Committed fund balance at June 30, 2014 is as follows:

<u>Purpose</u>	<u>Revaluation Reserve</u>	<u>School Capital Project Fund</u>	<u>General Capital Projects Fund</u>	<u>General Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
Committed:					
Revaluation	\$ 165,775	\$ -	\$ -	\$ -	\$ 165,775
Economic and physical development	-	-	7,318,046	386,666	7,704,712
Education	-	<u>1,977,210</u>	-	-	<u>1,977,210</u>
Total	<u>\$ 165,775</u>	<u>\$ 1,977,210</u>	<u>\$ 7,318,046</u>	<u>\$ 386,666</u>	<u>\$ 9,847,697</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Assigned:		
Subsequent year's expenditures	\$ 8,729,065	\$ 8,729,065
Public safety	220,978	220,978
Total	<u>\$ 8,950,043</u>	<u>\$ 8,950,043</u>

Henderson County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following order: bond/debt proceeds, federal funds, State funds, local 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 41,537,760
Less:	
Inventories	(57,349)
Prepays	(178,654)
Stabilization by State statute	<u>(8,032,109)</u>
Total available fund balance	<u>\$ 33,269,648</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	\$ 41,537,760
Economic Incentive Fund:	
Revenues	55,022
Expenditures	(81,210)
Transfers	(16,121)
Fund balance, beginning	<u>42,309</u>
Fund balance, ending - Exhibit D	<u>\$ 41,537,760</u>

2. Detail Notes On All Funds

A. Assets

Deposits

All of the County'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 or the Hospital's

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

At June 30, 2014, the County's deposits had a carrying amount of \$32,791,756 and a bank balance of \$34,307,459. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$33,807,459 was covered by collateral held under the Pooling Method. At June 30, 2014, the County had \$5,977 cash on hand.

At September 30, 2013, the Hospital's deposits had a carrying amount of \$4,688,923 and a bank balance of approximately \$5,847,000. Of the bank balance, approximately \$582,000 was covered by federal depository insurance, and \$5,265,000 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2014, 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>1-5 Years</u>
U.S. government agencies	\$ 24,544,144	\$ -	\$ -	\$ 24,544,144
North Carolina Capital Management				
Trust - Cash Portfolio	4,244,923	4,244,923	-	-
Commercial paper	2,687,837	2,687,837	-	-
Total	<u>\$ 31,476,904</u>	<u>\$ 6,932,760</u>	<u>\$ -</u>	<u>\$ 24,544,144</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 five years. The County's formal investment policy does not address limits on 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, 2014, 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, 2014. 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, 2014. 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 44%, Federal National Mortgage Association are 35%, and Federal Home Loan Bank are 21%. The County has no formal policy on the concentration of credit risk.

At September 30, 2013, the Hospital's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than Year</u>	<u>2-3 Years</u>	<u>4-7 Years</u>	<u>No Maturity Date</u>
U.S. government securities	\$ 9,438,051	\$ 7,311,791	\$ -	\$ 2,126,260	\$ -
U.S. government agencies	13,841,935	2,553,025	10,886,546	402,364	-
North Carolina Capital Management Trust	57,688	-	-	-	57,688
Equity securities and funds	8,445,655	-	-	-	8,445,655
Cash and cash equivalents	23,028,966	-	-	-	23,028,966
Total	<u>\$ 54,812,295</u>	<u>\$ 9,864,816</u>	<u>\$ 10,886,546</u>	<u>\$ 2,528,624</u>	<u>\$ 31,532,309</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy requires purchases of all securities with a final maturity date longer than 12 months to be approved by the Hospital's Board of Directors.

Custodial Risk. The Hospital manages its custodial credit risk by ensuring its deposits are either insured or collateralized.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The Hospital manages credit risk through quarterly reviews of the portfolio by the Finance Committee of the Hospital's Board of Directors and limits the credit risk of investments through its investment policy. The Hospital's investments in the NC Capital Management Trust Portfolio carried a credit rating of AAA by Standard & Poor's as of September 30, 2013. The Hospital is authorized to invest in obligations of the U.S. government and agencies, and also in high-grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. During the year ended September 30, 2007, the Hospital began investing in common and preferred stocks through North Carolina Department of State Treasurer's Public Equity portfolio, as permitted by North Carolina General Statute 147-69.2(b)(8). The Hospital's investments in US Government Agencies (Fannie Mae) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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>
2011	\$ 1,660,375	\$ 431,697	\$ 2,092,072
2012	1,643,186	279,342	1,922,528
2013	1,697,848	135,828	1,833,676
2014	1,656,496	-	1,656,496
Total	<u>\$ 6,657,905</u>	<u>\$ 846,867</u>	<u>\$ 7,504,772</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Receivables

Receivables at the government-wide level at June 30, 2014 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Total</u>
Governmental Activities:			
General	\$ 9,951,097	\$ 3,876,179	\$ 13,827,276
Other governmental	<u>1,289,663</u>	<u>-</u>	<u>1,289,663</u>
Total receivables	11,240,760	3,876,179	15,116,939
Allowance for doubtful accounts	<u>(2,459,338)</u>	<u>(1,877,500)</u>	<u>(4,336,838)</u>
Total governmental activities	<u>\$ 8,781,422</u>	<u>\$ 1,998,679</u>	<u>\$ 10,780,101</u>
Business-Type Activities:			
Landfill	\$ 343,665	\$ -	\$ 343,665
Cane Creek	745,867	-	745,867
Justice Academy	<u>3,240</u>	<u>-</u>	<u>3,240</u>
Total receivables	1,092,772	-	1,092,772
Allowance for doubtful accounts	<u>(186,031)</u>	<u>-</u>	<u>(186,031)</u>
Total business-type activities	<u>\$ 906,741</u>	<u>\$ -</u>	<u>\$ 906,741</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance	Increases	Decreases	Transfers	Balance
	July 1, 2013	Increases	Decreases	Transfers	June 30, 2014
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 14,209,795	\$ -	\$ -	\$ -	\$ 14,209,795
Construction in progress	475,602	2,053,813	(212,702)	-	2,316,713
Total non-depreciable capital assets	14,685,397	2,053,813	(212,702)	-	16,526,508
Depreciable Capital Assets:					
Buildings	87,848,322	272,747	-	(452,800)	87,668,269
Equipment	5,119,920	164,610	(83,003)	-	5,201,527
Vehicles and motor equipment	6,503,852	796,555	(523,095)	(66,178)	6,711,134
Total depreciable capital assets	99,472,094	1,233,912	(606,098)	(518,978)	99,580,930
Less Accumulated Depreciation:					
Buildings	27,337,702	2,620,656	-	(452,800)	29,505,558
Equipment	3,111,541	496,746	(79,606)	-	3,528,681
Vehicles and motor equipment	4,367,257	777,996	(517,811)	(36,768)	4,590,674
Total accumulated depreciation	34,816,500	3,895,398	(597,417)	(489,568)	37,624,913
Total depreciable capital assets	64,655,594	(2,661,486)	(8,681)	(29,410)	61,956,017
Governmental activities capital assets, net	\$ 79,340,991	\$ (607,673)	\$ (221,383)	\$ (29,410)	\$ 78,482,525

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

General government	\$ 1,714,082
Public safety	1,614,821
Economic and physical development	29,774
Human services	376,537
Cultural and recreational	160,184
Total	\$ 3,895,398

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Business-Type Activities:					
Landfill:					
Non-Depreciable Capital Assets:					
Land	\$ 5,871,175	\$ 160,196	\$ -	\$ -	\$ 6,031,371
Total non-depreciable capital assets	<u>5,871,175</u>	<u>160,196</u>	<u>-</u>	<u>-</u>	<u>6,031,371</u>
Depreciable Capital Assets:					
Plant and distribution systems	2,951,581	-	-	452,800	3,404,381
Furniture and maintenance equipment	869,361	-	(20,152)	-	849,209
Vehicles	584,733	130,740	-	66,178	781,651
Total depreciable capital assets	<u>4,405,675</u>	<u>130,740</u>	<u>(20,152)</u>	<u>518,978</u>	<u>5,035,241</u>
Less Accumulated Depreciation:					
Plant and distribution systems	684,297	119,567	-	452,800	1,256,664
Furniture and maintenance equipment	292,231	55,664	(20,152)	-	327,743
Vehicles	569,709	67,137	-	36,768	673,614
Total accumulated depreciation	<u>1,546,237</u>	<u>242,368</u>	<u>(20,152)</u>	<u>489,568</u>	<u>2,258,021</u>
Total depreciable capital assets, net	<u>2,859,438</u>	<u>(111,628)</u>	<u>-</u>	<u>29,410</u>	<u>2,777,220</u>
Landfill capital assets, net	<u>8,730,613</u>	<u>\$ 48,568</u>	<u>\$ -</u>	<u>\$ 29,410</u>	<u>8,808,591</u>
Cane Creek Water and Sewer District:					
Non-Depreciable Capital Assets:					
Land	308,995	\$ -	\$ -	\$ -	308,995
Construction in progress	460,235	1,106,881	(289,587)	-	1,277,529
Total non-depreciable capital assets	<u>769,230</u>	<u>1,106,881</u>	<u>(289,587)</u>	<u>-</u>	<u>1,586,524</u>
Depreciable Capital Assets:					
Plant and distribution systems	15,827,617	151,008	-	-	15,978,625
Furniture and maintenance equipment	332,397	53,008	(9,363)	-	376,042
Vehicles	137,981	-	-	-	137,981
Total depreciable capital assets	<u>16,297,995</u>	<u>204,016</u>	<u>(9,363)</u>	<u>-</u>	<u>16,492,648</u>
Less Accumulated Depreciation:					
Plant and distribution systems	4,385,002	391,834	-	-	4,776,836
Furniture and maintenance equipment	315,306	10,646	(9,363)	-	316,589
Vehicles	75,521	15,947	-	-	91,468
Total accumulated depreciation	<u>4,775,829</u>	<u>418,427</u>	<u>(9,363)</u>	<u>-</u>	<u>5,184,893</u>
Total depreciable capital assets, net	<u>11,522,166</u>	<u>(214,411)</u>	<u>-</u>	<u>-</u>	<u>11,307,755</u>
Cane Creek Water and Sewer District capital assets, net	<u>12,291,396</u>	<u>\$ 892,470</u>	<u>\$ (289,587)</u>	<u>\$ -</u>	<u>12,894,279</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
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	156,680	10,445	-	167,125
Furniture and maintenance equipment	17,234	-	-	17,234
Total accumulated depreciation	173,914	10,445	-	184,359
 Total depreciable capital assets, net	 284,507	 (10,445)	 -	 274,062
 Justice Academy Water and Sewer District capital assets, net	 284,507	 \$ (10,445)	 \$ -	 274,062
 Business-type activities capital assets, net	 \$ 21,306,516			 \$ 21,976,932

Capital asset activity for the Henderson County Hospital Corporation for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Increases	Decreases	Transfers	Balance September 30, 2013
Non-Depreciable Capital Assets:					
Land	\$ 5,325,132	\$ -	\$ -	\$ 18,000	\$ 5,343,132
Construction in progress	1,271,628	4,931,808	-	(3,469,894)	2,733,542
Total non-depreciable capital assets	6,596,760	4,931,808	-	(3,451,894)	8,076,674
Depreciable Capital Assets:					
Land improvements	1,176,601	23,995	-	12,219	1,212,815
Buildings and fixed equipment	95,727,904	110,879	-	1,690,905	97,529,688
Moveable equipment	106,332,046	6,804,007	(1,042,745)	1,748,770	113,842,078
Total depreciable capital assets	203,236,551	6,938,881	(1,042,745)	3,451,894	212,584,581
Less Accumulated Depreciation:					
Land improvements	1,015,310	22,895	-	-	1,038,205
Buildings and fixed equipment	53,964,781	3,496,195	-	-	57,460,976
Moveable equipment	88,423,587	5,206,734	(920,999)	-	92,709,322
Total accumulated depreciation	143,403,678	8,725,824	(920,999)	-	151,208,503
Total depreciable capital assets, net	\$ 66,429,633	\$ 3,144,865	\$ (121,746)	\$ -	\$ 69,452,752

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2014 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	\$ 1,513,390	\$ 7,267,635	\$ 507,500	\$ 490,708	\$ 9,779,233
Other governmental	<u>2,235,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,235,700</u>
Total governmental activities	<u>\$ 3,749,090</u>	<u>\$ 7,267,635</u>	<u>\$ 507,500</u>	<u>\$ 490,708</u>	<u>\$ 12,014,933</u>
Business-Type Activities:					
Landfill	\$ 286,875	\$ 77,748	\$ 30,849	\$ -	\$ 395,472
Water and Sewer Fund	589,749	-	3,232	-	592,981
Justice Academy Sewer	<u>1,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,288</u>
Total business-type activities	<u>\$ 877,912</u>	<u>\$ 77,748</u>	<u>\$ 34,081</u>	<u>\$ -</u>	<u>\$ 989,741</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 7.07% and 7.55%, 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, 2014, 2013, and 2012 were \$2,246,169, \$2,057,801, and \$2,120,471 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, 2014

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, 2013, the Separation Allowance's membership consisted of 137 active plan members and 18 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. 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. 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, 2012 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 on a level dollar closed basis. The remaining amortization period at December 31, 2012 was 18 years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$	320,082
Interest on net pension obligation		107,641
Adjustment to annual required contribution		<u>(175,396)</u>
Annual pension cost		252,327
Employer contributions made		<u>216,179</u>
Increase (decrease) in net pension obligation		36,148
Net pension obligation:		
Beginning of year - July 1		<u>2,152,816</u>
End of year - June 30	\$	<u><u>2,188,964</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 292,028	47.36%	\$ 2,011,834
2013	312,037	54.82%	2,152,816
2014	252,327	85.67%	2,188,964

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,408,153, and the actuarial value of position was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,408,153.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,642,075, and the ratio of the UAAL to the covered payroll was 51.31 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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires that the County contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$529,716, which consisted of \$406,631 from the County and \$123,085 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 eligible county Register of Deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Register of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. 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 3 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, 2014, the County's required and actual contributions were \$10,767.

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, 2014

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. The plan is available to qualified retirees until age 65 or until Medicare eligible, whichever is sooner. 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, 64 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014, the County made payments for post-retirement health benefit premiums of \$830,486. 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, 2014

The current ARC rate is 4.32% of annual covered payroll. For the current year, the County contributed \$830,486, or 2.82% 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 \$92,295. 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 Activities	Business-Type Activities	Total
Annual required contribution	\$ 1,264,391	\$ 28,399	\$ 1,292,790
Interest on net OPEB obligation	154,642	3,156	157,798
Adjustments to annual required contribution	(147,731)	(3,015)	(150,746)
Annual OPEB cost (expense)	1,271,302	28,540	1,299,842
Contributions made	(813,876)	(16,610)	(830,486)
Increase (decrease) in net OPEB obligation	457,426	11,930	469,356
Net OPEB obligation:			
Beginning of year - July 1	3,872,371	72,569	3,944,940
End of year - June 30	\$ 4,329,797	\$ 84,499	\$ 4,414,296

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,236,345	46.5%	\$ 3,016,142
2013	1,425,339	34.8%	3,944,940
2014	1,299,842	63.9%	4,414,296

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

As of June 30, 2014, 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014, the County was not required to make contributions to the State for death benefits. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established. The period of reprieve is determined separately for law enforcement officers. The County will have a three-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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 \$1,807,148 reported as landfill post-closure care liability at June 30, 2014 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 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Henderson County Hospital Corporation Pension Plan

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources is a charge on refunding of debt of \$4,368,866.

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

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 76,881
Taxes receivable, net (General Fund)	1,998,679	-
Other receivables (General Fund)	270,774	-
Prepaid fire district tax, net (Special Revenue Fund)	-	1,747
Total	<u>\$ 2,269,453</u>	<u>\$ 78,628</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned vehicles at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits. All real and personal property owned by the County is subject to a blanket limit of \$131.9 million per occurrence.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request.

Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation. Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage, and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

Medical liability insurance for local inmates of the Detention Center is purchased through a commercial carrier. The County is insured for individual losses in excess of \$10,000, subject to a \$250,000 limit per person, and an annual aggregate of \$39,311, subject to a \$250,000 limit.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The County has flood insurance coverage in zones A and V at \$1,000,000 per occurrence with a \$1,000,000 annual aggregate and a shared reinsurance limit with other members of CRL, Inc. of a \$20,000,000 annual aggregate. For zones other than A and V, there is a \$5,000,000 limit per occurrence with a \$5,000,000 annual aggregate and a shared reinsurance limit with other members of CRL, Inc. of a \$200,000,000 annual aggregate. There is a \$25,000,000 flood deductible per occurrence.

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 are performance bonded through a commercial surety bond. The Tax Collector and the Deputy Tax Collector are bonded for \$1,000,000 and \$250,000 respectively while the Finance Director and the Register of Deeds are bonded for \$200,000 and \$50,000 respectively. The remaining employees who have access to funds are bonded at \$25,000 each.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous 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 \$8,918,602 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:

	Year Ended June 30	
	2013	2014
Unpaid claims:		
Beginning of year - July 1	\$ 531,185	\$ 408,911
Incurred claims	6,855,963	7,057,107
Claim payments	<u>(6,978,237)</u>	<u>(6,975,310)</u>
End of year - June 30	<u>\$ 408,911</u>	<u>\$ 490,708</u>

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Claims and Judgments

At June 30, 2014, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Long-Term Obligations

Installment Financing Contracts

The County has entered into four installment financing contracts with the Henderson County Governmental Financing Corporation, a component unit, for construction of educational and public safety facilities. These contracts were funded by execution and delivery of certificates of participation. The outstanding contracts at June 30, 2014 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.	\$ 1,430,000
\$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.	4,370,000
\$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.	6,000,000
\$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>312,073</u>
Total installment contracts	<u>\$ 12,112,073</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 4,217,735	\$ 581,901
2016	2,789,019	375,867
2017	605,319	241,316
2018	500,000	216,000
2019	500,000	192,000
2020-2024	2,500,000	600,000
2025-2026	<u>1,000,000</u>	<u>72,000</u>
Total	<u>\$ 12,112,073</u>	<u>\$ 2,279,084</u>

Installment Purchases

As authorized by State law [G.S.160A-20 and 153A-158.1], the County has financed various property acquisitions for use by the Henderson County Public School by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the Henderson County Board of Public Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital 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, 2014

Other installment purchase contracts payable at June 30, 2014 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.	\$ 53,613
\$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.	21,028,572
\$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.	2,257,000
\$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.	2,562,240
\$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.	1,084,500
\$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.	5,160,000
\$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.	62,751
\$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.	126,656
\$308,997 2013 financing with BB&T governmental finance for the purchase of vehicles. Annual payments of \$80,344, including interest at annual rate of 1.590%	308,997
Total installment purchases indebtedness	<u>\$ 35,644,329</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 6,997,439	\$ 873,387
2016	3,918,367	767,725
2017	3,826,210	661,206
2018	3,818,448	553,302
2019	3,730,361	442,375
2020-2024	10,610,647	1,033,450
2025-2026	<u>2,742,857</u>	<u>70,354</u>
Total	<u>\$ 35,644,329</u>	<u>\$ 4,401,799</u>

Business-Type Activities:

\$2,000,000 Solid Waste system improvements with annual principal payments of \$133,333, including interest that is payable at 3.2%.

Payments will continue through December 9, 2026. \$ 1,733,334

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 133,333	\$ 55,467
2016	133,333	51,200
2017	133,333	46,933
2018	133,333	42,667
2019	133,333	38,400
2020-2024	666,667	128,000
2025-2027	<u>400,002</u>	<u>25,600</u>
Total	<u>\$ 1,733,334</u>	<u>\$ 388,267</u>

Limited Obligation Indebtedness

The County's Limited Obligation Bonds are serviced by the Cane Creek Water and Sewer District Fund and by the General Capital Projects 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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

The County's limited obligation bonds payable at June 30, 2014 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. \$ 9,587,872

\$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. 15,760,000

\$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%. 24,387,000

Total governmental limited obligation bonds payable 49,734,872

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. 1,037,129

Total limited obligation bonds payable \$ 50,772,001

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Governmental Activities:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,747,468	\$ 1,129,167
2016	4,190,468	1,035,756
2017	6,121,824	893,537
2018	5,208,163	746,596
2019	5,100,139	623,163
2020-2024	20,711,810	1,629,295
2025-2028	<u>5,655,000</u>	<u>112,696</u>
Total	<u>\$ 49,734,872</u>	<u>\$ 6,170,210</u>

Business-Type Activities:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 223,531	\$ 39,030
2016	223,532	27,161
2017	197,176	18,746
2018	108,837	12,082
2019	107,862	7,743
2020-2021	<u>176,191</u>	<u>5,893</u>
Total	<u>\$ 1,037,129</u>	<u>\$ 110,655</u>

At June 30, 2014, the County had no bonds authorized, but unissued, and a legal debt margin of \$910,951,397.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Portion of</u>
					<u>Balance</u>
Governmental Activities:					
Limited obligation bonds	\$ 52,400,340	\$ -	\$ (2,665,468)	\$ 49,734,872	\$ 2,747,468
Add unamortized bond premium	<u>509,058</u>	<u>-</u>	<u>(84,843)</u>	<u>424,215</u>	<u>84,843</u>
Total limited obligation bonds	<u>52,909,398</u>	<u>-</u>	<u>(2,750,311)</u>	<u>50,159,087</u>	<u>2,832,311</u>
Other long-term obligations					
Installment purchases	39,377,603	308,997	(4,042,271)	35,644,329	6,997,439
Installment contracts	16,328,539	-	(4,216,466)	12,112,073	4,217,735
Compensated absences	2,248,138	1,123,178	(1,123,096)	2,248,220	230,121
Other post-employment benefits	3,872,371	1,419,033	(961,607)	4,329,797	-
Pension benefit obligations	<u>2,152,816</u>	<u>36,148</u>	<u>-</u>	<u>2,188,964</u>	<u>-</u>
Total governmental activities	<u>\$ 116,888,865</u>	<u>\$ 2,887,356</u>	<u>\$ (13,093,751)</u>	<u>\$ 106,682,470</u>	<u>\$ 14,277,606</u>
Business-Type Activities:					
Landfill:					
Installment purchase	\$ 1,866,667	\$ -	\$ (133,333)	\$ 1,733,334	\$ 133,333
Accrued landfill closure and post-closure care cost	1,923,730	-	(116,582)	1,807,148	109,274
Other post-employment benefits	72,569	31,555	(19,625)	84,499	-
Compensated absences	<u>39,108</u>	<u>5,410</u>	<u>(12,364)</u>	<u>32,154</u>	<u>3,215</u>
Total Landfill	<u>3,902,074</u>	<u>36,965</u>	<u>(281,904)</u>	<u>3,657,135</u>	<u>245,822</u>
Cane Creek Water and Sewer District:					
Limited obligation bonds	1,260,660	-	(223,531)	1,037,129	223,531
Add unamortized bond premium	<u>55,063</u>	<u>-</u>	<u>(9,178)</u>	<u>45,885</u>	<u>9,178</u>
Total limited obligation bonds	<u>1,315,723</u>	<u>-</u>	<u>(232,709)</u>	<u>1,083,014</u>	<u>232,709</u>
Compensated absences	<u>13,665</u>	<u>18,184</u>	<u>(11,013)</u>	<u>20,836</u>	<u>2,084</u>
Total Cane Creek Water and Sewer District	<u>1,329,388</u>	<u>18,184</u>	<u>(243,722)</u>	<u>1,103,850</u>	<u>234,793</u>
Total business-type activities	<u>\$ 5,231,462</u>	<u>\$ 55,149</u>	<u>\$ (525,626)</u>	<u>\$ 4,760,985</u>	<u>\$ 480,615</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Discretely Presented Component Unit:

	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013	Current Portion of Balance
Revenue bonds	\$ 11,321,907	\$ 9,545,000	\$ 11,321,907	\$ 9,545,000	\$ 795,000
Capitalized leases	1,097,831	4,043,739	1,360,009	3,781,561	1,254,332
Total	\$ 12,419,738	\$ 13,588,739	\$ 12,681,916	\$ 13,326,561	\$ 2,049,332

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, 2013, the cost of assets held under capital leases was approximately \$15,195,000, less accumulated depreciation and amortization of approximately \$10,083,000. At September 30, 2013, the future minimum payments under the Hospital's capital leases consist of the following:

Year Ending September 30	Principal
2014	\$ 1,429,940
2015	1,026,899
2016	958,802
2017	728,458
2018	12,985
Total minimum lease payments	4,157,084
Less: amount representing interest	(375,523)
Total capital lease	3,781,561
Less: current portion	(1,254,332)
Present value of the minimum lease payments	\$ 2,527,229

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Revenue Bonds

On September 4, 2013, the Hospital issued a \$9,545,000 Series 2013 Bond. The proceeds of the Series 2013 Bond were used to refund the Series 2008 Bond and Series 2010 Bond. The Hospital incurred a loss on refunding of approximately \$187,000, which is included in other operating expenses. The refunding provided an economic gain (the difference between the present value of the old and new debt service payments) of approximately \$575,000. The terms of the reimbursement agreement and master trust indenture for the 2013 Hospital Revenue Refunding Bond requires that the corporation comply with various covenants, the most restrictive of which requires the Corporation to maintain minimum debt service coverage and liquidity ratios. The Hospital has been in compliance with covenants as to rates, fees, and charges in Section 6.06 of the master trust indenture, which requires that the debt service ratio each fiscal year be no less than 1.20.

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>
2014	\$ 795,000	\$ 99,272
2015	1,555,000	155,464
2016	950,000	131,040
2017	970,000	112,320
2018	995,000	93,161
2019-2022	4,280,000	169,845
Total	<u>\$ 9,545,000</u>	<u>\$ 761,102</u>

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2014 are computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 78,482,525	\$ 21,976,932
Deferred outflows of resources	4,368,866	-
Long-term debt	(97,915,489)	(2,816,348)
Long-term debt for assets not owned by the County	88,370,184	-
Net Investment in Capital Assets	<u>\$ 73,306,086</u>	<u>\$ 19,160,584</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014 consist of the following:

	Transfers		
	From	To	Purpose
General Capital Reserve Fund	\$ 1,225,000		
General Capital Projects Fund		\$ 1,225,000	Fund capital expansion
General Fund	225,000		
General Capital Reserve		225,000	Fund capital expansion
Emergency Telephone Systems Fund	668,911		
General Capital Projects Fund		668,911	Fund capital expansion
General Fund	478,146		
Debt Service Fund		478,146	School debt service
General Fund	156,320		
Public Transit Fund		156,320	Program contribution
General Fund	54,000		
Landfill Fund		54,000	Fund capital expansion
Mudd Creek Watershed Project Fund	7,833		
General Fund		7,833	Closeout of project fund
Sierra Nevada Economic Incentive Fund	16,121		
General Fund		16,121	Closeout of project fund
Immigration Customs Enforcement Fund	112,703		
General Fund	-	112,703	Program contribution
Total	\$ 2,944,034	\$ 2,944,034	

The following is a summary of interfund receivables and payables.

Receivable Entity	Payable Entity	Amount	Purpose
General Fund	Community Development Block Grant - Dodd Meadows Habitat for Humanity Catalyst Project Fund	\$ 15,185	Temporary reimbursement of cash over drafts
General Fund	Emergency Telephones Systems Fund	125,401	Temporary reimbursement of cash over drafts
		\$ 140,586	

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 \$904,047 for capital expenditures during the fiscal year ended June 30, 2014. In addition, the County made debt service payments of \$1,521,306, including interest, during the year ended June 30, 2014, 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, 2014. 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 twenty-two other counties, is a member of the Smoky Mountain Center Local Management Entity (LME), which provides mental health, development disability, and substance abuse services to residents of the twenty-three County area. Each participating government appoints members to the governing board of the LME. 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, 2014. None of the twenty-three participating governments has any equity interest in the LME, so no equity has been reflected in the financial statements at June 30, 2014. Complete financial statements for the LME may be obtained from the LME's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

4. Jointly Governed Organization

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Certain amounts 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. This additional aid to County recipients does not appear in the basic financial statements because it does not represent revenues and expenditures of the County.

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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, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Liability (AAL) Projected Unit Credit (B)					
12/31/2013	\$ -	\$ 3,408,153		0.00%	\$ 3,408,153	\$ 6,642,075	51.31%
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%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage Contributed
2014	\$ 320,082	67.54%
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%

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, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 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, 2014**

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
2014	\$ 1,292,790	64.2%
2013	1,419,947	35.0%
2012	1,232,137	46.6%
2011	1,232,137	39.6%

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
Amortization factor	26.1695
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, 2014

	General Fund	Sierra Nevada Economic Incentive Fund	Eliminations	Total General Fund
Revenues:				
Ad valorem taxes	\$ 64,423,559	\$ -	\$ -	\$ 64,423,559
Local option sales taxes	19,760,279	-	-	19,760,279
Other taxes and licenses	931,782	-	-	931,782
Unrestricted intergovernmental revenues	67,978	-	-	67,978
Restricted intergovernmental revenues	17,899,804	55,022	-	17,954,826
Permits and fees	1,619,034	-	-	1,619,034
Sales and services	5,835,390	-	-	5,835,390
Investment earnings	(323,290)	-	-	(323,290)
Miscellaneous	720,777	-	-	720,777
Total revenues	<u>110,935,313</u>	<u>55,022</u>	<u>-</u>	<u>110,990,335</u>
Expenditures:				
Current:				
General government	11,835,784	81,210	-	11,916,994
Public safety	23,715,132	-	-	23,715,132
Environmental protection	353,846	-	-	353,846
Economic and physical development	1,774,027	-	-	1,774,027
Human services	27,215,341	-	-	27,215,341
Cultural and recreation	4,343,834	-	-	4,343,834
Education	25,146,823	-	-	25,146,823
Debt service:				
Principal	10,821,563	-	-	10,821,563
Interest	3,055,507	-	-	3,055,507
Total expenditures	<u>108,261,857</u>	<u>81,210</u>	<u>-</u>	<u>108,343,067</u>
Revenues over (under) expenditures	<u>2,673,456</u>	<u>(26,188)</u>	<u>-</u>	<u>2,647,268</u>
Other Financing Sources (Uses):				
Transfers from other funds	136,657	-	(16,121)	120,536
Transfer to other funds	(913,466)	(16,121)	16,121	(913,466)
Installment financing issued	308,997	-	-	308,997
Total other financing sources (uses)	<u>(467,812)</u>	<u>(16,121)</u>	<u>-</u>	<u>(483,933)</u>
Net change in fund balances	2,205,644	(42,309)	-	2,163,335
Fund Balance:				
Beginning of year - July 1	<u>39,332,116</u>	<u>42,309</u>	<u>-</u>	<u>39,374,425</u>
End of year - June 30	<u>\$ 41,537,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,537,760</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes - current		\$ 63,959,556		\$ 61,617,386
Penalties, interest, and advertising		464,003		450,266
Total	\$ 63,348,139	64,423,559	\$ 1,075,420	62,067,652
Local Option Sales Taxes:				
Article 39 one percent		8,515,089		8,075,974
Article 40 one-half of one percent		5,664,098		5,475,592
Article 42 one-half of one percent		4,759,245		4,526,820
Article 44 one-half of one percent		15,666		38,986
Medicaid hold harmless		806,181		479,212
Total	16,925,657	19,760,279	2,834,622	18,596,584
Other Taxes and Licenses:				
Deed stamp excise tax		555,766		486,957
Gross receipts rental tax		45,971		48,576
Privilege licenses		330,045		273,912
Total	507,069	931,782	424,713	809,445
Unrestricted Intergovernmental Revenues:				
Payment in lieu of taxes	45,000	67,978	22,978	29,733
Total	45,000	67,978	22,978	29,733
Restricted Intergovernmental Revenues:				
Federal and State grants		17,663,374		18,097,371
Controlled substance tax		27,046		27,630
Court facility fee		137,677		130,184
ABC net revenues		46,243		47,178
ABC bottles taxes		25,464		24,787
Total	17,799,465	17,899,804	100,339	18,327,150
Permits and Fees:				
Inspection fees		966,906		917,172
Register of Deeds		460,577		509,695
Enforcement fees		191,551		211,779
Total	1,252,000	1,619,034	367,034	1,638,646
Sales and Services:				
Rents, concessions, and fees		2,585,820		2,450,259
Jail fees		376,880		145,472
Ambulance fees		2,692,127		2,886,461
Recreation fees		180,563		157,272
Total	5,280,634	5,835,390	554,756	5,639,464

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013
	Budget	Actual	Variance Over/Under
Investment Earnings	400,000	(323,290)	(723,290)
Miscellaneous:			
Sale of materials		129,109	90,727
Other		591,668	487,549
Total	493,213	720,777	227,564
Total revenues	106,051,177	110,935,313	4,884,136
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits		203,823	192,162
Operating expenditures		128,921	112,296
Donations and dues		429,098	480,608
Total	813,133	761,842	51,291
Administration:			
Salaries and employee benefits		1,073,681	1,039,461
Operating expenditures		162,198	177,234
Total	1,300,396	1,235,879	64,517
Elections:			
Salaries and employee benefits		382,201	369,563
Operating expenditures		298,938	337,324
Total	801,719	681,139	120,580
Finance:			
Salaries and employee benefits		638,838	637,252
Operating expenditures		68,904	51,048
Total	763,466	707,742	55,724
Taxes:			
Salaries and employee benefits		1,405,255	1,370,293
Operating expenditures		391,408	552,772
Capital outlay		-	19,214
Total	2,011,330	1,796,663	214,667
Legal:			
Salaries and employee benefits		611,293	562,664
Contracted services		29,274	38,549
Total	668,141	640,567	27,574

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013
	Budget	Actual	Variance Over/Under
Register of Deeds:			
Salaries and employee benefits		311,907	358,496
Operating expenditures		127,583	60,187
Total	500,772	439,490	61,282
Public Buildings:			
Salaries and employee benefits		1,064,048	1,019,716
Operating expenditures		1,231,634	1,292,686
Capital outlay		101,820	-
Total	2,562,575	2,397,502	165,073
Garage and Grounds:			
Salaries and employee benefits		281,812	248,046
Operating expenditures		122,605	78,141
Total	411,087	404,417	6,670
Court Facilities:			
Operating expenditures		160,414	164,159
Total	190,000	160,414	29,586
Data Processing:			
Salaries and employee benefits		697,579	675,234
Operating expenditures		1,417,274	1,044,606
Capital outlay		42,035	72,416
Total	2,216,466	2,156,888	59,578
Wellness Clinic:			
Salaries and employee benefits		290,963	248,464
Operating expenditures		162,278	107,581
Total	454,970	453,241	1,729
Total general government	12,239,085	11,835,784	858,271
Sheriff and Communications:			
Salaries and employee benefits		10,843,525	9,515,121
Operating expenditures		1,798,835	1,815,512
Capital outlay		356,370	408,491
Total	13,670,323	12,998,730	671,593
Jail:			
Salaries and employee benefits		2,687,180	2,935,287
Operating expenditures		965,774	896,237
Capital outlay		5,275	23,362
Total	3,788,786	3,658,229	130,557

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Emergency Management:				
Salaries and employee benefits		187,198		178,936
Operating expenditures		76,066		42,683
Capital outlay		-		58,336
Total	<u>283,477</u>	<u>263,264</u>	<u>20,213</u>	<u>279,955</u>
Fire Services:				
Salaries and employee benefits		295,160		267,299
Operating expenditures		85,924		76,000
Total	<u>444,981</u>	<u>381,084</u>	<u>63,897</u>	<u>343,299</u>
Inspections:				
Salaries and employee benefits		598,025		557,651
Operating expenditures		85,358		75,082
Capital outlay		47,876		31,461
Total	<u>840,832</u>	<u>731,259</u>	<u>109,573</u>	<u>664,194</u>
Code Enforcement Services:				
Salaries and employee benefits		209,553		200,713
Operating expenditures		13,542		32,050
Total	<u>260,618</u>	<u>223,095</u>	<u>37,523</u>	<u>232,763</u>
Emergency Medical Services:				
Salaries and employee benefits		3,718,760		3,356,293
Operating expenditures		497,510		479,474
Capital outlay		210,464		420,379
Total	<u>4,584,511</u>	<u>4,426,734</u>	<u>157,777</u>	<u>4,256,146</u>
Animal Control:				
Salaries and employee benefits		358,190		339,932
Operating expenditures		155,742		187,326
Total	<u>582,768</u>	<u>513,932</u>	<u>68,836</u>	<u>527,258</u>
Rescue Squad:				
Operating expenditures	338,860	337,805	1,055	111,724
Capital expenditures	<u>181,000</u>	<u>181,000</u>	-	-
Total	<u>519,860</u>	<u>518,805</u>	<u>1,055</u>	<u>111,724</u>
Total public safety	<u>25,431,126</u>	<u>23,715,132</u>	<u>1,261,024</u>	<u>22,009,349</u>
Soil and Water Conservation:				
Salaries and employee benefits		270,106		246,270
Operating expenditures		18,742		89,916
Capital outlay		21,976		-
Total	<u>317,977</u>	<u>310,824</u>	<u>7,153</u>	<u>336,186</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013
	Budget	Actual	Variance Over/Under
Forestry Service	<u>55,818</u>	<u>41,944</u>	<u>13,874</u>
Utilities:			
Salaries and employee benefits		-	221,980
Operating expenditures		<u>1,078</u>	<u>113</u>
Total	<u>307,728</u>	<u>1,078</u>	<u>306,650</u>
Total environmental protection	<u>681,523</u>	<u>353,846</u>	<u>327,677</u>
Planning:			
Salaries and employee benefits		465,244	426,631
Operating expenditures		<u>32,362</u>	<u>36,190</u>
Total	<u>562,658</u>	<u>497,606</u>	<u>65,052</u>
Agricultural Extension:			
Salaries and employee benefits		224,208	221,534
Operating expenditures		<u>60,991</u>	<u>60,060</u>
Total	<u>315,039</u>	<u>285,199</u>	<u>29,840</u>
Agri-Business Development			
Salaries and employee benefits		120,603	115,609
Operating expenditures		<u>68,492</u>	<u>-</u>
Total	<u>192,711</u>	<u>189,095</u>	<u>3,616</u>
Other Transfers:			
Economic development contracts	<u>812,021</u>	<u>802,127</u>	<u>9,894</u>
Total	<u>812,021</u>	<u>802,127</u>	<u>9,894</u>
Total economic and physical development	<u>1,882,429</u>	<u>1,774,027</u>	<u>108,402</u>
General and Administration:			
Salaries and employee benefits		4,553,464	4,520,366
Operating expenditures		884,755	1,011,597
Capital outlay		-	<u>22,970</u>
Total	<u>6,167,314</u>	<u>5,438,219</u>	<u>729,095</u>
Total public health	<u>6,167,314</u>	<u>5,438,219</u>	<u>729,095</u>
Environmental Health:			
Salaries and employee benefits		848,603	799,459
Operating expenditures		<u>53,596</u>	<u>69,150</u>
Total	<u>972,396</u>	<u>902,199</u>	<u>70,197</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Home and Community Block Grant:				
Operating expenditures	762,976	762,976	-	759,762
Total	762,976	762,976	-	759,762
Medical Services:				
Operating expenditures		46,250		45,700
Total	46,250	46,250	-	45,700
Mental Health:				
Operating expenditures		528,612		528,612
Total	528,612	528,612	-	528,612
Administration:				
Salaries and employee benefits		10,132,605		9,710,258
Operating expenditures		1,469,231		1,355,424
Capital outlay		44,211		12,098
Total	12,295,989	11,646,047	649,942	11,077,780
Smart Start:				
Salaries and employee benefits		25,324		43,117
Operating expenditures		462,455		493,924
Total	533,439	487,779	45,660	537,041
TANF Program :				
County participation only	1,000	350	650	1,950
Income Maintenance Program:				
Supplemental aid to the aged		438,641		457,717
Supplemental aid to the disabled		578,426		610,689
Crisis intervention payments		298,211		453,411
Total	1,365,315	1,315,278	50,037	1,521,817
Daycare Operations:				
Daycare for children	3,012,501	3,004,939	7,562	2,738,729
LIEAP Operations:				
LIEAP Operations	422,027	283,943	138,084	216,800
Foster Care:				
State boarding home		174,621		88,081
Foster care - children		761,505		606,675
Adoption assistance		273,777		247,368
Total	1,292,090	1,209,903	82,187	942,124

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Other Assistance:				
Social work contracts	108,868	107,508	1,360	58,861
Medicaid transportation	890,000	874,005	15,995	707,415
Aid to the blind	5,300	4,607	693	4,552
Adult day care	23,158	24,878	(1,720)	16,000
General assistance	57,000	52,585	4,415	35,194
JOBS program	25,000	12,689	12,311	22,346
EDTAP program	231,019	231,018	1	210,906
Emergency assistance	6,000	-	6,000	3,315
Other assistance	58,633	38,508	20,125	32,693
Total	<u>1,404,978</u>	<u>1,345,798</u>	<u>59,180</u>	<u>1,091,282</u>
Total social services	<u>20,855,951</u>	<u>19,822,649</u>	<u>1,033,302</u>	<u>18,656,135</u>
Veteran Services:				
Salaries and employee benefits		24,843		23,487
Operating expenditures		2,430		5,300
Total	<u>46,613</u>	<u>27,273</u>	<u>19,340</u>	<u>28,787</u>
Juvenile Justice Grant:				
Operating expenditures	<u>218,117</u>	<u>215,775</u>	<u>2,342</u>	<u>187,511</u>
Total human services	<u>29,069,617</u>	<u>27,215,341</u>	<u>1,854,276</u>	<u>26,101,437</u>
Library:				
Salaries and employee benefits		2,111,952		2,009,501
Operating expenditures		688,039		740,269
Capital outlay		-		9,868
Total	<u>2,953,492</u>	<u>2,799,991</u>	<u>153,501</u>	<u>2,759,638</u>
Parks and Recreation:				
Salaries and employee benefits		880,310		756,142
Operating expenditures		609,453		519,828
Capital outlay		54,080		52,378
Total	<u>1,569,999</u>	<u>1,543,843</u>	<u>26,156</u>	<u>1,328,348</u>
Total cultural and recreational	<u>4,523,491</u>	<u>4,343,834</u>	<u>179,657</u>	<u>4,087,986</u>
Intergovernmental:				
Education:				
Public schools - current expense		21,070,846		20,700,000
Public schools - capital expense		1,000,000		500,000
Community colleges - capital expense		3,075,977		2,825,977
Total education	<u>25,146,823</u>	<u>25,146,823</u>	<u>-</u>	<u>24,025,977</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Debt Service:				
Principal	10,831,527	10,821,563	9,964	10,531,253
Interest	<u>3,064,833</u>	<u>3,055,507</u>	<u>9,326</u>	<u>3,257,355</u>
Total debt service	<u>13,896,360</u>	<u>13,877,070</u>	<u>19,290</u>	<u>13,788,608</u>
Total expenditures	<u>112,870,454</u>	<u>108,261,857</u>	<u>4,608,597</u>	<u>103,523,164</u>
Revenues over (under) expenditures	<u>(6,819,277)</u>	<u>2,673,456</u>	<u>9,492,733</u>	<u>4,689,318</u>
Other Financing Sources (Uses):				
Installment financing issued	308,997	308,997	-	413,539
Transfers in	573,614	136,657	(436,957)	532,916
Transfers (out)	(1,042,382)	(913,466)	128,916	(5,763,304)
Appropriated fund balance	<u>6,979,048</u>	<u>-</u>	<u>(6,979,048)</u>	<u>-</u>
Total other financing sources (uses)	<u>6,819,277</u>	<u>(467,812)</u>	<u>(7,287,089)</u>	<u>(4,816,849)</u>
Net changes in fund balance	<u>\$ -</u>	<u>2,205,644</u>	<u>\$ 2,205,644</u>	<u>(127,531)</u>
Fund Balance:				
Beginning of year - July 1		<u>39,332,116</u>		<u>39,459,647</u>
End of year - June 30		<u>\$ 41,537,760</u>		<u>\$ 39,332,116</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 1,689,918	\$ 55,022	\$ (1,634,896)	\$ 580,330
Expenditures:				
General government	1,673,797	81,210	1,592,587	1,903,021
Revenues over (under) expenditures	16,121	(26,188)	(42,309)	(1,322,691)
Other Financing Sources (Uses):				
Transfer out:				
To General Fund	(16,121)	(16,121)	-	-
Total other financing sources (uses)	(16,121)	(16,121)	-	-
Net change in fund balance	\$ -	(42,309)	\$ (42,309)	(1,322,691)
Fund Balance:				
Beginning of year - July 1		42,309		1,365,000
End of year - June 30		\$ -		\$ 42,309

Other Major Governmental Funds

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

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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, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental revenues	\$ 2,177,206	\$ 1,000,201	\$ 966,174	\$ 1,966,375
Investment earnings	-	2,151,265	15	2,151,280
Miscellaneous	1,500,000	1,080,509	59,557	1,140,066
Total	<u>3,677,206</u>	<u>4,231,975</u>	<u>1,025,746</u>	<u>5,257,721</u>
Expenditures:				
General government	<u>74,908,633</u>	<u>63,236,439</u>	<u>2,754,492</u>	<u>65,990,931</u>
Total general government	<u>74,908,633</u>	<u>63,236,439</u>	<u>2,754,492</u>	<u>65,990,931</u>
Debt Service:				
Advanced payment to escrow agent	4,841,690	4,841,690	-	4,841,690
Interest and fees	1,212,934	1,212,934	107,473	1,320,407
Total debt service	<u>6,054,624</u>	<u>6,054,624</u>	<u>107,473</u>	<u>6,162,097</u>
Total expenditures	<u>80,963,257</u>	<u>69,291,063</u>	<u>2,861,965</u>	<u>72,153,028</u>
Revenues over (under) expenditures	<u>(77,286,051)</u>	<u>(65,059,088)</u>	<u>(1,836,219)</u>	<u>(66,895,307)</u>
Other Financing Sources (Uses):				
Transfers (out):				
To General Fund	(1,508,000)	(1,508,000)	-	(1,508,000)
Transfers in:				
From General Fund	9,725,154	8,201,362	-	8,201,362
From Capital Reserve Fund	3,460,316	2,219,807	1,893,911	4,113,718
From Travel and Tourism Fund	125,000	132,359	-	132,359
From Emergency Telephone System Fund	668,911	-	-	-
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)	<u>13,741,651</u>	<u>10,315,798</u>	<u>1,893,911</u>	<u>12,209,709</u>
Installment financing issued	50,269,536	50,269,535	-	50,269,535
Refunding bonds issued	61,001,205	58,188,084	-	58,188,084
Payment to bond escrow agent	(55,734,341)	(53,392,996)	-	(53,392,996)
Bond premium	-	848,430	-	848,430
Insurance proceeds	6,000,000	6,000,125	107,159	6,107,284
Appropriated fund balance	2,008,000	-	-	-
Total other financing sources (uses)	<u>77,286,051</u>	<u>72,228,976</u>	<u>2,001,070</u>	<u>74,230,046</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,169,888</u>	164,851	<u>\$ 7,334,739</u>
Fund Balance:				
Beginning of year - July 1			<u>7,169,888</u>	
End of year - June 30			<u>\$ 7,334,739</u>	

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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.

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

Community Development Block Grant – Dodd Meadows Project Fund – accounts for a federal grant for infrastructure improvements in the Dodd Meadows Community.

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 (E-911) – accounts for the funds received for the operation of the County’s Emergency 911 Communications Center.

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

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

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Nonmajor Special Revenue Funds				
	Revaluation Reserve Fund	Community Development Dodd Meadows Project Fund	Emergency Telephone System Fund (E-911)	Public Transit Fund	Immigration Customs Enforcement Fund
Assets:					
Cash and investments	\$ -	\$ -	\$ -	\$ 823,266	\$ 235,917
Accounts receivable, net	-	15,185	446,380	74,129	19,431
Restricted cash	182,374	-	-	-	-
Total assets	<u>\$ 182,374</u>	<u>\$ 15,185</u>	<u>\$ 446,380</u>	<u>\$ 897,395</u>	<u>\$ 255,348</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 16,599	\$ -	\$ 8,907	\$ 54,479	\$ 10,983
Due to other funds	-	15,185	125,401	-	-
Total liabilities	<u>16,599</u>	<u>15,185</u>	<u>134,308</u>	<u>54,479</u>	<u>10,983</u>
Fund Balances:					
Restricted					
Stabilization for State statute	-	15,185	446,380	74,129	19,431
Restricted, all other	-	-	-	768,787	224,934
Committed	165,775	-	-	-	-
Unassigned	-	(15,185)	(134,308)	-	-
Total fund balances	<u>165,775</u>	<u>-</u>	<u>312,072</u>	<u>842,916</u>	<u>244,365</u>
Total liabilities and fund balances	<u>\$ 182,374</u>	<u>\$ 15,185</u>	<u>\$ 446,380</u>	<u>\$ 897,395</u>	<u>\$ 255,348</u>

Schedule C-1

Nonmajor Capital Project Funds

Schools Capital Project Fund	General Capital Reserve Fund	Totals June 30, 2014	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,977,210	\$ 386,666	\$ 3,423,059	\$ -	\$ 3,423,059
-	-	555,125	-	555,125
-	-	182,374	3,000,000	3,182,374
<u>\$ 1,977,210</u>	<u>\$ 386,666</u>	<u>\$ 4,160,558</u>	<u>\$ 3,000,000</u>	<u>\$ 7,160,558</u>
\$ -	\$ -	\$ 90,968	\$ -	\$ 90,968
-	-	140,586	-	140,586
-	-	231,554	-	231,554
-	-	555,125	-	555,125
-	-	993,721	3,000,000	3,993,721
1,977,210	386,666	2,529,651	-	2,529,651
-	-	(149,493)	-	(149,493)
<u>1,977,210</u>	<u>386,666</u>	<u>3,929,004</u>	<u>3,000,000</u>	<u>6,929,004</u>
<u>\$ 1,977,210</u>	<u>\$ 386,666</u>	<u>\$ 4,160,558</u>	<u>\$ 3,000,000</u>	<u>\$ 7,160,558</u>

HENDERSON COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Nonmajor Special				
	Revaluation Reserve Fund	Community Development Block Grant - Scattered Site Housing Fund	Community Development Dodd Meadows Project Fund	Mud Creek Watershed Restoration Fund	Emergency Telephone System Fund (E-911)
Revenues:					
Ad valorem taxes	\$ 681,313	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	102,842	15,185	-	668,911
Sales and services	-	-	-	-	527,426
Investment earnings	1,378	-	-	-	2,042
Miscellaneous	-	-	-	-	-
Total revenues	<u>682,691</u>	<u>102,842</u>	<u>15,185</u>	<u>-</u>	<u>1,198,379</u>
Expenditures:					
Current:					
General government	641,123	-	-	-	-
Public safety	-	-	-	-	423,760
Economic and physical development	-	102,842	15,185	-	-
Education	-	-	-	-	-
Debt service:					
Principal repayments	-	-	-	-	102,642
Interest	-	-	-	-	3,395
Total expenditures	<u>641,123</u>	<u>102,842</u>	<u>15,185</u>	<u>-</u>	<u>529,797</u>
Revenues over (under) expenditures	<u>41,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,582</u>
Other Financing Sources (Uses):					
Transfers (to) from:					
General Fund	-	-	-	-	-
General Capital Projects Fund	-	-	-	-	(668,911)
General Fund	-	-	-	(7,833)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,833)</u>	<u>(668,911)</u>
Net change in fund balances	41,568	-	-	(7,833)	(329)
Fund Balances:					
Beginning of year - July 1	<u>124,207</u>	<u>-</u>	<u>-</u>	<u>7,833</u>	<u>312,401</u>
End of year - June 30	<u>\$ 165,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,072</u>

<u>Revenue Funds</u>		<u>Nonmajor Capital Project Funds</u>				
<u>Public Transit Fund</u>	<u>Immigration Customs Enforcement Fund</u>	<u>School Capital Projects Fund</u>	<u>General Capital Reserve Fund</u>	<u>Totals June 30, 2014</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 681,313	\$ -	\$ 681,313
617,239	313,675	-	-	1,717,852	-	1,717,852
-	-	-	-	527,426	-	527,426
-	-	-	-	3,420	131,688	135,108
-	-	56,408	-	56,408	-	56,408
<u>617,239</u>	<u>313,675</u>	<u>56,408</u>	<u>-</u>	<u>2,986,419</u>	<u>131,688</u>	<u>3,118,107</u>
-	-	-	-	641,123	-	641,123
-	415,314	-	-	839,074	-	839,074
681,607	-	-	-	799,634	-	799,634
-	-	67,802	-	67,802	-	67,802
-	-	-	-	102,642	-	102,642
-	-	-	-	3,395	-	3,395
<u>681,607</u>	<u>415,314</u>	<u>67,802</u>	<u>-</u>	<u>2,453,670</u>	<u>-</u>	<u>2,453,670</u>
<u>(64,368)</u>	<u>(101,639)</u>	<u>(11,394)</u>	<u>-</u>	<u>532,749</u>	<u>131,688</u>	<u>664,437</u>
156,320	-	-	225,000	381,320	478,146	859,466
-	-	-	(1,225,000)	(1,893,911)	-	(1,893,911)
-	(112,703)	-	-	(120,536)	-	(120,536)
<u>156,320</u>	<u>(112,703)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,633,127)</u>	<u>478,146</u>	<u>(1,154,981)</u>
91,952	(214,342)	(11,394)	(1,000,000)	(1,100,378)	609,834	(490,544)
<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>\$ 842,916</u>	<u>\$ 244,365</u>	<u>\$ 1,977,210</u>	<u>\$ 386,666</u>	<u>\$ 3,929,004</u>	<u>\$ 3,000,000</u>	<u>\$ 6,929,004</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 681,313	\$ 681,313	\$ -	\$ 650,291
Investment earnings	-	1,378	1,378	1,544
Total revenues	<u>681,313</u>	<u>682,691</u>	<u>1,378</u>	<u>651,835</u>
Expenditures:				
Current:				
General government	<u>681,313</u>	<u>641,123</u>	<u>40,190</u>	<u>606,529</u>
Total expenditures	<u>681,313</u>	<u>641,123</u>	<u>40,190</u>	<u>606,529</u>
Net change in fund balance	<u>\$ -</u>	41,568	<u>\$ 41,568</u>	45,306
Fund Balance:				
Beginning of year - July 1		<u>124,207</u>		<u>78,901</u>
End of year - June 30		<u>\$ 165,775</u>		<u>\$ 124,207</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, 2014**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 11,000	\$ 102,842	\$ 113,842
Total revenues	<u>400,000</u>	<u>11,000</u>	<u>102,842</u>	<u>113,842</u>
Expenditures:				
Current:				
Economic and physical development	400,000	11,000	102,842	113,842
Total expenditures	<u>400,000</u>	<u>11,000</u>	<u>102,842</u>	<u>113,842</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT -
DODD MEADOWS PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 454,960	\$ -	\$ 15,185	\$ 15,185
Total revenues	<u>454,960</u>	<u>-</u>	<u>15,185</u>	<u>15,185</u>
Expenditures:				
Current:				
Economic and physical development	454,960	-	15,185	15,185
Total expenditures	<u>454,960</u>	<u>-</u>	<u>15,185</u>	<u>15,185</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

**MUD CREEK WATERSHED RESTORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenues	\$ 255,681	\$ -	\$ (255,681)	\$ 167,306
Total revenues	<u>255,681</u>	<u>-</u>	<u>(255,681)</u>	<u>167,306</u>
Expenditures:				
Current:				
Environmental protection	<u>255,681</u>	<u>-</u>	<u>255,681</u>	<u>164,159</u>
Total expenditures	<u>255,681</u>	<u>-</u>	<u>255,681</u>	<u>164,159</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,147</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(7,833)	(7,833)	-	-
Appropriated fund balance	<u>7,833</u>	<u>-</u>	<u>(7,833)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(7,833)</u>	<u>(7,833)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(7,833)</u>	<u>\$ (7,833)</u>	<u>3,147</u>
Fund Balance:				
Beginning of year - July 1		<u>7,833</u>		<u>4,686</u>
End of year - June 30		<u>\$ -</u>		<u>\$ 7,833</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, 2014 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 49,165	\$ 2,042	\$ (47,123)	\$ 6,236
Restricted intergovernmental revenues	669,000	668,911	(89)	-
Subscriber Charges	527,426	527,426	-	512,849
Total revenues	<u>1,245,591</u>	<u>1,198,379</u>	<u>(47,212)</u>	<u>519,085</u>
Expenditures:				
Current:				
Public safety	420,195	423,760	(3,565)	672,523
Debt service:				
Principal	102,929	102,642	287	99,150
Interest	3,467	3,395	72	7,258
Total expenditures	<u>526,591</u>	<u>529,797</u>	<u>(3,206)</u>	<u>778,931</u>
Revenues over (under) expenditures	<u>719,000</u>	<u>668,582</u>	<u>(50,418)</u>	<u>(259,846)</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(50,000)	-	50,000	(49,957)
To General Capital Projects Fund	(669,000)	(668,911)	89	-
Total other financing sources (uses)	<u>(719,000)</u>	<u>(668,911)</u>	<u>50,089</u>	<u>(49,957)</u>
Net change in fund balance	<u>\$ -</u>	<u>(329)</u>	<u>\$ (329)</u>	<u>(309,803)</u>
Fund Balance:				
Beginning of year - July 1		<u>312,401</u>		<u>622,204</u>
End of year - June 30		<u>\$ 312,072</u>		<u>\$ 312,401</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, 2014

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

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 636,387	\$ 617,239	\$ (19,148)	\$ 789,680
Total revenues	<u>636,387</u>	<u>617,239</u>	<u>(19,148)</u>	<u>789,680</u>
Expenditures:				
Current:				
Economic and physical development	<u>865,382</u>	<u>681,607</u>	<u>183,775</u>	<u>714,427</u>
Total expenditures	<u>865,382</u>	<u>681,607</u>	<u>183,775</u>	<u>714,427</u>
Revenues over (under) expenditures	<u>(228,995)</u>	<u>(64,368)</u>	<u>164,627</u>	<u>75,253</u>
Other Financing Sources (Uses):				
Transfers in:				
General Fund	156,320	156,320	-	144,657
Appropriated fund balance	<u>72,675</u>	<u>-</u>	<u>(72,675)</u>	<u>-</u>
Total other financing sources (uses)	<u>228,995</u>	<u>156,320</u>	<u>(72,675)</u>	<u>144,657</u>
Net change in fund balance	<u>\$ -</u>	<u>91,952</u>	<u>\$ 91,952</u>	<u>219,910</u>
Fund Balance:				
Beginning of year - July 1		<u>750,964</u>		<u>531,054</u>
End of year - June 30		<u>\$ 842,916</u>		<u>\$ 750,964</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenues	\$ 787,667	\$ 313,675	\$ (473,992)	\$ 542,880
Total revenues	<u>787,667</u>	<u>313,675</u>	<u>(473,992)</u>	<u>542,880</u>
Expenditures:				
Current:				
Public safety	674,964	415,314	259,650	633,608
Total expenditures	<u>674,964</u>	<u>415,314</u>	<u>259,650</u>	<u>633,608</u>
Revenues over (under) expenditures	<u>112,703</u>	<u>(101,639)</u>	<u>(214,342)</u>	<u>(90,728)</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(112,703)	(112,703)	-	(112,703)
Total other financing sources (uses)	<u>(112,703)</u>	<u>(112,703)</u>	<u>-</u>	<u>(112,703)</u>
Net change in fund balance	<u>\$ -</u>	<u>(214,342)</u>	<u>\$ (214,342)</u>	<u>(203,431)</u>
Fund Balance:				
Beginning of year - July 1		<u>458,707</u>		<u>662,138</u>
End of year - June 30		<u>\$ 244,365</u>		<u>\$ 458,707</u>

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, 2014

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,660,291	-	1,660,291
Miscellaneous	-	1,339,796	56,408	1,396,204
Total revenues	<u>456,629</u>	<u>3,456,716</u>	<u>56,408</u>	<u>3,513,124</u>
Expenditures:				
Capital outlay:				
General education	<u>75,059,621</u>	<u>74,806,686</u>	<u>67,802</u>	<u>74,874,488</u>
Total expenditures	<u>75,059,621</u>	<u>74,806,686</u>	<u>67,802</u>	<u>74,874,488</u>
Revenues over (under) expenditures	<u>(74,602,992)</u>	<u>(71,349,970)</u>	<u>(11,394)</u>	<u>(71,361,364)</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>73,338,574</u>	<u>-</u>	<u>73,338,574</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,988,604</u>	<u>(11,394)</u>	<u>\$ 1,977,210</u>
Fund Balance:				
Beginning of year - July 1			<u>1,988,604</u>	
End of year - June 30			<u>\$ 1,977,210</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, 2014
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>			<u>2013</u>
	<u>Project Authorization</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	\$ -	\$ -	\$ -	\$ (26,899)
To General Capital Projects Fund	(1,225,000)	(1,225,000)	-	(26,848)
Transfers in:				
From General Fund	225,000	225,000	-	200,000
Appropriated fund balance	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>146,253</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,000,000)</u>	<u>\$ (1,000,000)</u>	146,253
Fund Balance:				
Beginning of year - July 1		<u>1,386,666</u>		<u>1,240,413</u>
End of year - June 30		<u>\$ 386,666</u>		<u>\$ 1,386,666</u>

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, 2014

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

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 131,688	\$ 131,688	\$ 115,624
Total revenues	-	131,688	131,688	115,624
Expenditures:				
Debt service:				
Principal repayments	607,062	-	607,062	-
Total expenditures	607,062	-	607,062	-
Revenues over (under) expenditures	(607,062)	131,688	738,750	115,624
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	607,062	478,146	(128,916)	164,363
Total other financing sources (uses)	607,062	478,146	(128,916)	164,363
Net change in fund balance	\$ -	609,834	\$ 609,834	279,987
Fund Balance:				
Beginning of year - July 1		2,390,166		2,110,179
End of year - June 30		\$ 3,000,000		\$ 2,390,166

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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, 2014

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

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 4,600,233	\$ 4,479,953	\$ (120,280)	\$ 4,320,498
Operating grants	165,000	138,304	(26,696)	172,495
Non-operating revenues:				
Sale of fixed assets	55,000	-	(55,000)	74,039
Interest income	25,000	7,376	(17,624)	18,342
Total revenues	<u>4,845,233</u>	<u>4,625,633</u>	<u>(219,600)</u>	<u>4,585,374</u>
Expenditures:				
Salaries and employee benefits	1,002,622	819,719	182,903	866,069
Other operating expenditures	3,400,456	3,521,810	(121,354)	3,595,422
Repairs and maintenance	537,918	191,432	346,486	135,737
Capital outlay	134,740	290,936	(156,196)	141,014
Total expenditures	<u>5,075,736</u>	<u>4,823,897</u>	<u>251,839</u>	<u>4,738,242</u>
Debt Service:				
Interest paid	59,735	59,733	2	64,000
Principal retirement	133,333	133,333	-	133,333
Total debt service	<u>193,068</u>	<u>193,066</u>	<u>2</u>	<u>197,333</u>
Revenue over (under) expenditures	<u>(423,571)</u>	<u>(391,330)</u>	<u>(471,441)</u>	<u>(350,201)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	121,571	54,000	(67,571)	142,902
Transfers out	(33,000)	-	33,000	-
Appropriated retained earnings	335,000	-	(335,000)	-
Total other financing sources (uses)	<u>423,571</u>	<u>54,000</u>	<u>(369,571)</u>	<u>142,902</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(337,330)</u>	<u>\$ (337,330)</u>	<u>\$ (207,299)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Change in other post-employment benefits		(11,930)		
Capital contribution		29,410		
Capital outlay, capitalized		290,936		
Principal paid on debt		133,333		
Change in accrued interest		(30,849)		
Change in compensated absences		(6,954)		
Post-closure care costs		(116,582)		
Depreciation		(242,368)		
Total reconciling items		<u>44,996</u>		
Change in net position		<u>\$ (292,334)</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, 2014

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

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 1,207,592	\$ 1,356,805	\$ 149,213	\$ 1,257,209
Restricted intergovernmental	398,696	-	(398,696)	-
Non-operating revenues:				
Misc Revenue	-	12,000	12,000	-
Interest income	-	40,260	40,260	65,445
Total revenues	<u>1,606,288</u>	<u>1,409,065</u>	<u>(197,223)</u>	<u>1,322,654</u>
Expenditures:				
Water and sewer administration:				
Operating expenditures	398,065	1,087,572	(689,507)	324,153
Repairs and maintenance	72,650	77,070	(4,420)	66,050
Capital outlay	<u>1,948,000</u>	<u>870,302</u>	<u>1,077,698</u>	<u>138,579</u>
Total water and sewer administration	<u>2,418,715</u>	<u>2,034,944</u>	<u>383,771</u>	<u>528,782</u>
Debt Service:				
Interest paid	44,690	42,049	2,641	42,987
Principal retirement	<u>223,532</u>	<u>223,531</u>	<u>1</u>	<u>224,020</u>
Total debt service	<u>268,222</u>	<u>265,580</u>	<u>2,642</u>	<u>267,007</u>
Revenues over (under) expenditures	<u>(1,080,649)</u>	<u>(891,459)</u>	<u>189,190</u>	<u>526,865</u>
Other Financing Sources (Uses):				
Transfers out:	(424,332)	-	424,332	(992,133)
Appropriated retained earnings	<u>1,504,981</u>	-	<u>(1,504,981)</u>	-
Total other financing sources (uses)	<u>1,080,649</u>	-	<u>(1,080,649)</u>	<u>(992,133)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(891,459)</u>	<u>\$ (891,459)</u>	<u>\$ (465,268)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital contribution		151,008		
Capital outlay		870,302		
Principal paid on debt		223,531		
Change in accrued interest		(1,180)		
Bond premium amortization		9,178		
Change in compensated absences		7,171		
Depreciation		<u>(418,427)</u>		
Total reconciling items		<u>841,583</u>		
Change in net position		<u>\$ (49,876)</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, 2014

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

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 38,880	\$ 38,880	\$ -	\$ 38,880
Non-operating revenues:				
Interest income	-	6,307	6,307	9,008
Total revenues	<u>38,880</u>	<u>45,187</u>	<u>6,307</u>	<u>47,888</u>
Expenditures:				
Water and sewer administration:				
Salaries and employee benefits				
Operating expenditures	36,580	29,081	7,499	31,702
Repairs and maintenance	2,300	7,151	(4,851)	11,100
Capital outlay	94,000	-	94,000	-
Total expenditures	<u>132,880</u>	<u>36,232</u>	<u>96,648</u>	<u>42,802</u>
Revenues over (under) expenditures	<u>(94,000)</u>	<u>8,955</u>	<u>102,955</u>	<u>5,086</u>
Other Financing Sources (Uses):				
Appropriated retained earnings	94,000	-	(94,000)	-
Total other financing sources (uses)	<u>94,000</u>	<u>-</u>	<u>(94,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>8,955</u>	<u>\$ 8,955</u>	<u>\$ 5,086</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>\$ (1,490)</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 ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 60,008	\$ 373,413	\$ 367,319	\$ 66,102
Liabilities:				
Accounts payable	\$ 60,008	\$ 373,413	\$ 367,319	\$ 66,102
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ 29,654	\$ 21,511	\$ 25,060	\$ 26,105
Liabilities:				
Intergovernmental payable	\$ 29,654	\$ 21,511	\$ 25,060	\$ 26,105
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ -	\$ 179,393	\$ 179,393	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 179,393	\$ 179,393	\$ -
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ 216,310	\$ 57,198	\$ 16,933	\$ 256,575
Liabilities:				
Intergovernmental payable	\$ 216,310	\$ 57,198	\$ 16,933	\$ 256,575
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ 241,647	\$ 930	\$ 242,577	\$ -
Liabilities:				
Intergovernmental payable	\$ 241,647	\$ 930	\$ 242,577	\$ -

HENDERSON COUNTY, NORTH CAROLINA

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
School Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 457,678	\$ 457,678	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 457,678	\$ 457,678	\$ -
Motor Vehicle Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,425	\$ 1,148	\$ 3,573	\$ -
Liabilities:				
Intergovernmental payable	\$ 2,425	\$ 1,148	\$ 3,573	\$ -
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 7,597	\$ 85,070	\$ 85,603	\$ 7,064
Liabilities:				
Intergovernmental payable	\$ 7,597	\$ 85,070	\$ 85,603	\$ 7,064
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 320,723	\$ 4,995,536	\$ 4,906,028	\$ 410,231
Liabilities:				
Intergovernmental payable	\$ 320,723	\$ 4,995,536	\$ 4,906,028	\$ 410,231
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ 878,364	\$ 6,171,877	\$ 6,284,164	\$ 766,077
Liabilities:				
Intergovernmental payable	\$ 878,364	\$ 6,171,877	\$ 6,284,164	\$ 766,077

Additional Financial Data

This section contains additional information on taxes receivable and the tax levy.

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HENDERSON COUNTY, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2014**

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 64,964,132	\$ 63,541,790	\$ 1,422,342
2012-2013	1,776,862	-	1,125,853	651,009
2011-2012	524,553	-	222,556	301,997
2010-2011	393,904	-	76,538	317,366
2009-2010	217,651	-	28,527	189,124
2008-2009	229,757	-	14,031	215,726
2007-2008	218,562	-	8,615	209,947
2006-2007	287,793	-	8,461	279,332
2005-2006	170,500	-	7,146	163,354
2004-2005	130,108	-	4,126	125,982
2003-2004	152,713	-	152,713	-
Total	\$ 4,102,403	\$ 64,964,132	\$ 65,190,356	3,876,179

Less: allowance for uncollectible accounts: General Fund (1,877,500)

Ad valorem taxes receivable net: General Fund \$ 1,998,679

Reconciliation with Revenues:

Ad valorem taxes - General Fund	\$ 64,423,559
Ad valorem taxes - Revaluation Fund	<u>681,313</u>
Total ad valorem taxes	65,104,872

Reconciling items:

Interest	(400,354)
Tax refunds	290,403
Other miscellaneous adjustments	42,722
Amounts written off per Statute of Limitations	<u>152,713</u>

Total collections and credits \$ 65,190,356

HENDERSON COUNTY, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014**

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 12,043,360,222	\$ 0.5136	\$ 61,854,698	\$ 58,483,144	\$ 3,371,554
Motor vehicles taxed at prior year's rate	<u>189,231,893</u>	0.5136	<u>971,895</u>	<u>-</u>	<u>971,895</u>
Total	<u>12,232,592,115</u>		<u>62,826,593</u>	<u>58,483,144</u>	<u>4,343,449</u>
Discoveries:					
Current year taxes	329,108,061	0.5136	1,690,299	-	1,690,299
Prior year taxes	4,641,674	0.5136	113,413	113,413	-
Penalties	<u>-</u>		<u>105,305</u>	<u>105,305</u>	<u>-</u>
Total	<u>333,749,735</u>		<u>1,909,017</u>	<u>218,718</u>	<u>1,690,299</u>
Abatements	<u>44,494,225</u>	0.5136	<u>228,522</u>	<u>213,889</u>	<u>14,633</u>
Total property valuation	<u>\$ 12,610,836,075</u>				
Net Levy			64,964,132	58,915,751	6,048,381
Uncollected taxes at June 30, 2014			<u>(1,422,342)</u>	<u>(1,243,158)</u>	<u>(179,184)</u>
Current Year's Taxes Collected			<u>\$ 63,541,790</u>	<u>\$ 57,672,593</u>	<u>\$ 5,869,197</u>
Current Levy Collection Percentage			<u>97.81%</u>	<u>97.89%</u>	<u>97.04%</u>

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2014****Secondary Market Disclosures:**

Assessed Valuation:	
Assessment ratio (1)	<u>103.08%</u>
Real property	\$ 10,354,181,090
Personal Property	2,040,880,296
Public service companies (2)	<u>215,774,689</u>
Total assessed valuation	<u>\$ 12,610,836,075</u>
Tax rate per \$100	<u>\$ 0.5136</u>
Levy (includes discoveries, releases and abatements) (3)	\$ 64,964,132

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2014:

Fire protection districts	<u>7,287,837</u>
Total	<u>\$ 72,251,969</u>

- (1) Percentage of appraised value has been established by statute.
(2) Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.
(3) The levy includes interest and penalties.

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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.

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities					
Net investment in capital assets	\$ 15,631,980	\$ 17,886,041	\$ 25,994,918	\$ 42,917,076	\$ 46,920,197
Restricted	160,729	248,699	318,524	346,809	-
Unrestricted	<u>(10,545,164)</u>	<u>(13,350,654)</u>	<u>(12,992,312)</u>	<u>(26,932,658)</u>	<u>(47,594,779)</u>
Total governmental activities	<u>\$ 5,247,545</u>	<u>\$ 4,784,086</u>	<u>\$ 13,321,130</u>	<u>\$ 16,331,227</u>	<u>\$ (674,582)</u>
Business-type activities					
Net investment in capital assets	\$ 9,435,656	\$ 10,125,836	\$ 13,452,142	\$ 14,233,698	\$ 14,917,293
Unrestricted	<u>2,283,998</u>	<u>3,640,005</u>	<u>4,359,366</u>	<u>6,160,288</u>	<u>6,798,777</u>
Total business-type activities	<u>\$ 11,719,654</u>	<u>\$ 13,765,841</u>	<u>\$ 17,811,508</u>	<u>\$ 20,393,986</u>	<u>\$ 21,716,070</u>
Primary government					
Net investment in capital assets	\$ 25,067,636	\$ 28,011,877	\$ 39,447,060	\$ 57,150,774	\$ 61,837,490
Restricted	160,729	248,699	318,524	346,809	-
Unrestricted	<u>(8,261,166)</u>	<u>(9,710,649)</u>	<u>(8,632,946)</u>	<u>(20,772,370)</u>	<u>(40,796,002)</u>
Total primary government net position	<u>\$ 16,967,199</u>	<u>\$ 18,549,927</u>	<u>\$ 31,132,638</u>	<u>\$ 36,725,213</u>	<u>\$ 21,041,488</u>

Note: The significant increase in total net position of the County from FY2012 to FY2014 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.

Fiscal Year				
2010	2011	2012	2013	2014
\$ 45,283,045	\$ 45,090,597	\$ 47,218,294	\$ 73,911,997	\$ 73,306,086
343,790	9,154,768	10,996,211	10,873,904	12,822,921
<u>(49,123,482)</u>	<u>(56,449,939)</u>	<u>(51,095,871)</u>	<u>(61,681,174)</u>	<u>(52,396,535)</u>
\$ <u><u>(3,496,647)</u></u>	\$ <u><u>(2,204,574)</u></u>	\$ <u><u>7,118,634</u></u>	\$ <u><u>23,104,727</u></u>	\$ <u><u>33,732,472</u></u>
\$ 15,562,023	\$ 16,818,425	\$ 18,050,922	\$ 18,124,127	\$ 19,160,584
6,597,775	5,448,726	4,896,151	4,220,072	2,839,915
<u>22,159,798</u>	<u>22,267,151</u>	<u>22,947,073</u>	<u>22,344,199</u>	<u>22,000,499</u>
\$ 60,845,068	\$ 61,909,022	\$ 65,269,216	\$ 92,036,124	\$ 92,466,670
343,790	9,154,768	10,996,211	10,873,904	12,822,921
<u>(42,525,707)</u>	<u>(51,001,213)</u>	<u>(46,199,720)</u>	<u>(57,461,102)</u>	<u>(49,556,620)</u>
\$ <u><u>18,663,151</u></u>	\$ <u><u>20,062,577</u></u>	\$ <u><u>30,065,707</u></u>	\$ <u><u>45,448,926</u></u>	\$ <u><u>55,732,971</u></u>

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses					
Governmental activities:					
General government	\$ 11,407,380	\$ 20,754,875	\$ 20,711,316	\$ 20,573,746	\$ 17,377,905
Public safety	23,487,233	23,870,516	23,161,801	28,376,181	29,733,774
Environmental protection	744,817	2,777,434	745,597	715,577	819,015
Economic and physical development	3,187,593	2,931,244	3,303,513	2,939,542	3,131,673
Human Services	25,940,590	28,050,637	31,597,865	32,116,159	32,525,413
Cultural and recreation	3,452,018	3,730,608	2,709,515	3,712,969	3,139,072
Education	19,615,543	20,418,061	24,078,437	29,547,701	48,916,897
Interest on long term debt	1,746,726	2,705,438	4,804,820	4,847,599	5,502,008
Total governmental activities	<u>89,581,900</u>	<u>105,238,813</u>	<u>111,112,864</u>	<u>122,829,474</u>	<u>141,145,757</u>
Business-type activities:					
Landfill	3,691,541	3,976,161	4,065,503	3,992,430	4,110,540
Cane Creek water and sewer	393,788	475,168	658,003	771,571	852,213
Other business-type activities	27,937	35,548	31,816	36,104	42,278
Total business-type activities	<u>4,113,266</u>	<u>4,486,877</u>	<u>4,755,322</u>	<u>4,800,105</u>	<u>5,005,031</u>
Total primary government expenses	<u>\$ 93,695,166</u>	<u>\$ 109,725,690</u>	<u>\$ 115,868,186</u>	<u>\$ 127,629,579</u>	<u>\$ 146,150,788</u>
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 721,329	\$ 1,368,663	\$ 663,299	\$ 737,144	\$ 631,057
Public safety	756,144	3,555,211	5,001,265	4,739,681	3,836,365
Environmental protection	-	-	-	-	-
Economic and physical development	1,442,614	2,322,570	1,604,882	1,652,472	1,818,025
Human services	2,750,650	2,210,820	2,450,968	2,518,859	2,837,931
Cultural and recreation	173,873	296,506	278,988	263,541	243,102
Education	-	-	-	-	-
Operating grants and contributions:					
General government	151,052	155,176	388,567	727,155	841,768
Public safety	857,396	528,181	1,000,900	1,901,716	1,869,045
Environmental protection	41,428	238,089	740,691	504,249	681,813
Economic and physical development	1,030,417	2,299,781	1,033,462	1,000,987	1,350,792
Human services	13,845,185	13,415,019	14,571,769	15,919,725	18,171,953
Cultural and recreation	302,857	275,240	272,054	260,165	267,173
Education	-	-	617,412	800,000	959,681
Capital grants and contributions:					
General government	-	8,820	-	-	-
Environmental protection	-	-	-	-	-
Economic and physical development	-	-	-	-	-
Cultural and recreation	-	49,600	-	-	-
Education	52,470	615,000	-	-	-
Total governmental activities program revenues	<u>22,125,415</u>	<u>27,338,676</u>	<u>28,624,257</u>	<u>31,025,694</u>	<u>33,508,705</u>
Business-type activities:					
Charges for services	5,126,857	5,468,857	5,897,199	6,026,980	5,616,874
Operating grants and contributions	1,108,124	961,565	498,756	534,877	201,061
Capital grants and contributions	140,870	130,383	2,261,002	721,353	228,096
Total business-type activities program revenues	<u>6,375,851</u>	<u>6,560,805</u>	<u>8,656,957</u>	<u>7,283,210</u>	<u>6,046,031</u>
Total primary government program revenues	<u>\$ 28,501,266</u>	<u>\$ 33,899,481</u>	<u>\$ 37,281,214</u>	<u>\$ 38,308,904</u>	<u>\$ 39,554,736</u>
Net (Expense)/Revenue					
Governmental activities	\$ (67,456,485)	\$ (77,900,137)	\$ (82,488,607)	\$ (91,803,780)	\$ (107,637,052)
Business-type activities	<u>2,262,585</u>	<u>2,073,928</u>	<u>3,901,635</u>	<u>2,483,105</u>	<u>1,041,000</u>
Total primary government net (expense)/revenue	<u>\$ (65,193,900)</u>	<u>\$ (75,826,209)</u>	<u>\$ (78,586,972)</u>	<u>\$ (89,320,675)</u>	<u>\$ (106,596,052)</u>

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses					
Governmental activities:					
General government	\$ 12,790,053	\$ 19,654,791	\$ 16,036,914	\$ 17,913,612	\$ 14,762,338
Public safety	31,522,260	27,061,623	30,342,623	31,153,291	33,519,129
Environmental protection	620,661	759,241	678,682	921,122	424,250
Economic and physical development	3,019,284	3,524,661	3,001,446	2,832,831	2,628,397
Human Services	29,464,315	27,889,051	27,200,233	26,875,838	27,594,630
Cultural and recreation	4,522,826	4,657,512	3,497,027	2,554,407	4,496,879
Education	32,884,958	29,708,049	22,798,061	24,025,977	25,261,561
Interest on long term debt	5,331,692	5,007,243	4,981,375	3,614,839	2,969,032
Total governmental activities	<u>120,156,049</u>	<u>118,262,171</u>	<u>108,536,361</u>	<u>109,891,917</u>	<u>111,656,216</u>
Business-type activities:					
Landfill	4,365,097	4,311,315	4,673,770	4,826,309	5,001,377
Cane Creek water and sewer	907,057	921,563	1,039,398	882,351	1,609,949
Other business-type activities	41,848	52,167	42,970	53,247	46,677
Total business-type activities	<u>5,314,002</u>	<u>5,285,045</u>	<u>5,756,138</u>	<u>5,761,907</u>	<u>6,658,003</u>
Total primary government expenses	<u>\$ 125,470,051</u>	<u>\$ 123,547,216</u>	<u>\$ 114,292,499</u>	<u>\$ 115,653,824</u>	<u>\$ 118,314,219</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 565,665	\$ 2,877,560	\$ 631,150	\$ 711,063	\$ 672,612
Public safety	4,471,480	3,357,700	4,010,900	4,560,959	5,208,326
Environmental protection	-	14,224	-	-	-
Economic and physical development	1,687,452	131,193	1,305,720	1,376,578	1,440,014
Human services	536,580	447,382	557,456	472,234	504,719
Cultural and recreation	245,224	436,437	167,661	157,272	180,563
Education	-	-	-	-	-
Operating grants and contributions:					
General government	974,454	1,827,808	2,127,237	2,064,465	461,373
Public safety	1,649,828	2,890,615	2,128,666	1,454,505	2,773,066
Environmental protection	47,252	78,413	47,133	47,255	57,655
Economic and physical development	81,645	303,595	363,456	1,004,929	1,027,427
Human services	17,675,287	17,460,691	16,014,799	15,971,818	15,853,571
Cultural and recreation	242,402	230,446	197,661	202,240	206,592
Education	1,327,382	1,635,063	1,021,661	935,017	954,977
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>31,173,789</u>	<u>32,300,048</u>	<u>29,031,428</u>	<u>28,958,335</u>	<u>29,340,895</u>
Business-type activities:					
Charges for services	5,590,190	5,261,018	5,661,118	5,562,362	5,875,638
Operating grants and contributions	135,743	148,645	115,892	246,534	150,304
Capital grants and contributions	162,590	77,092	672,883	106,573	180,418
Total business-type activities program revenues	<u>5,888,523</u>	<u>5,486,755</u>	<u>6,449,893</u>	<u>5,915,469</u>	<u>6,206,360</u>
Total primary government program revenues	<u>\$ 37,062,312</u>	<u>\$ 37,786,803</u>	<u>\$ 35,481,321</u>	<u>\$ 34,873,804</u>	<u>\$ 35,547,255</u>
Net (Expense)/Revenue					
Governmental activities	\$ (88,982,260)	\$ (85,962,123)	\$ (79,504,933)	\$ (80,933,582)	\$ (82,212,479)
Business-type activities	574,521	201,710	693,755	153,562	(451,643)
Total primary government net (expense)/revenue	<u>\$ (88,407,739)</u>	<u>\$ (85,760,413)</u>	<u>\$ (78,811,178)</u>	<u>\$ (80,780,020)</u>	<u>\$ (82,664,122)</u>

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

	Fiscal Year				
	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 47,851,376	\$ 51,743,823	\$ 58,929,080	\$ 64,331,927	\$ 66,151,942
Local option sales tax	19,730,435	20,540,587	23,920,538	24,547,750	21,161,570
Other taxes and licenses	2,210,814	2,892,255	2,965,246	2,908,890	1,932,087
Grants and contributions not restricted	27,039	27,469	27,349	27,035	58,351
Investment earnings	750,138	1,463,391	3,602,951	2,780,131	1,161,801
Miscellaneous	1,601,486	524,079	1,368,999	-	-
Transfers	1,655,975	245,075	211,488	218,144	165,492
Total governmental activities:	<u>73,827,263</u>	<u>77,436,679</u>	<u>91,025,651</u>	<u>94,813,877</u>	<u>90,631,243</u>
Business-type activities:					
Investment earnings	50,903	217,882	355,520	317,517	446,576
Miscellaneous	5,824	-	-	-	-
Transfers	<u>(1,655,975)</u>	<u>(245,075)</u>	<u>(211,488)</u>	<u>(218,144)</u>	<u>(165,492)</u>
Total business-type activities	<u>(1,599,248)</u>	<u>(27,193)</u>	<u>144,032</u>	<u>99,373</u>	<u>281,084</u>
Total primary government	<u>\$ 72,228,015</u>	<u>\$ 77,409,486</u>	<u>\$ 91,169,683</u>	<u>\$ 94,913,250</u>	<u>\$ 90,912,327</u>
Change in Net Position					
Governmental activities	\$ 6,370,778	\$ (463,459)	\$ 8,537,044	\$ 3,010,097	\$ (17,005,809)
Business-type activities	<u>663,337</u>	<u>2,046,187</u>	<u>4,045,667</u>	<u>2,582,478</u>	<u>1,322,084</u>
Total primary government	<u>\$ 7,034,115</u>	<u>\$ 1,582,728</u>	<u>\$ 12,582,711</u>	<u>\$ 5,592,575</u>	<u>\$ (15,683,725)</u>

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

	Fiscal Year				
	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 67,341,066	\$ 67,886,712	\$ 68,689,187	\$ 69,628,114	\$ 72,197,460
Local option sales tax	16,265,083	16,463,074	17,504,095	18,596,584	19,760,279
Other taxes and licenses	1,760,761	1,884,433	1,761,555	1,170,234	999,760
Grants and contributions not restricted	-	-	-	-	-
Investment earnings	614,221	821,618	761,199	675,387	(170,434)
Miscellaneous	-	-	-	6,000,125	107,159
Transfers	179,064	198,359	112,105	849,231	(54,000)
Total governmental activities:	<u>86,160,195</u>	<u>87,254,196</u>	<u>88,828,141</u>	<u>96,919,675</u>	<u>92,840,224</u>
Business-type activities:					
Investment earnings	48,271	104,001	98,272	92,795	53,943
Miscellaneous	-	-	-	-	-
Transfers	(179,064)	(198,359)	(112,105)	(849,231)	54,000
Total business-type activities	<u>(130,793)</u>	<u>(94,358)</u>	<u>(13,833)</u>	<u>(756,436)</u>	<u>107,943</u>
Total primary government	<u>\$ 86,029,402</u>	<u>\$ 87,159,838</u>	<u>\$ 88,814,308</u>	<u>\$ 96,163,239</u>	<u>\$ 92,948,167</u>
Change in Net Position					
Governmental activities	\$ (2,822,065)	\$ 1,292,073	\$ 9,323,208	\$ 15,986,093	\$ 10,627,745
Business-type activities	<u>443,728</u>	<u>107,352</u>	<u>679,922</u>	<u>(602,874)</u>	<u>(343,700)</u>
Total primary government	<u>\$ (2,378,337)</u>	<u>\$ 1,399,425</u>	<u>\$ 10,003,130</u>	<u>\$ 15,383,219</u>	<u>\$ 10,284,045</u>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable:				
Inventories	\$ 18,295	\$ 14,998	\$ 16,333	\$ 14,386
Prepaid items	67,145	56,110	53,335	98,803
Restricted:				
Stabilization for State statute	6,085,013	7,542,377	8,972,465	9,257,898
Restricted, all other	160,729	248,699	318,524	346,809
Committed:				
Assigned for subsequent year's expenditures	-	515,000	1,841,778	2,352,740
Assigned all other	-	-	99,126	26,996
Unassigned:	<u>9,932,388</u>	<u>12,902,473</u>	<u>15,381,495</u>	<u>21,872,379</u>
Total General Fund	<u>\$ 16,263,570</u>	<u>\$ 21,279,657</u>	<u>\$ 26,683,056</u>	<u>\$ 33,970,011</u>
All Other Governmental Funds				
Nonspendable:				
Prepaid items	\$ -	\$ -	\$ 5,986	\$ -
Restricted:				
Stabilization for State statute	159,701	401,060	153,693	273,611
Restricted, all other	-	-	-	-
Committed:				
Special revenue and debt service funds	781,540	942,744	2,663,109	4,127,851
Capital project funds	23,357,918	42,402,936	26,184,220	32,637,787
Assigned all other:	-	-	-	-
Unassigned:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 24,299,159</u>	<u>\$ 43,746,740</u>	<u>\$ 29,001,022</u>	<u>\$ 37,039,249</u>

Fiscal Year

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	25,843	\$ 34,082	\$ 46,785	\$ 61,586	\$ 58,923	\$ 57,349
	92,671	136,140	145,801	124,902	152,058	178,654
	7,263,179	6,522,876	6,367,890	6,749,449	6,726,943	8,032,109
	324,500	343,790	258,575	161,443	199,106	177,966
	720,778	6,418,905	3,194,191	5,617,206	6,730,029	8,729,065
	37,422	87,492	305,525	77,195	175,128	220,978
	<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>24,141,639</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>	<u>\$ 41,537,760</u>
\$	-	\$ -	\$ -	\$ -	\$ -	-
	409,967	526,857	962,962	608,963	284,997	619,125
	-	-	3,413,004	3,476,356	3,662,858	3,993,721
	4,165,361	5,549,793	1,115,294	1,319,314	1,510,873	552,441
	6,114,403	9,320,682	4,775,469	1,628,356	9,148,014	9,295,256
	-	-	7,834	310,293	-	-
	-	-	<u>(19,551)</u>	<u>47,907</u>	<u>(71,825)</u>	<u>(196,705)</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>	<u>\$ 14,263,838</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes:				
Property	\$ 47,851,376	\$ 52,074,680	\$ 58,637,892	\$ 64,439,584
Sales	19,730,435	20,540,587	22,661,455	23,380,137
Other	2,210,814	2,892,255	2,752,039	2,646,547
Total taxes	<u>69,792,625</u>	<u>75,507,522</u>	<u>84,051,386</u>	<u>90,466,268</u>
Intergovernmental	16,307,844	18,472,353	18,113,945	19,838,087
Permits and Fees	1,945,291	2,081,006	2,295,267	2,555,970
Sales and Services	3,899,319	5,909,591	7,500,403	7,395,847
Investment Earnings	558,999	1,463,391	3,602,951	2,780,131
Miscellaneous	1,566,357	2,945,274	3,925,450	2,732,901
Total Revenues	<u>94,070,435</u>	<u>106,379,137</u>	<u>119,489,402</u>	<u>125,769,204</u>
Expenditures				
General Government	9,569,567	10,166,052	11,479,942	13,046,727
Public Safety	22,169,007	23,090,778	23,989,110	27,503,940
Environmental Protection	744,817	2,777,434	725,323	715,577
Economic and Physical Development	3,250,597	2,901,890	3,235,715	2,900,510
Human Services	25,769,902	27,968,583	31,276,781	31,776,627
Culture and Recreation	3,308,167	3,529,766	3,561,998	3,618,956
Education	19,770,627	20,418,061	22,038,249	36,524,184
Capital Outlay	6,069,945	24,539,541	23,222,119	14,678,560
Debt Service:				
Principal	4,888,061	5,587,776	7,680,164	7,535,472
Interest	1,746,726	2,808,404	4,702,820	4,640,599
Advanced payment to escrow agent	-	-	-	-
Total Expenditures	<u>97,287,416</u>	<u>123,788,285</u>	<u>131,912,221</u>	<u>142,941,152</u>
Excess of revenues over (under) expenditures	<u>(3,216,981)</u>	<u>(17,409,148)</u>	<u>(12,422,819)</u>	<u>(17,171,948)</u>
Other Financing Sources (Uses)				
Transfers in	3,742,448	1,060,357	1,077,587	2,540,801
Transfers out	(2,086,473)	(797,541)	(866,099)	(2,322,657)
Proceeds from certificates of participation	25,837,296	41,610,000	-	-
Refunding bonds issued	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Bond premium	-	-	-	-
Insurance proceeds	-	-	-	-
Installment financing issued	-	-	2,875,000	32,273,000
Contribution to TDA	-	-	-	-
Total other financing sources (uses)	<u>27,493,271</u>	<u>41,872,816</u>	<u>3,086,488</u>	<u>32,491,144</u>
Net change in fund balances	<u>\$ 24,276,290</u>	<u>\$ 24,463,668</u>	<u>\$ (9,336,331)</u>	<u>\$ 15,319,196</u>
Debt service as a percentage of noncapital expenditures	7.10%	7.57%	10.68%	9.49%

Fiscal Year						
	2009	2010	2011	2012	2013	2014
\$	66,018,584	\$ 67,108,338	\$ 67,640,556	\$ 68,869,266	\$ 69,683,310	\$ 72,442,683
	20,674,811	16,265,083	16,463,074	17,504,095	18,596,584	19,760,279
	1,853,877	1,716,654	1,839,151	1,647,165	1,020,464	931,782
	<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>	<u>93,134,744</u>
	23,056,971	22,579,216	23,955,738	20,506,382	20,714,436	20,706,830
	1,259,149	1,303,741	1,259,908	1,570,092	1,638,646	1,619,034
	8,060,928	5,606,937	5,808,063	5,204,757	5,657,362	6,362,816
	1,161,801	614,221	821,618	761,199	675,311	(170,434)
	<u>1,708,592</u>	<u>1,692,157</u>	<u>1,289,906</u>	<u>2,158,119</u>	<u>1,112,638</u>	<u>836,742</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>	<u>122,489,732</u>
	14,533,347	10,460,904	17,181,746	11,345,895	13,818,252	12,558,117
	28,865,600	30,198,709	31,113,589	30,683,571	30,360,366	31,855,136
	821,125	612,539	645,457	579,882	770,928	353,846
	3,096,497	2,823,059	3,414,401	3,333,698	2,778,708	2,573,661
	32,308,980	28,796,898	28,494,208	26,736,224	26,102,907	27,215,341
	3,018,141	4,283,758	4,462,354	3,829,304	4,087,986	4,343,834
	48,916,897	32,884,958	29,708,049	22,798,061	24,025,977	25,214,625
	3,321,887	1,197,171	2,433,642	3,231,758	3,862,734	2,754,492
	14,324,588	8,947,223	9,654,619	10,189,756	10,630,317	10,924,205
	5,505,708	5,612,835	4,929,086	5,084,218	3,967,959	3,166,375
	-	-	-	-	4,841,690	-
	<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>120,959,632</u>
	(30,918,057)	(8,931,707)	(12,959,137)	408,708	(6,149,073)	1,530,100
	1,828,034	4,000,986	2,217,302	1,339,807	6,848,652	2,873,913
	(1,662,542)	(3,821,922)	(2,018,943)	(1,205,208)	(5,999,421)	(2,927,913)
	-	-	-	-	-	-
	-	17,037,084	-	-	41,151,000	-
	-	(17,282,996)	-	-	(36,110,000)	-
	-	848,430	-	-	-	-
	-	-	-	-	6,000,125	107,159
	5,645,000	14,687,899	7,744,460	249,378	413,539	308,997
	-	-	-	-	(461,316)	-
	<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>362,156</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>	<u>\$ 1,892,256</u>
	13.10%	11.73%	11.84%	13.35%	12.03%	12.13%

**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
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
2014	8,033,802,827	1,746,583,200	418,162,600	155,632,463	2,040,880,296

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)
\$ 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
215,774,689	12,610,836,075	0.5136	12,686,501,091

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Henderson County	\$ 0.4750	\$ 0.5150	\$ 0.5650	\$ 0.4620	\$ 0.4620
Municipality Rates:					
Hendersonville	0.4300	0.4300	0.4300	0.3800	0.3800
Laurel Park	0.3100	0.3100	0.3350	0.2700	0.2700
Fletcher	0.2700	0.2700	0.2200	0.2700	0.2700
Mills River	0.0750	0.0750	0.0750	0.0750	0.0750
Flat Rock	-	0.0850	0.0850	0.0750	0.0750
Saluda	0.5000	0.5000	0.5400	0.6050	0.6050
Downtown - Main Street	0.3000	0.3000	0.3000	0.2500	0.2500
Downtown - Seventh Ave.	0.1000	0.1000	0.1000	0.1000	0.0800
Fire Districts:					
Bat Cave	0.0900	0.0900	0.0900	0.0800	0.0900
Blue Ridge	0.0950	0.0950	0.0950	0.0850	0.0850
Dana	0.0900	0.0900	0.1000	0.1000	0.1000
Edneyville	0.0900	0.0925	0.0950	0.0850	0.0850
Etowah-Horse Shoe	0.0750	0.0850	0.0850	0.0800	0.0850
Fletcher	0.0950	0.0950	0.0950	0.0950	0.0950
Gerton	0.1150	0.1150	0.1150	0.1150	0.1150
Green River	0.0750	0.0750	0.0750	0.0600	0.0600
Mills River	0.0650	0.0650	0.0650	0.0650	0.0650
Mountain Home	0.1050	0.1050	0.1050	0.0950	0.0950
Raven Rock	0.0900	0.0900	0.0900	0.0750	0.0750
Valley Hill	0.0800	0.0800	0.0800	0.0700	0.0700
Valley Hill II	0.0800	0.0800	0.0800	0.0700	0.0700

Source: Henderson County Tax Collector

	Fiscal Year				
	2010	2011	2012	2013	2014
\$	0.4620	\$ 0.4620	\$ 0.5136	\$ 0.5136	\$ 0.5136
	0.3800	0.3800	0.4100	0.4100	0.4400
	0.3100	0.3100	0.3600	0.3600	0.3900
	0.3200	0.3200	0.3250	0.3250	0.3250
	0.0750	0.0750	0.0874	0.0974	0.0974
	0.0750	0.0750	0.0840	0.0840	0.0840
	0.5150	0.5150	0.6250	0.6050	0.6050
	0.2500	0.2500	0.2800	0.2800	0.2800
	0.0800	0.0800	0.1200	0.1200	0.1200
	0.0900	0.0900	0.1000	0.1000	0.1000
	0.0850	0.0850	0.0950	0.0950	0.0950
	0.1000	0.1000	0.1100	0.1100	0.1100
	0.0850	0.0850	0.0950	0.0950	0.0950
	0.0850	0.0850	0.0950	0.0950	0.0950
	0.0950	0.0950	0.1000	0.1000	0.1000
	0.1150	0.1150	0.1250	0.1250	0.1250
	0.0600	0.0600	0.0650	0.0650	0.0700
	0.0650	0.0650	0.0750	0.0750	0.0750
	0.0950	0.0950	0.1050	0.1050	0.1050
	0.0750	0.0750	0.0850	0.0850	0.0850
	0.0700	0.0700	0.0800	0.0800	0.0850
	0.0700	0.0700	NA	NA	NA

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

Taxpayer	Type of Business	Fiscal Year 2014		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Carolinas LLC	Utility	\$ 129,998,529	1	1.14%
Continental Teves Automotive Systems, Inc.	Automotive Brake Systems	103,900,399	2	0.91%
Meritor Heavy Vehicle Systems	Truck Axles	75,185,373	3	0.66%
Berkley Mills	Textiles	65,154,235	4	0.57%
UPM Raflatac, Inc.	Paper Products	53,799,288	5	0.47%
Ingles Markets	Retail Grocery	44,489,263	6	0.39%
Wilsonart LLC	Laminate Products	36,879,171	7	0.32%
Public Service Company of NC	Utility	35,524,922	8	0.31%
Hyder, Boyd L.	Various	33,331,376	9	0.29%
Borg-Warner Automotive Cooling	Automotive Cooling Systems	31,803,536	10	0.28%
Totals		<u>\$ 610,066,092</u>		5.36%

Source: Henderson County Assessor

Fiscal Year 2004

	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$	84,715,174	1	1.07%
	89,529,380	3	1.13%
	89,790,070	2	1.14%
	69,949,900	4	0.89%
	50,189,074	5	0.64%
	25,104,460	12	0.32%
	24,192,871	10	0.31%
	24,044,533	11	0.30%
	12,454,040	17	0.16%
	<u>32,735,757</u>	8	0.41%
\$	<u>502,705,259</u>		6.37%

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
	Amount	Percentage of Original Levy					
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%	1,125,853	
2014	65,192,654	(228,522)	64,964,132	63,541,790	97.46%	-	

Source: Henderson County Tax Collector

Total Collections to Date		
Amount	Percentage of Adjusted Levy	Uncollected
\$ 42,166,511	99.70%	\$ 125,982
47,048,046	99.65%	163,354
54,060,011	99.49%	279,332
58,041,525	99.64%	209,947
59,777,602	99.64%	215,726
60,380,535	99.69%	189,124
60,710,655	99.48%	317,366
61,296,844	99.51%	301,997
61,661,144	98.96%	651,009
63,541,790	97.81%	<u>1,422,342</u>
		<u>\$ 3,876,179</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	
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	-	52,400,340	16,328,539	39,377,603	-	-
2014	-	50,159,087	12,112,073	35,644,329	-	-

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 FY2014.

Business - Type Activities

	Limited Obligation Bonds	Installment Purchases	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
\$	-	\$ -	\$ 72,894,498	\$ 758	2.50%
	-	-	108,814,628	1,113	3.45%
	-	3,019,100	106,571,133	1,065	3.14%
	-	2,701,300	130,998,922	1,283	3.57%
	-	2,383,500	122,005,984	1,175	3.19%
	1,842,916	79,450	127,055,163	1,208	3.31%
	1,710,652	-	125,153,856	1,168	3.32%
	1,484,680	2,000,000	118,766,940	1,095	3.03%
	1,260,660	1,866,667	111,233,809	1,027	2.71%
	1,083,014	1,733,334	100,731,837	920	*

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

Fiscal Year	General/Limited Obligation Bonded Debt Outstanding				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	Total			
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	-	53,661,000	2,889,000	50,772,000	1.24%	0.42%	469
2014	-	51,242,101	2,771,000	48,471,101	-	0.38%	442

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 2014.

(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>Fiscal Year</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed Value of Property	\$ 8,868,466	\$ 9,155,805	\$ 9,611,745	\$ 12,525,917	\$ 12,960,934
Debt Limit, 8% of Assessed Value (Statutory Limitation)	709,477	732,464	768,940	1,002,073	1,036,874
Amount of Debt Applicable to Limit:					
Less: Gross debt	<u>72,894</u>	<u>108,815</u>	<u>106,571</u>	<u>130,998</u>	<u>122,006</u>
Less: Debt outstanding for water and sewer purposes	<u>1,209</u>	<u>1,178</u>	<u>3,019</u>	<u>2,701</u>	<u>2,384</u>
Total net debt applicable to limit	<u>71,685</u>	<u>107,637</u>	<u>103,552</u>	<u>128,297</u>	<u>119,622</u>
Legal Debt Margin	<u>\$ 637,792</u>	<u>\$ 624,827</u>	<u>\$ 665,388</u>	<u>\$ 873,776</u>	<u>\$ 917,252</u>
Total debt applicable to the limit as a percentage of debt limit	10.10%	14.70%	13.47%	12.80%	11.54%

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.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 13,092,488	\$ 13,191,457	\$ 12,053,856	\$ 12,203,794	\$ 12,610,836
1,047,399	1,055,316	964,308	976,304	1,008,867
<u>127,055</u>	<u>125,154</u>	<u>114,767</u>	<u>111,798</u>	<u>100,732</u>
<u>1,922</u>	<u>1,711</u>	<u>1,485</u>	<u>3,182</u>	<u>2,816</u>
<u>125,133</u>	<u>123,443</u>	<u>113,282</u>	<u>108,616</u>	<u>97,916</u>
<u>\$ 922,266</u>	<u>\$ 931,873</u>	<u>\$ 851,026</u>	<u>\$ 867,688</u>	<u>\$ 910,951</u>
11.95%	11.70%	11.75%	11.13%	9.71%

**Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014**

<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	\$ 100,731,837	100.00%	\$ 100,731,837
Overlapping:			
City of Hendersonville	2,060,000	100.00%	2,060,000
Town of Fletcher	9,100,000	100.00%	<u>9,100,000</u>
Total overlapping debt			<u>11,160,000</u>
Total direct and overlapping debt			<u>\$ 111,891,837</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>
2005	96,158	\$ 2,919,107	\$ 30,230	12,292	4.70%	35,835
2006	97,792	3,150,141	32,281	12,578	3.70%	34,795
2007	100,107	3,392,869	33,910	12,792	3.60%	36,680
2008	102,142	3,673,726	35,922	12,887	4.60%	39,544
2009	103,836	3,825,564	36,682	13,069	9.30%	25,123
2010	105,221	3,841,838	36,308	13,107	8.40%	18,642
2011	107,177	3,766,289	35,215	13,177	7.90%	15,799
2012	108,448	3,921,941	36,461	13,197	8.20%	16,114
2013	108,340	4,098,466	37,856	13,316	6.60%	18,918
2014	109,540	*	*	13,291	4.90%	19,742

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	2014		
	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1995	1	4.09%
Park Ridge Hospital	1412	2	2.90%
Margaret R. Pardee Hospital	1197	3	2.46%
Henderson County	740	4	1.52%
Continental Teves, Inc.	603	5	1.24%
Wilsonart International Inc.	584	6	1.20%
Meritor Heavy Vehicle Systems LLC	480	7	0.98%
General Electric	420	8	0.86%
Ingles Markets, Inc.	381	9	0.78%
Wal-Mart Associates, Inc.	371	10	0.76%

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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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	93	97	103	104	106
Public safety	236	258	271	265	271
Environmental protection	22	23	23	21	23
Economic and physical development	21	21	21	22	22
Human Services	251	263	273	272	281
Cultural and recreation	48	50	50	54	56
Total	<u>671</u>	<u>712</u>	<u>741</u>	<u>738</u>	<u>759</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
98	95	97	100	100
266	274	261	269	277
18	20	22	22	22
23	23	22	22	23
285	288	272	267	269
<u>48</u>	<u>51</u>	<u>49</u>	<u>50</u>	<u>49</u>
<u><u>738</u></u>	<u><u>751</u></u>	<u><u>723</u></u>	<u><u>730</u></u>	<u><u>740</u></u>

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

Function	2005	2006	2007	2008
<u>General Government</u>				
# of Registered Voters	67,992	70,510	71,431	74,823
<u>Public Safety</u>				
# of building permits issued	4,158	4,433	4,014	4,990
# of calls dispatched	87,875	88,884	103,320	133,644
<u>Human Services</u>				
# of food & lodging sites inspected	1,654	1,701	1,745	1,461
# of Health clients served	9,503	9,317	9,038	9,580
<u>Economic and Physical Development</u>				
Number of major subdivision plan reviews	36	44	50	29
<u>Cultural and Recreation</u>				
Library book circulation	818,842	916,649	929,304	955,670
<u>Education</u>				
Total \$ spent per ADM	\$ 1,820	\$ 1,920	\$ 2,151	\$ 2,286
<u>Enterprise Fund - Landfill</u>				
Solid waste generated # tons/day	280	343	314	255

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 from 2012 through 2014 for new residential and commercial construction is due to an improving local economy.

Fiscal Year					
2009	2010	2011	2012	2013	2014
74,581	76,117	75,821	78,326	76,224	77,321
4,471	4,915	4,735	5,077	6,025	6,430
120,202	117,422	131,706	133,353	140,288	146,494
1,431	1,492	1,546	1,479	1,545	1,497
10,250	13,210	12,494	12,090	11,344	12,447
11	4	2	3	5	4
952,439	972,262	987,905	947,866	981,738	951,697
\$ 2,426	\$ 2,281	\$ 2,319	\$ 2,162	\$ 2,226	\$ 2,306
272	245	203	218	240	249

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

Function	Fiscal Year			
	2005	2006	2007	2008
<u>Public Safety</u>				
Sheriff's Department:				
Stations	1	1	1	1
Vehicles	124	130	130	136
<u>Cultural and Recreation</u>				
Park Acreage	305	320	320	320
Parks	7	7	7	7
Ballfields and courts	27	31	31	31
Libraries	6	6	6	6

Source: Various County Departments

Fiscal Year					
2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
159	162	163	176	168	158
320	320	320	323	349	331
8	8	8	8	10	11
31	31	31	36	35	37
6	6	6	6	6	6

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COMPLIANCE SECTION

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

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

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
Hendersonville, 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 accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 7, 2014. Our report includes a reference to other auditors who audited the financial statements of the Henderson County Hospital Corporation as described in our report on Henderson County's financial statements. The financial statements of the 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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
November 7, 2014

HENDERSON COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified? _____ Yes X No

• Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None reported

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

HENDERSON COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

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

None reported

HENDERSON COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding: 2013-001

Status: Corrected

Finding: 2013-002

Status: Corrected

Finding: 2013-003

Status: Corrected

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