

HENDERSON COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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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 13, 2015

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, 2015 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, 2015 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, 2015 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, 2015, 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, 2015. 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 111,149. 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 2,120 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 5.64 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 Home National Historic Site, special events, outdoor experiences, numerous camps, agri-tourism and many other attractions and cultural experiences. The most current value determined by the Economic Development Partnership of NC, VisitNC.org, of the economic impact of tourism to the County is estimated to be \$246.41 million. This provides an annual tax savings to each County resident of approximately \$161.16.

**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>
2015	625	\$163,289,635	5.1%
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%

The number of permits issued for new residential and commercial construction was up slightly by 0.6 percent from FY2014 and the total dollar value of those new permits increased by \$46.6 million or 39.8 percent. The local unemployment rate remained constant as 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	611
Wilsonart International	Laminated plastics	575
Meritor Vehicle Systems	Truck axles	480
General Electric	Utility	420
UPM Raflatac, Inc.	Paper products	350
Borg-Warner	Automotive cooling systems	299
Manual Woodworkers	Wooden crafts and woven products	247

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 \$5.4 million over the previous fiscal year or 4.9 percent. Total General Fund expenditures increased by \$5.3 million or 4.9 percent over FY2014 primarily due to increased expenditures for general government, public safety and education. Total General Fund Balance increased by \$653,434 to \$42,191,196 and the Unassigned Fund Balance amount available for appropriation decreased by \$458,537 to \$23,683,102 primarily due to more fund balance being assigned to balance the FY2016 budget. All other Governmental Funds ended the fiscal year in a positive financial position. The net position of the Landfill Fund and the Cane Creek Water and Sewer District Fund increased in FY2015. The net position of the Justice Academy Sewer Fund decreased in FY2015 due to operating expenditures exceeding operating revenues and other sources of revenue 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 cost for this new 90,000 square foot facility is \$32 million with the majority being financed by the County. Construction on this major capital project began in late FY2015 with an expected completion date of August 2016.

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 was successfully completed in FY2015.

A new County park in the Tuxedo/Green River Community and renovations and repair to a park in the Dana Community were completed in FY2015. Additionally, restroom facilities for the new park in Tuxedo/Green River Community will be completed in early FY2016.

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 FY2015.

FOR THE FUTURE. For FY2016, the Board budgeted revenues conservatively without any tax increase. Sales tax revenues were increased due to an improving local economy based on prior fiscal year actual receipts. Operating expenditures for most County departments and other outside agencies were essentially held flat, but additional personnel were added in areas experiencing increased service demands, including emergency medical services, inspections and social services. Funding for the public schools and the community college was increased over FY2015 levels, but not at the amount requested. Debt service rolling off in FY2015 is being transferred to the Debt Service Fund in FY2016 to fund future capital projects. The Board budgeted \$9.5 million in Unassigned General Fund Balance to balance the FY2016 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. For employees, a cost of living increase and performance pay was included in the FY2016 budget.

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 \$23.6 million in Unassigned General Fund Balance or 20.4 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.

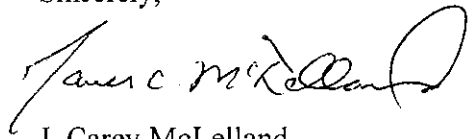
AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2014. This was the twenty-sixth consecutive year Henderson County received 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, appearing to read "J. Carey McLelland". The signature is fluid and cursive, with a large, stylized initial "J" and a prominent loop at the end.

J. Carey McLelland
Finance Director



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HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2015

Board of Commissioners

Chairman.....	Thomas H. Thompson
Vice Chairman	Charles D. Messer
Commissioner	J. Michael Edney
Commissioner	Grady Hawkins
Commissioner	William G. Lapsley

County Officials

County Manager.....	Steven D. Wyatt
Assistant County Manager.....	Amy Brantley
Animal Services Director.....	Brad Rayfield
Building Services Director.....	Thomas Staufer
Business and Community Development Director.....	John Mitchell
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
Facility Services Manager.....	Jerry Tucker
Finance Director.....	J. Carey McLelland
Human Resources Director	Janice Prichard
Information Technology Director	Becky Snyder
Internal Auditor	Darlene Burgess
Library Director	Trina Rushing
Library Director	Trina Rushing
Management Assistant	Megan Powell
Planning	Autumn Radcliff
Property Addressing Coordinator.....	Curtis Griffin
Public Health Director	Steven E. Smith
Public Information Officer.....	Kathryn Finotti
Public Transit Manager/Transportation Planner	Matthew Champion
Purchasing Agent	Randall L. Cox
Recreation Director	Tim Hopkin
Register of Deeds.....	Lee King
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, 2014

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, 2015, 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 99.3 percent, 99.2 percent, and 98.9 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2015, 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, the Law Enforcement Officers' Special Separation Allowance and Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Henderson County, North Carolina. 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 13, 2015 on our consideration of 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 13, 2015

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HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2015

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, 2015. 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

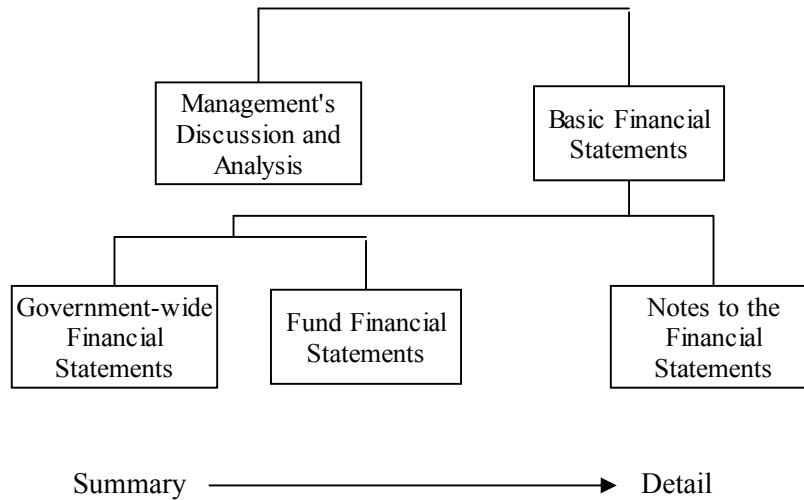
- The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$70,093,105 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$75,711,355 in long-term 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 \$18,220,415. Net position in the governmental activities increased by \$17,508,744. This was due primarily from a \$9.0 million increase in total assets and a \$12.5 million decrease in total liabilities over the prior fiscal year which provided a significant increase in the unrestricted net position for governmental activities. Net position in the business-type activities increased by \$711,671.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$55,348,782, a decrease of \$452,816, in comparison with the prior year. Approximately 19 percent of this total amount, or \$10,625,853, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$33,584,846, or 21.74 percent, of total General Fund expenditures.
- Henderson County's total general obligation, limited obligation and installment note debt decreased \$14,249,533 (14.1 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.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets and Deferred Outflows:						
Current and other assets	\$ 69,581,577	\$ 69,657,112	\$ 5,601,776	\$ 5,774,293	\$ 75,183,353	\$ 75,431,405
Restricted non-current assets	3,440,126	-	79,553	-	3,519,679	-
Capital assets	81,973,698	78,482,525	22,248,449	21,976,932	104,222,147	100,459,457
Deferred outflows of resources	<u>6,485,760</u>	<u>4,368,866</u>	<u>63,904</u>	<u>-</u>	<u>6,549,664</u>	<u>4,368,866</u>
Total assets and deferred outflows	<u>161,481,161</u>	<u>152,508,503</u>	<u>27,993,682</u>	<u>27,751,225</u>	<u>189,474,843</u>	<u>180,259,728</u>
Liabilities and Deferred Outflows:						
Long-term liabilities	82,116,391	92,404,864	4,298,072	4,760,985	86,414,463	97,165,849
Other liabilities	24,110,345	26,292,539	891,777	989,741	25,002,122	27,282,280
Deferred inflows of resources	<u>7,771,262</u>	<u>78,628</u>	<u>193,891</u>	<u>-</u>	<u>7,965,153</u>	<u>78,628</u>
Total liabilities and deferred inflows	<u>113,997,998</u>	<u>118,776,031</u>	<u>5,383,740</u>	<u>5,750,726</u>	<u>119,381,738</u>	<u>124,526,757</u>
Net Position:						
Net investment in						
capital assets	77,601,835	73,306,086	19,798,146	19,160,584	97,399,981	92,466,670
Restricted	10,346,944	12,822,921	-	-	10,346,944	12,822,921
Unrestricted	<u>(40,465,616)</u>	<u>(52,396,535)</u>	<u>2,811,796</u>	<u>2,839,915</u>	<u>(37,653,820)</u>	<u>(49,556,620)</u>
Total net position	<u>\$ 47,483,163</u>	<u>\$ 33,732,472</u>	<u>\$ 22,609,942</u>	<u>\$ 22,000,499</u>	<u>\$ 70,093,105</u>	<u>\$ 55,732,971</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 \$70,093,105 as of June 30, 2015. The County's net position increased by \$18,220,415 for the fiscal year ended June 30, 2015. Net position of the County is reported in three categories: net investment in capital assets of \$97,399,981, restricted net position of \$10,346,944, and unrestricted net position of (\$37,653,820).

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, 2015, the total net deficit is (\$37,653,820).

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 \$76 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 98.43 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 \$4,274,330.
- Revenues, transfers, and other financing uses in the General Fund exceeded expenditures and other financing sources by \$653,436.

Governmental Activities. Governmental activities increased the County's net position by \$17,508,744, or 96.1 percent, of the total increase in the net position of the Henderson County.

Business-Type Activities. Business-type activities increased the County's net position by \$711,671, or a 3.9 percent, of the total increase in the net position of the Henderson County. (See Figure 3.)

Financial Analysis of the County's Funds

Henderson County's Change in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,564,253	\$ 8,006,234	\$ 6,601,142	\$ 5,875,638	\$15,165,395	\$13,881,872
Operating grants and contributions	25,766,368	21,334,661	168,144	150,304	25,934,512	21,484,965
Capital grants and contributions	100	102,842	182,952	180,418	183,052	283,260
General revenues:						
Property taxes	71,844,544	72,197,460	-	-	71,844,544	72,197,460
Other taxes	22,697,211	20,760,039	-	-	22,697,211	20,760,039
Other	3,851,817	(63,275)	45,850	53,943	3,897,667	(9,332)
Total revenues	<u>132,724,293</u>	<u>122,337,961</u>	<u>6,998,088</u>	<u>6,260,303</u>	<u>139,722,381</u>	<u>128,598,264</u>
Expenses:						
General government	16,786,995	14,762,338	-	-	16,786,995	14,762,338
Public safety	32,758,736	33,519,129	-	-	32,758,736	33,519,129
Environmental protection	338,819	424,250	-	-	338,819	424,250
Economic and physical development	3,704,639	2,628,397	-	-	3,704,639	2,628,397
Human services	27,818,854	27,594,630	-	-	27,818,854	27,594,630
Cultural and recreational	4,553,125	4,496,879	-	-	4,553,125	4,496,879
Education	26,745,692	25,261,561	-	-	26,745,692	25,261,561
Interest on long-term debt	2,459,209	2,969,032	-	-	2,459,209	2,969,032
Solid waste disposal	-	-	4,976,754	5,001,377	4,976,754	5,001,377
Other	-	-	1,359,143	1,656,626	1,359,143	1,656,626
Total expenses	<u>115,166,069</u>	<u>111,656,216</u>	<u>6,335,897</u>	<u>6,658,003</u>	<u>121,501,966</u>	<u>118,314,219</u>
Increase (decrease) in net position before transfers	17,558,224	10,681,745	662,191	(397,700)	18,220,415	10,284,045
Transfers	(49,480)	(54,000)	49,480	54,000	-	-
Change in net position	<u>17,508,744</u>	<u>10,627,745</u>	<u>711,671</u>	<u>(343,700)</u>	<u>18,220,415</u>	<u>10,284,045</u>
Net Position:						
Beginning of year - July 1	33,732,472	23,104,727	22,000,499	22,344,199	55,732,971	45,448,926
Restatement	(3,758,053)	-	(102,228)	-	(3,860,281)	-
Beginning, restated	<u>29,974,419</u>	<u>23,104,727</u>	<u>21,898,271</u>	<u>22,344,199</u>	<u>51,872,690</u>	<u>45,448,926</u>
End of year - June 30	<u>\$47,483,163</u>	<u>\$33,732,472</u>	<u>\$22,609,942</u>	<u>\$22,000,499</u>	<u>\$70,093,105</u>	<u>\$55,732,971</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 \$33,584,846, while total fund balance was \$42,191,196. The Governing Body of Henderson County has determined that the county should maintain an available fund balance of 8% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 21.74, while total fund balance represents 36.32 percent of that same amount.

At June 30, 2015, the governmental funds of the County reported a combined fund balance of \$55,348,782, a 0.81 percent decrease from last year. This increase was primarily due to the positive budget to actual variance in the County's General Fund for FY2015 as compared to the previous fiscal year.

General Fund Budgetary Highlights. The County's financial position improved for FY2015 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 \$4.3 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 \$5,890,295 over budget. However, this positive variance was offset by a negative budget to actual variance in investment earnings of \$81,567 which was due from marking down certain investments to their actual market value as of June 30, 2015. Separately, a total of \$10.5 million in General Fund balance was appropriated to balance the FY2015 budget. None of the \$10.5 million ended up having to be utilized due to total revenues and other financing sources having a positive budget variance of \$6.8 million combined with total expenditures and other financing uses having a significant positive budget variance of \$4.3 million.

Total fiscal year 2015 General Fund revenues increased by \$7.5 million, or 6.9 percent, over the prior fiscal year, as compared to General Fund expenditures which decreased by \$4.8 million, or 4.3 percent, over fiscal year 2014. 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 NCFASST 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 \$653,436, while the amount of unassigned fund balance that is available for appropriation decreased by over \$1.6 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 \$2,437,568, or 2.1 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 \$3,078,793. The second largest variance was in Ad Valorem Taxes which had a positive actual to budget variance of \$1,658,527. 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, 2015. Total General Fund revenues had a total positive actual to budget variance of \$7,068,658.

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 \$2,811,796. During the fiscal year 2015, proprietary fund net position increased \$711,671. The increase 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, 2015 totals \$104,222,147 (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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$15,349,827	\$14,209,795	\$ 6,362,485	\$ 6,340,366	\$ 21,712,312	\$ 20,550,161
Buildings	55,537,349	58,162,711	-	-	55,537,349	58,162,711
Plant and distribution systems	-	-	13,309,036	13,623,568	13,309,036	13,623,568
Equipment	2,175,799	1,672,846	758,103	580,919	2,933,902	2,253,765
Vehicles and motor equipment	1,949,660	2,120,460	77,545	154,549	2,027,205	2,275,009
Construction in progress	6,961,063	2,316,713	1,741,280	1,277,529	8,702,343	3,594,242

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, 2015, Henderson County had total bonded debt outstanding of \$48,177,079 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Limited obligation bonds	\$ 47,326,776	\$ 50,159,087	\$ 850,303	\$ 1,083,014	\$ 48,177,079	\$ 51,242,101
Installment notes payable	<u>36,705,225</u>	<u>47,756,402</u>	<u>1,600,000</u>	<u>1,733,334</u>	<u>38,305,225</u>	<u>49,489,736</u>
Total	<u>\$ 84,032,001</u>	<u>\$ 97,915,489</u>	<u>\$ 2,450,303</u>	<u>\$ 2,816,348</u>	<u>\$ 86,482,304</u>	<u>\$ 100,731,837</u>

Henderson County's total long-term debt decreased by \$14,249,533 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 \$917,886,130.

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 \$122,373,450 General Fund budget for fiscal year 2016. Most County departments and outside agencies were essentially held flat, but additional personnel were added in areas experiencing increased service demands, including emergency medical services, inspections and social services. The fiscal year 2016 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 FY2016 budget:

- An essentially flat operational budget for most County departments and other outside agencies
- An increase in funding for the public schools and the community college
- An increase in sales tax revenue projections based on prior year actual receipts
- Maintaining an adequate Unassigned General Fund balance meeting Board Policy and Local Government Commission requirements
- Transfer of debt service roll-off into the Debt Service Fund for upcoming capital projects
- An increase in service demands on some County departments including Emergency Medical Services, Inspections and Social Services

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. For FY2016, the Board budgeted revenues conservatively without any tax increase. Sales tax revenues were increased due to an improving local economy based on prior fiscal year actual receipts. Unassigned General Fund balance of \$9.47 million was appropriated to balance the budget and to primarily cover increases for education, emergency services and continued decreases in federal and state program revenues associated with social services and public health. County departments were again charged with essentially holding their operating budgets flat. A cost of living increase and performance pay were included in the FY2016 budget for employees.

Business-Type Activities. The solid waste tipping fee for the Solid Waste Landfill Enterprise Fund was increased to \$60 per ton for FY2016 to increase revenues to offset three years of contractual cost of living increases with the hauling contract. On a more broad view, the Fund retained earnings have been reduced since the recession due to a 25 percent loss of tonnage and subsequent loss of net revenue. This was worsened by the corresponding significant increase in fuel costs. The Fund is also charged with covering the annual debt service required on \$2 million in financing for a major solid waste capital improvements project which has been completed. Solid waste revenues are estimated to offset the projected operating costs for the waste facilities during FY2016.

The Cane Creek Water and Sewer District rates for service remain unchanged for FY2016 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. Additional growth is anticipated in residential and commercial construction activity for FY2016 due to improvement in the local economy. District user fees were increased slightly to account for this anticipated growth. Retained earnings of \$2.48 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 FY2016. Budgeted operating revenues are expected to cover operating expenses for this Fund.

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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
Assets:					
Current assets:					
Cash and cash equivalents	\$ 58,725,277	\$ 4,543,562	\$ 63,268,839	\$ 2,070,904	\$ 892,973
Investments	-	-	-	42,137,514	-
Investment in affiliate	-	-	-	85,288	-
Taxes receivable, net	1,418,886	-	1,418,886	-	-
Receivables, net	8,976,700	1,058,214	10,034,914	29,882,205	178,365
Pledges receivable	-	-	-	411,037	-
Inventories	50,999	-	50,999	3,236,202	-
Prepaid items	227,910	-	227,910	1,462,748	-
Restricted cash and cash equivalents	181,805	-	181,805	-	-
Restricted investments	-	-	-	9,256,096	-
Total current assets	69,581,577	5,601,776	75,183,353	88,541,994	1,071,338
Net pension asset	3,440,126	79,553	3,519,679	-	-
Capital assets:					
Land and construction in progress	22,310,890	8,103,765	30,414,655	6,195,299	-
Other capital assets, net of depreciation	59,662,808	14,144,684	73,807,492	63,990,441	5,363
Total capital assets	81,973,698	22,248,449	104,222,147	70,185,740	5,363
Other assets	-	-	-	500,000	-
Total assets	154,995,401	27,929,778	182,925,179	159,227,734	1,076,701
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year RODSPF	10,922	-	10,922	-	-
RODSPF pension deferral	2,743	-	2,743	-	-
Contributions to pension plan in current fiscal year LGERS	2,298,446	58,209	2,356,655	-	-
LGERS pension deferral	224,866	5,695	230,561	-	-
Charge on refunding	3,948,783	-	3,948,783	-	-
Total deferred outflows of resources	6,485,760	63,904	6,549,664	-	-
Total assets and deferred outflows of resources	161,481,161	27,993,682	189,474,843	159,227,734	1,076,701
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	12,834,271	891,777	13,726,048	12,599,705	19,669
Liabilities to be paid from restricted assets	22,780	-	22,780	-	-
Third-party payer settlements	-	-	-	2,393,920	-
Due within one year	11,253,294	485,745	11,739,039	2,759,294	2,016
Total current liabilities	24,110,345	1,377,522	25,487,867	17,752,919	21,685
Long-term liabilities:					
Due in more than one year	82,116,391	3,812,327	85,928,718	9,497,105	18,146
Total liabilities	106,226,736	5,189,849	111,416,585	27,250,024	39,831
Deferred Inflows of Resources:					
Prepaid taxes	104,130	-	104,130	-	-
Other deferred inflows	7,667,132	193,891	7,861,023	-	-
Total deferred inflows of resources	7,771,262	193,891	7,965,153	-	-

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
Net Position:					
Net investment in capital assets	77,601,835	19,798,146	97,399,981	57,929,341	5,363
Restricted for:					
Stabilization for State statute	8,678,571	-	8,678,571	-	178,365
Register of Deeds	210,668	-	210,668	-	-
Emergency telephone	596,834	-	596,834	-	-
Public transit	860,871	-	860,871	-	-
Debt service	-	-	-	1,640,313	-
By donor	-	-	-	1,271,215	-
Tourism promotion	-	-	-	-	853,142
Unrestricted	(40,465,616)	2,811,796	(37,653,820)	71,136,841	-
Total net position	<u>\$ 47,483,163</u>	<u>\$ 22,609,942</u>	<u>\$ 70,093,105</u>	<u>\$ 131,977,710</u>	<u>\$ 1,036,870</u>

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, 2015

		Program Revenues		
		Charges for	Operating	Capital
Expenses		Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 16,786,995	\$ 783,476	\$ 534,848	\$ -
Public safety	32,758,736	5,586,244	4,552,886	-
Environmental protection	338,819	-	100,086	-
Economic and physical development	3,704,639	1,461,757	1,093,432	100
Human services	27,818,854	537,524	18,388,282	-
Cultural and recreational	4,553,125	195,252	213,366	-
Education	26,745,692	-	883,468	-
Interest on long-term debt	2,459,209	-	-	-
Total governmental activities	<u>115,166,069</u>	<u>8,564,253</u>	<u>25,766,368</u>	<u>100</u>
Business-Type Activities:				
Landfill	4,976,754	4,766,362	146,526	-
Cane Creek Water and Sewer	1,307,043	1,795,900	-	182,952
Justice Academy Sewer	52,100	38,880	21,618	-
Total business-type activities	<u>6,335,897</u>	<u>6,601,142</u>	<u>168,144</u>	<u>182,952</u>
Total primary government	<u>\$ 121,501,966</u>	<u>\$ 15,165,395</u>	<u>\$ 25,934,512</u>	<u>\$ 183,052</u>
Component Units:				
Henderson County Hospital Corporation	\$ 157,994,746	\$ 150,641,913	\$ -	\$ -
Henderson County Tourism Development Authority	1,405,840	118,415	-	-
Total	<u>\$ 159,400,586</u>	<u>\$ 150,760,328</u>	<u>\$ -</u>	<u>\$ -</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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	
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (15,468,671)	\$ -	\$ (15,468,671)		
Public safety	(22,619,606)	-	(22,619,606)		
Environmental protection	(238,733)	-	(238,733)		
Economic and physical development	(1,149,350)	-	(1,149,350)		
Human services	(8,893,048)	-	(8,893,048)		
Cultural and recreational	(4,144,507)	-	(4,144,507)		
Education	(25,862,224)	-	(25,862,224)		
Interest on long-term debt	(2,459,209)	-	(2,459,209)		
Total governmental activities	(80,835,348)	-	(80,835,348)		
Business-Type Activities:					
Landfill	-	(63,866)	(63,866)		
Cane Creek Water and Sewer	-	671,809	671,809		
Justice Academy Sewer	-	8,398	8,398		
Total business-type activities	-	616,341	616,341		
Total primary government	(80,835,348)	616,341	(80,219,007)		
Component Units:					
Henderson County Hospital Corporation			\$ (7,352,833)	\$ -	
Henderson County Tourism Development Authority			-	(1,287,425)	
Total			(7,352,833)	(1,287,425)	
General Revenues:					
Taxes:					
Property taxes, levied for general purpose	71,844,544	-	71,844,544	-	-
Local option sales tax	21,620,139	-	21,620,139	-	-
Other taxes and licenses	1,077,072	-	1,077,072	-	1,564,862
Investment earnings, unrestricted	444,340	45,850	490,190	3,033,380	8,250
Gain on sale	3,407,477	-	3,407,477	-	-
Miscellaneous, unrestricted	-	-	-	(71,496)	15,000
Total general revenues	98,393,572	45,850	98,439,422	2,961,884	1,588,112
Transfers	(49,480)	49,480	-	-	-
Total general revenues and transfers	98,344,092	95,330	98,439,422	2,961,884	1,588,112
Change in net position	17,508,744	711,671	18,220,415	(4,390,949)	300,687
Net Position:					
Beginning of year - July 1	33,732,472	22,000,499	55,732,971	136,368,659	736,183
Restatement	(3,758,053)	(102,228)	(3,860,281)	-	-
Beginning of year, restated	29,974,419	21,898,271	51,872,690	136,368,659	736,183
End of year - June 30	\$ 47,483,163	\$ 22,609,942	\$ 70,093,105	\$ 131,977,710	\$ 1,036,870

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

HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2015

	General	General Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 43,755,376	\$ 8,318,676	\$ 1,517,062	\$ 5,134,163	\$ 58,725,277
Taxes receivable, net	1,418,886	-	-	-	1,418,886
Other receivables, net	8,625,570	127,441	49,198	174,491	8,976,700
Due from other funds	1,599	-	-	-	1,599
Inventories	50,999	-	-	-	50,999
Prepaid items	227,910	-	-	-	227,910
Restricted assets:					
Cash and investments	-	-	-	181,805	181,805
Total assets	<u>\$ 54,080,340</u>	<u>\$ 8,446,117</u>	<u>\$ 1,566,260</u>	<u>\$ 5,490,459</u>	<u>\$ 69,583,176</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,117,862	\$ 632,434	\$ 1,564,554	\$ 122,184	\$ 3,437,034
Liabilities to be paid from restricted assets	-	-	-	22,780	22,780
Accrued payroll liabilities	8,950,237	-	-	-	8,950,237
Due to other funds	-	-	-	1,599	1,599
Total liabilities	<u>10,068,099</u>	<u>632,434</u>	<u>1,564,554</u>	<u>146,563</u>	<u>12,411,650</u>
Deferred Inflows of Resources:					
Property taxes receivable	1,418,886	-	-	-	1,418,886
Prepaid taxes	102,431	-	1,699	-	104,130
Other receivables	299,728	-	-	-	299,728
Total deferred inflows of resources	<u>1,821,045</u>	<u>-</u>	<u>1,699</u>	<u>-</u>	<u>1,822,744</u>
Fund Balances:					
Non-spendable:					
Inventory	50,999	-	-	-	50,999
Prepays	227,910	-	-	-	227,910
Restricted:					
Stabilization for State statute	8,327,441	127,441	49,198	174,491	8,678,571
Restricted, all other	210,668	-	-	1,457,705	1,668,373
Committed	-	7,686,242	-	3,714,300	11,400,542
Assigned for subsequent year's expenditures	9,467,043	-	-	-	9,467,043
Assigned, all other	224,033	-	-	-	224,033
Unassigned	23,683,102	-	(49,191)	(2,600)	23,631,311
Total fund balances	<u>42,191,196</u>	<u>7,813,683</u>	<u>7</u>	<u>5,343,896</u>	<u>55,348,782</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 54,080,340</u>	<u>\$ 8,446,117</u>	<u>\$ 1,566,260</u>	<u>\$ 5,490,459</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.	81,973,698
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 position in the Statement of Net Position.	1,718,614
Net pension asset	3,440,126
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,309,368
Long-term liabilities and compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(93,369,685)
Pension related deferrals	(7,439,523)
Deferred charges related to advance refunding bond issued - included on government-wide Statement of Net Position, but are not current financial resources.	3,948,783
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(447,000)
Net position of governmental activities	<u>\$ 47,483,163</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, 2015

	General Fund	General Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 64,347,307	\$ -	\$ 7,294,189	\$ 782,842	\$ 72,424,338
Local option sales taxes	21,620,139	-	-	-	21,620,139
Other taxes and licenses	1,029,292	-	-	-	1,029,292
Unrestricted intergovernmental revenues	47,780	-	-	-	47,780
Restricted intergovernmental revenues	20,435,442	862,061	-	3,726,638	25,024,141
Permits and fees	1,826,678	-	-	-	1,826,678
Sales and services	6,035,171	-	-	673,549	6,708,720
Investment earnings	418,433	-	20,062	5,845	444,340
Miscellaneous	615,156	65,379	-	61,692	742,227
Total revenues	<u>116,375,398</u>	<u>927,440</u>	<u>7,314,251</u>	<u>5,250,566</u>	<u>129,867,655</u>
Expenditures:					
Current:					
General government	13,097,578	-	-	791,434	13,889,012
Public safety	24,454,214	-	7,314,339	668,880	32,437,433
Environmental protection	349,239	-	-	-	349,239
Economic and physical development	2,846,729	-	-	882,626	3,729,355
Human services	28,095,417	-	-	-	28,095,417
Cultural and recreational	4,510,926	-	-	-	4,510,926
Education	26,677,806	-	-	61,692	26,739,498
Capital outlay	-	7,524,391	-	-	7,524,391
Debt service:					
Principal retirement	10,962,623	-	-	3,000,000	13,962,623
Interest and other charges	2,604,552	-	-	-	2,604,552
Total expenditures	<u>113,599,084</u>	<u>7,524,391</u>	<u>7,314,339</u>	<u>5,404,632</u>	<u>133,842,446</u>
Revenues over (under) expenditures	<u>2,776,314</u>	<u>(6,596,951)</u>	<u>(88)</u>	<u>(154,066)</u>	<u>(3,974,791)</u>
Other Financing Sources (Uses):					
Transfers from other funds	112,703	-	-	-	112,703
From General Fund	-	592,470	-	1,757,608	2,350,078
From Capital Reserve Fund	-	373,248	-	-	373,248
From other funds	-	2,702,700	-	-	2,702,700
Transfers to other funds	(2,399,559)	-	-	(3,188,650)	(5,588,209)
Installment financing issued	163,978	-	-	-	163,978
Sale of capital assets	-	3,407,477	-	-	3,407,477
Total other financing sources (uses)	<u>(2,122,878)</u>	<u>7,075,895</u>	<u>-</u>	<u>(1,431,042)</u>	<u>3,521,975</u>
Net change in fund balances	653,436	478,944	(88)	(1,585,108)	(452,816)
Fund Balances:					
Beginning of year - July 1	<u>41,537,760</u>	<u>7,334,739</u>	<u>95</u>	<u>6,929,004</u>	<u>55,801,598</u>
End of year - June 30	<u>\$ 42,191,196</u>	<u>\$ 7,813,683</u>	<u>\$ 7</u>	<u>\$ 5,343,896</u>	<u>\$ 55,348,782</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, 2015**

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	\$ (452,816)
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.	(579,794)
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.	28,955
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, Other Post-Employment Benefits and net pension obligation that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(812,047)
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.	7,376,958
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,885,785)
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	
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,309,368
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	60,500
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(163,978)
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	(420,083)
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>13,962,623</u>
Total change in net position of governmental activities	<u>\$ 17,508,744</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, 2015**

	General Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 62,688,780	\$ 62,688,780	\$ 64,347,307	\$ 1,658,527
Local option sales taxes	18,541,346	18,541,346	21,620,139	3,078,793
Other taxes and licenses	832,000	832,000	1,029,292	197,292
Unrestricted intergovernmental revenues	18,000	18,000	47,780	29,780
Restricted intergovernmental revenues	18,241,414	19,230,615	20,435,442	1,204,827
Permits and fees	1,519,610	1,519,610	1,826,678	307,068
Sales and services	5,287,106	5,386,556	6,035,171	648,615
Investment earnings	500,000	500,000	418,433	(81,567)
Miscellaneous	393,513	589,833	615,156	25,323
Total revenues	108,021,769	109,306,740	116,375,398	7,068,658
Expenditures:				
Current:				
General government	13,047,447	13,433,779	13,097,578	336,201
Public safety	25,610,553	26,320,412	24,454,214	1,866,198
Environmental protection	361,361	384,673	349,239	35,434
Economic and physical development	1,936,803	3,033,778	2,846,729	187,049
Human services	29,550,417	29,758,684	28,095,417	1,663,267
Cultural and recreational	4,500,864	4,679,870	4,510,926	168,944
Intergovernmental:				
Education	26,843,989	26,677,806	26,677,806	-
Debt service:				
Principal retirement	10,972,872	10,972,872	10,962,623	10,249
Interest and other charges	2,607,021	2,607,021	2,604,552	2,469
Total expenditures	115,431,327	117,868,895	113,599,084	4,269,811
Revenues over (under) expenditures	(7,409,558)	(8,562,155)	2,776,314	11,338,469
Other Financing Sources (Uses):				
Installment financing issued	-	163,978	163,978	-
Transfers from other funds	325,918	328,423	112,703	(215,720)
Transfers to other funds	(1,645,425)	(2,404,078)	(2,399,559)	4,519
Appropriated fund balance	8,729,065	10,473,832	-	(10,473,832)
Total other financing sources (uses)	7,409,558	8,562,155	(2,122,878)	(10,685,033)
Net change in fund balance	\$ -	\$ -	653,436	\$ 653,436
Fund Balance:				
Beginning of year - July 1			41,537,760	
End of year - June 30			\$ 42,191,196	

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, 2015

	Fire Districts Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 7,041,190	\$ 7,295,190	\$ 7,294,189	\$ (1,001)
Investment earnings	19,875	19,875	20,062	187
Total revenues	7,061,065	7,315,065	7,314,251	(814)
Expenditures:				
Current:				
Public safety	7,061,065	7,315,065	7,314,339	726
Total expenditures	7,061,065	7,315,065	7,314,339	726
Net change in fund balance	\$ -	\$ -	(88)	\$ (88)
Fund Balance:				
Beginning of year - July 1			95	
End of year - June 30			\$ 7	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2015

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District Fund	Justice Academy Sewer Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 299,096	\$ 3,570,698	\$ 673,768	\$ 4,543,562
Accounts receivable, net	411,992	646,222	-	1,058,214
Total current assets	711,088	4,216,920	673,768	5,601,776
Non-current assets:				
Net pension asset	79,553	-	-	79,553
Capital assets:				
Land and construction in progress	6,031,371	2,065,730	6,664	8,103,765
Other capital assets, net of depreciation	2,771,902	11,122,931	249,851	14,144,684
Total non-current assets	8,803,273	13,188,661	256,515	22,248,449
Total assets	9,593,914	17,405,581	930,283	27,929,778
Deferred Outflows of Resources:				
Contributions to the pension plan	58,209	-	-	58,209
Pension deferrals	5,695	-	-	5,695
Total deferred outflows of resources	63,904	-	-	63,904
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	424,278	464,925	2,574	891,777
Current portion of compensated absences	3,854	2,160	-	6,014
Current portion of long-term obligations	247,021	232,710	-	479,731
Total current liabilities	675,153	699,795	2,574	1,377,522
Non-current liabilities:				
Accrued landfill closure and post-closure care costs	1,578,660	-	-	1,578,660
Compensated absences	34,687	19,444	-	54,131
Other post-employment benefits	95,276	-	-	95,276
Long-term obligations	1,466,667	617,593	-	2,084,260
Total non-current liabilities	3,175,290	637,037	-	3,812,327
Total liabilities	3,850,443	1,336,832	2,574	5,189,849
Deferred Inflows of Resources	193,891	-	-	193,891
Net Position:				
Net investment in capital assets	7,203,273	12,338,358	256,515	19,798,146
Unrestricted	(1,589,789)	3,730,391	671,194	2,811,796
Total net position	\$ 5,613,484	\$ 16,068,749	\$ 927,709	\$ 22,609,942

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, 2015

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Operating Revenues:				
Charges for services	\$ 4,766,362	\$ 1,437,204	\$ 38,880	\$ 6,242,446
Restricted intergovernmental	-	358,696	-	358,696
Total operating revenues	<u>4,766,362</u>	<u>1,795,900</u>	<u>38,880</u>	<u>6,601,142</u>
Operating Expenses:				
Salaries and employee benefits	893,898	-	-	893,898
Other operating expenses	3,680,503	808,507	28,505	4,517,515
Repairs and maintenance	122,880	39,470	6,048	168,398
Depreciation	224,006	432,142	17,547	673,695
Total operating expenses	<u>4,921,287</u>	<u>1,280,119</u>	<u>52,100</u>	<u>6,253,506</u>
Operating income (loss)	<u>(154,925)</u>	<u>515,781</u>	<u>(13,220)</u>	<u>347,636</u>
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	146,526	-	-	146,526
Interest income	2,980	36,097	6,773	45,850
Interest expense	(55,467)	(26,924)	-	(82,391)
Gain/(loss) on sale of fixed assets	21,618	-	-	21,618
Total non-operating revenues (expenses)	<u>115,657</u>	<u>9,173</u>	<u>6,773</u>	<u>131,603</u>
Income (loss) before capital contributions and transfers	<u>(39,268)</u>	<u>524,954</u>	<u>(6,447)</u>	<u>479,239</u>
Transfers:				
Transfers in	49,480	-	-	49,480
Total transfers	<u>49,480</u>	<u>-</u>	<u>-</u>	<u>49,480</u>
Capital contributions	-	182,952	-	182,952
Change in net position	<u>10,212</u>	<u>707,906</u>	<u>(6,447)</u>	<u>711,671</u>
Net Position:				
Beginning of year - July 1	5,705,500	15,360,843	934,156	22,000,499
Restatement	102,228	-	-	102,228
Beginning of year, restated	<u>5,603,272</u>	<u>15,360,843</u>	<u>934,156</u>	<u>21,898,271</u>
End of year - June 30	<u>\$ 5,613,484</u>	<u>\$ 16,068,749</u>	<u>\$ 927,709</u>	<u>\$ 22,609,942</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, 2015

	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	\$ 4,698,035	\$ 1,709,514	\$ 42,120	\$ 6,449,669
Cash paid for goods and services	(4,003,065)	(975,265)	(33,267)	(5,011,597)
Cash paid to employees for services	(928,528)	-	-	(928,528)
Net cash provided (used) by operating activities	(233,558)	734,249	8,853	509,544
Cash Flows from Non-Capital Financing Activities:				
Transfers in	49,480	-	-	49,480
Proceeds from non-capital grants	146,526	-	-	146,526
Net cash provided (used) by non-capital financing activities	196,006	-	-	196,006
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(218,688)	(543,572)	-	(762,260)
Proceeds from sale of long term asset	21,618	-	-	21,618
Long-term debt payments	(19,646)	(223,533)	-	(243,179)
Interest paid	(55,467)	(36,102)	-	(91,569)
Net cash provided (used) by capital and related financing activities	(272,183)	(803,207)	-	(1,075,390)
Cash Flows from Investing Activities:				
Interest on investments	2,980	36,097	6,773	45,850
Net increase (decrease) in cash and cash equivalents	(306,755)	(32,861)	15,626	(323,990)
Cash and Cash Equivalents:				
Beginning of year - July 1	605,851	3,603,559	658,142	4,867,552
End of year - June 30	\$ 299,096	\$ 3,570,698	\$ 673,768	\$ 4,543,562

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, 2015

	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)	\$ (154,925)	\$ 515,781	\$ (13,220)	\$ 347,636
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	224,006	432,142	17,547	673,695
Pension Expense	6,415	-	-	6,415
Landfill closure and post-closure care costs	(228,488)	-	-	(228,488)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(68,327)	(86,386)	3,240	(151,473)
Increase (decrease) in accounts payable and accrued liabilities	28,806	(128,056)	1,286	(97,964)
Increase (decrease) in other post-employment benefits	10,777	-	-	10,777
(Increase) decrease in deferred outflows of resources for pensions	(58,209)	-	-	(58,209)
Increase (decrease) in accrued vacation pay	6,387	768	-	7,155
Total adjustments	(78,633)	218,468	22,073	161,908
Net cash provided (used) by operating activities	\$ (233,558)	\$ 734,249	\$ 8,853	\$ 509,544
Non-cash capital and related financing activities:				
Capital assets contributed by developers	\$ -	\$ 182,952	\$ -	\$ 182,952
Transfer of assets from governmental funds	\$ 23,937	\$ -	\$ -	\$ -

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

HENDERSON COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2015**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 761,078
Total assets	<u>\$ 761,078</u>
Liabilities:	
Intergovernmental payable	\$ 761,078
Total liabilities	<u>\$ 761,078</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, 2015

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, 2015

Henderson County Tourism Development Authority

The Henderson County Tourism Development Authority (the "TDA") is authorized by State statute, SL 1987-172, 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, 2015

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 six 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; 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 two capital project funds within the governmental fund types: School Capital Projects 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, 2015

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; 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, 2015

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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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, 2015

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, 2015

Restricted Assets

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

- \$181,805 in the Tax Revaluation Fund is 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, 2014. 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, 2015

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

Assets	Estimated Useful Lives
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:

Assets	Estimated Useful Lives
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, 2015

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. The County has several items that meet this criterion – a charge on refunding, pension related deferrals, and contributions made to the pension plan in the current fiscal year.

In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. 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 four items that meet the criterion for this category – property taxes receivable, prepaid taxes, other receivables, and other pension related deferrals.

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, 2015

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

Restricted fund balance at June 30, 2015 is as follows:

Purpose	Other		
	General Fund	Governmental Funds	Total Restricted
Restricted, all other:			
Register of Deeds	\$ 210,668	\$ -	\$ 210,668
Public safety	-	596,834	596,834
Economic and physical development	-	860,871	860,871
Total	<u>\$ 210,668</u>	<u>\$ 1,457,705</u>	<u>\$ 1,668,373</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 is as follows:

Purpose	Revaluation Reserve	School Capital Project Fund	General Capital Projects Fund	General Capital Reserve Fund	Total Governmental Funds
Committed:					
Revaluation	\$ 159,025	\$ -	\$ -	\$ -	\$ 159,025
Economic and physical development	-	-	7,686,242	1,578,065	9,264,307
Education	-	1,977,210	-	-	1,977,210
Total	<u>\$ 159,025</u>	<u>\$ 1,977,210</u>	<u>\$ 7,686,242</u>	<u>\$ 1,578,065</u>	<u>\$ 11,400,542</u>

Assigned Fund Balance

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Assigned:		
Subsequent year's expenditures	\$ 9,467,043	\$ 9,467,043
Public safety	<u>224,033</u>	<u>224,033</u>
Total	<u>\$ 9,691,076</u>	<u>\$ 9,691,076</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.

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	\$ 42,191,196
Less:	
Inventories	(50,999)
Prepays	(227,910)
Stabilization by State statute	<u>(8,327,441)</u>
Total available fund balance	<u>\$ 33,584,846</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Defined Benefit Pension Plans

The County participates in two cost-sharing, multi-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

At June 30, 2015, the County's deposits had a carrying amount of \$34,435,524 and a bank balance of \$36,116,058. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$35,616,058 was covered by collateral held under the Pooling Method. At June 30, 2015, the County had \$5,979 cash on hand.

At September 30, 2014, the Hospital's deposits had a carrying amount of approximately \$2,070,904 and a bank balance of approximately \$2,336,000. Of the bank balance, approximately \$500,000 was covered by federal depository insurance, and \$1,836,000 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2015, 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	\$ 29,351,590	\$ -	\$ -	\$ 29,351,590
North Carolina Capital Management Trust - Cash Portfolio	418,629	418,629	-	-
Total	<u>\$ 29,770,219</u>	<u>\$ 418,629</u>	<u>\$ -</u>	<u>\$ 29,351,590</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than 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). 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, 2015. 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, 2015. 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 51%, Federal National Mortgage Association are 40%, and Federal Home Loan Bank are 9%. The County has no formal policy on the concentration of credit risk. At September 30, 2014, 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	\$ 2,150,582	\$ 62,462	\$ -	\$2,088,120	\$ -
U.S. government agencies	13,645,775	6,578,275	5,580,745	1,486,755	-
North Carolina Capital Management Trust	4,419	-	-	-	4,419
Equity securities and funds	16,583,538	7,010,994	-	-	9,572,544
Other investments	361,216	-	-	-	361,216
Cash and cash equivalents	18,648,080	-	-	-	18,648,080
Total	<u>\$51,393,610</u>	<u>\$13,651,731</u>	<u>\$5,580,745</u>	<u>\$3,574,875</u>	<u>\$ 28,586,259</u>

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, 2014. 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Property Tax – Use-Value Assessment on Certain Lands

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

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

Year Ended June 30	Tax	Interest	Total
2012	\$ 1,643,186	\$ 427,228	\$ 2,070,414
2013	1,697,848	288,634	1,986,482
2014	1,656,496	132,520	1,789,016
2015	2,077,391	-	2,077,391
Total	<u>\$ 7,074,921</u>	<u>\$ 848,382</u>	<u>\$ 7,923,303</u>

Receivables

Receivables at the government-wide level at June 30, 2015 were as follows:

	Accounts	Taxes	Total
Governmental Activities:			
General	\$ 9,524,382	\$ 3,098,870	\$ 12,623,252
Other governmental	<u>351,130</u>	<u>-</u>	<u>351,130</u>
Total receivables	9,875,512	3,098,870	12,974,382
Allowance for doubtful accounts	<u>(898,812)</u>	<u>(1,679,984)</u>	<u>(2,578,796)</u>
Total governmental activities	<u>\$ 8,976,700</u>	<u>\$ 1,418,886</u>	<u>\$ 10,395,586</u>
Business-Type Activities:			
Landfill	\$ 412,968	\$ -	\$ 412,968
Cane Creek	<u>870,054</u>	<u>-</u>	<u>870,054</u>
Total receivables	1,283,022	-	1,283,022
Allowance for doubtful accounts	<u>(224,808)</u>	<u>-</u>	<u>(224,808)</u>
Total business-type activities	<u>\$ 1,058,214</u>	<u>\$ -</u>	<u>\$ 1,058,214</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 14,209,795	\$ -	\$ -	\$ 1,140,032	\$ 15,349,827
Construction in progress	<u>2,316,713</u>	<u>5,855,446</u>	<u>(71,064)</u>	<u>(1,140,032)</u>	<u>6,961,063</u>
Total non-depreciable capital assets	<u>16,526,508</u>	<u>5,855,446</u>	<u>(71,064)</u>	<u>-</u>	<u>22,310,890</u>
Depreciable Capital Assets:					
Buildings	87,668,269	-	-	-	87,668,269
Equipment	5,201,527	1,004,178	(72,322)	-	6,133,383
Vehicles and motor equipment	<u>6,711,134</u>	<u>588,398</u>	<u>(90,237)</u>	<u>(23,937)</u>	<u>7,185,358</u>
Total depreciable capital assets	<u>99,580,930</u>	<u>1,592,576</u>	<u>(162,559)</u>	<u>(23,937)</u>	<u>100,987,010</u>
Less Accumulated Depreciation:					
Buildings	29,505,558	2,625,362	-	-	32,130,920
Equipment	3,528,681	501,225	(72,322)	-	3,957,584
Vehicles and motor equipment	<u>4,590,674</u>	<u>759,198</u>	<u>(90,237)</u>	<u>(23,937)</u>	<u>5,235,698</u>
Total accumulated depreciation	<u>37,624,913</u>	<u>3,885,785</u>	<u>(162,559)</u>	<u>(23,937)</u>	<u>41,324,202</u>
Total depreciable capital assets	<u>61,956,017</u>	<u>\$ (2,293,209)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>59,662,808</u>
Total depreciable capital assets, net	<u>\$ 78,482,525</u>				<u>\$ 81,973,698</u>

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

General government	\$ 1,724,491
Public safety	1,600,238
Economic and physical development	28,294
Human services	373,330
Cultural and recreational	<u>159,432</u>
Total	<u>\$ 3,885,785</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
Business-Type Activities:					
Landfill:					
Non-Depreciable Capital Assets:					
Land	\$ 6,031,371	\$ -	\$ -	\$ -	\$ 6,031,371
Total non-depreciable capital assets	<u>6,031,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,031,371</u>
Depreciable Capital Assets:					
Plant and distribution systems	3,404,381	-	-	-	3,404,381
Furniture and maintenance equipment	849,209	218,688	(3,200)	-	1,064,697
Vehicles	781,651	-	(169,353)	23,937	636,235
Total depreciable capital assets	<u>5,035,241</u>	<u>218,688</u>	<u>(172,553)</u>	<u>23,937</u>	<u>5,105,313</u>
Less Accumulated Depreciation:					
Plant and distribution systems	1,256,664	77,597	-	-	1,334,261
Furniture and maintenance equipment	327,743	80,721	(3,200)	-	405,264
Vehicles	673,614	65,688	(169,353)	23,937	593,886
Total accumulated depreciation	<u>2,258,021</u>	<u>224,006</u>	<u>(172,553)</u>	<u>23,937</u>	<u>2,333,411</u>
Total depreciable capital assets, net	<u>2,777,220</u>	<u>(5,318)</u>	<u>-</u>	<u>-</u>	<u>2,771,902</u>
Landfill capital assets, net	<u>8,808,591</u>	<u>\$ (5,318)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,803,273</u>
Cane Creek Water and Sewer District:					
Non-Depreciable Capital Assets:					
Land	308,995	\$ 15,455	\$ -	\$ -	324,450
Construction in progress	1,277,529	463,751	-	-	1,741,280
Total non-depreciable capital assets	<u>1,586,524</u>	<u>479,206</u>	<u>-</u>	<u>-</u>	<u>2,065,730</u>
Depreciable Capital Assets:					
Plant and distribution systems	15,978,625	182,952	-	-	16,161,577
Furniture and maintenance equipment	376,042	58,901	-	-	434,943
Vehicles	137,981	5,465	-	-	143,446
Total depreciable capital assets	<u>16,492,648</u>	<u>247,318</u>	<u>-</u>	<u>-</u>	<u>16,739,966</u>
Less Accumulated Depreciation:					
Plant and distribution systems	4,776,836	395,676	-	-	5,172,512
Furniture and maintenance equipment	316,589	19,684	-	-	336,273
Vehicles	91,468	16,782	-	-	108,250
Total accumulated depreciation	<u>5,184,893</u>	<u>432,142</u>	<u>-</u>	<u>-</u>	<u>5,617,035</u>
Total depreciable capital assets, net	<u>11,307,755</u>	<u>(184,824)</u>	<u>-</u>	<u>-</u>	<u>11,122,931</u>
Cane Creek Water and Sewer District capital assets, net	<u>12,894,279</u>	<u>\$ 294,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,188,661</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Justice Academy Water and Sewer District:					
Non-Depreciable Capital Assets:					
Land	\$ -	\$ -	\$ -	\$ 6,664	\$ 6,664
Depreciable Capital Assets:					
Plant and distribution systems	441,187	-	-	(6,664)	434,523
Furniture and maintenance equipment	17,234	-	-	-	17,234
Total depreciable capital assets	<u>458,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,757</u>
Less Accumulated Depreciation:					
Plant and distribution systems	167,125	17,547	-	-	184,672
Furniture and maintenance equipment	17,234	-	-	-	17,234
Total accumulated depreciation	<u>184,359</u>	<u>17,547</u>	<u>-</u>	<u>-</u>	<u>201,906</u>
Total depreciable capital assets, net	<u>274,062</u>	<u>(17,547)</u>	<u>-</u>	<u>-</u>	<u>249,851</u>
Justice Academy Water and Sewer District capital assets, net	<u>274,062</u>	<u>\$ (17,547)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>256,515</u>
Business-type activities capital assets, net	<u>\$ 21,976,932</u>				<u>\$ 22,248,449</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital asset activity for the Henderson County Hospital Corporation for the year ended September 30, 2014 was as follows:

	Balance October 1, 2013	Increases	Decreases	Transfers	Balance September 30, 2014
Non-Depreciable Capital Assets:					
Land	\$ 5,343,132	\$ 684,925	\$ -	\$ -	\$ 6,028,057
Construction in progress	<u>2,733,542</u>	<u>5,656,763</u>	<u>(185,302)</u>	<u>(8,037,761)</u>	<u>167,242</u>
Total non-depreciable capital assets	<u>8,076,674</u>	<u>6,341,688</u>	<u>(185,302)</u>	<u>(8,037,761)</u>	<u>6,195,299</u>
Depreciable Capital Assets:					
Land improvements	1,212,815	108,060	-	16,649	1,337,524
Buildings and fixed equipment	97,529,688	1,279,410	(210,330)	1,348,074	99,946,842
Moveable equipment	<u>113,794,925</u>	<u>3,286,315</u>	<u>(437,764)</u>	<u>6,673,038</u>	<u>123,316,514</u>
Total depreciable capital assets	<u>212,537,428</u>	<u>4,673,785</u>	<u>(648,094)</u>	<u>8,037,761</u>	<u>224,600,880</u>
Less Accumulated Depreciation:					
Land improvements	1,038,205	38,370	-	-	1,076,575
Buildings and fixed equipment	57,460,976	3,381,600	-	-	60,842,576
Moveable equipment	<u>92,662,943</u>	<u>6,096,871</u>	<u>(68,526)</u>	<u>-</u>	<u>98,691,288</u>
Total accumulated depreciation	<u>151,162,124</u>	<u>9,516,841</u>	<u>(68,526)</u>	<u>-</u>	<u>160,610,439</u>
Total depreciable capital assets, net	<u>61,375,304</u>	<u>\$ 1,498,632</u>	<u>\$ (764,870)</u>	<u>\$ -</u>	<u>63,990,441</u>
Total capital assets, net	<u>\$ 69,451,978</u>				<u>\$ 70,185,740</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2015 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	\$ 1,117,862	\$ 8,301,261	\$ 447,000	\$ 671,757	\$ 10,537,880
Other governmental	2,319,171	-	-	-	2,319,171
Total governmental activities	<u>\$ 3,437,033</u>	<u>\$ 8,301,261</u>	<u>\$ 447,000</u>	<u>\$ 671,757</u>	<u>\$ 12,857,051</u>
Business-Type Activities:					
Landfill	\$ 354,624	\$ 38,805	\$ 30,849	\$ -	\$ 424,278
Water and Sewer Fund	461,693	-	3,232	-	464,925
Justice Academy Sewer	2,574	-	-	-	2,574
Total business-type activities	<u>\$ 818,891</u>	<u>\$ 38,805</u>	<u>\$ 34,081</u>	<u>\$ -</u>	<u>\$ 891,777</u>

Pension Plan Obligation

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System 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, by calling (919) 981-5454, or a www.osc.nc.gov.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at the 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who dies while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the plan from the County were \$2,356,655 for the year ended June 30, 2015.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported an asset of \$3,220,780 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .546%, which was an increase of .016% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$259,711. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 351,926
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,497,906
Changes in proportion and differences between County contributions and proportionate share of contributions	230,561	-
County's contributions subsequent to the measurement date	2,356,655	-
Total	<u>\$ 2,587,216</u>	<u>\$ 7,849,832</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$2,356,655 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2016	\$ (1,904,894)
2017	(1,904,894)
2018	(1,904,894)
2019	(1,904,589)
2020	-
Therafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors through analysis of the equity

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	Long-Term	
	Target	Expected Real
	Allocation	Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	<u>4.5%</u>	3.7%
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8%, and Inflation Protection 3.4%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Sensitivity of the County's Proportionate Share of the Net Pension Assets to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	<u>\$ 10,932,724</u>	<u>\$ (3,220,780)</u>	<u>\$ (15,137,575)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of 130 active plan members and 19 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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, 2013 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, 2013 was 17 years.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 432,976
Interest on net pension obligation	109,448
Adjustment to annual required contribution	<u>(184,914)</u>
Annual pension cost	357,510
Employer contributions made	<u>269,360</u>
Increase (decrease) in net pension obligation	88,150
Net pension obligation:	
Beginning of year - July 1	<u>2,188,964</u>
End of year - June 30	<u><u>\$ 2,277,114</u></u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Three-Year Trend Information

Year Ended	Annual Pension	Percentage of APC	Net Pension
June 30	Cost (APC)	Contributed	Obligation
2013	\$ 312,037	54.82%	\$ 2,152,816
2014	252,327	85.67%	2,188,964
2015	357,510	75.34%	2,277,114

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,142,460, and the actuarial value of position was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,142,460.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,561,178, and the ratio of the UAAL to the covered payroll was 47.89 percent.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive 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, 2015 were \$552,383, which consisted of \$397,547 from the County and \$154,836 from the law enforcement officers.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 benefit plan administered by the North Carolina Department of State Treasurer. The RODSPF 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers 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 the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by the General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$10,922 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported an asset of \$298,899 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was 1.32%, which was a decrease of .07% from its proportion measured as of June 30, 2013.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

For the year ended June 30, 2015, the County recognized pension expense of \$(11,952). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,743	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,609
Changes in proportion and differences between County contributions and proportionate share of contributions	-	9,582
County's contributions subsequent to the measurement date	<u>10,922</u>	<u>-</u>
Total	<u>\$ 13,665</u>	<u>\$ 11,191</u>

\$10,922 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2016	\$ 3,512
2017	3,512
2018	1,024
2019	400
2020	-
Thereafter	-

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic, and therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Discount Rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate.

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	<u>\$ (268,397)</u>	<u>\$ (298,899)</u>	<u>\$ (325,115)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Post-Employment Benefits

Deferred Compensation Plan

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans available to all County employees permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation in the plan is at the option of the employee.

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

The County has complied with changes in the laws which govern the County's deferred compensation plans, requiring all 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the County made payments for post-retirement health benefit premiums of \$903,843. 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.

County Contributions Based on Years of Creditable Service		
Years of Creditable Service	Date Hired	
	Pre-July 1, 2007	On or After July 1, 2007
Less than 3 years	0%	0%
3-15	50%	50%
15+	100%	75%

Membership of the plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	74	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	621	130
Total	695	130

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

The current ARC rate is 3.96% of annual covered payroll. For the current year, the County contributed \$903,843, or 2.69% of annual covered payroll. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 3.88% and 3.88% of covered payroll, respectively. The total employee contributions, including dependent coverage, were \$114,976. 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	\$ 1,298,632	\$ 32,942	\$ 1,331,574
Interest on net OPEB obligation	172,204	4,368	176,572
Adjustments to annual required contribution	(164,508)	(4,173)	(168,681)
Annual OPEB cost (expense)	1,306,328	33,137	1,339,465
Contributions made	(881,483)	(22,360)	(903,843)
Increase (decrease) in net OPEB obligation	424,845	10,777	435,622
Net OPEB obligation:			
Beginning of year - July 1	4,329,797	84,499	4,414,296
End of year - June 30	<u>\$ 4,754,642</u>	<u>\$ 95,276</u>	<u>\$ 4,849,918</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 1,425,339	34.8%	\$ 3,944,940
2014	1,299,842	63.9%	4,414,296
2015	1,339,465	67.5%	4,849,918

Fund Status and Funding Progress. As of December 31, 2014, 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 \$15,111,345. The covered payroll (annual payroll of active employees covered by the plan) was \$33,599,674, and the ratio of the UAAL to the covered payroll was 45.0%. 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, 2014 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 7.50% to 5.00% and post-Medicare trend rate of 5.50% 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, 2014 was 30 years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

As of June 30, 2015, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Board of Commissioners.

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost-sharing plan funded on a one-year term cost basis.

Lump-sum death benefits are provided to beneficiaries 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. This payment is equal to the employee's 12 highest months' salary in a row during the 24 months prior to his or her death. The death benefit payments to beneficiaries must be a minimum of \$25,000 and will not exceed \$50,000. 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, 2015, 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, 2016.

Landfill Closure and Post-Closure Care Costs

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 \$1,692,348 reported as landfill post-closure care liability at June 30, 2015 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 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Henderson County Hospital Corporation Pension Plan

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

Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 3,948,783	\$ -
Pensions - difference between expected and actual experience		
LGERS	-	351,926
Register of Deeds	2,743	-
Pensions - difference between projected and actual investment earnings	-	7,499,515
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions (LGERS)	230,561	9,582
Contributions to pension plan in 2014-2015 fiscal year	2,367,577	-
Prepaid taxes not yet earned (General Fund)	-	102,431
Taxes receivable, net (General Fund)	-	1,418,886
Other receivables (General Fund)	-	299,728
Prepaid fire district tax, net (Special Revenue Fund)	-	1,699
Total	<u>\$ 6,549,664</u>	<u>\$ 9,683,767</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 \$156.4 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.

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 \$9,091,151 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	
	2014	2015
Unpaid claims:		
Beginning of year - July 1	\$ 408,911	\$ 490,708
Incurred claims	7,057,107	7,798,253
Claim payments	(6,975,310)	(7,617,204)
End of year - June 30	<u>\$ 490,708</u>	<u>\$ 671,757</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, 2015

Claims and Judgments

At June 30, 2015, 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 three 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, 2015 are as follows:

\$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.	\$ 2,185,000
\$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.	5,500,000
\$413,539 2013 financing with BB&T governmental finance for the purchase of vehicles. Annual payments of \$106,635, including interest at annual rate of 1.25%	<u>209,338</u>
Total installment contracts	<u>\$ 7,894,338</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,789,019	\$ 375,867
2017	605,319	241,316
2018	500,000	216,000
2019	500,000	192,000
2020	500,000	168,000
2021-2025	2,500,000	480,000
2026	500,000	24,000
Total	<u>\$ 7,894,338</u>	<u>\$ 1,697,183</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, 2015

Other installment purchase contracts payable at June 30, 2015 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.	\$ 21,564
\$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.	19,200,001
\$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.	1,789,000
\$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.	2,135,200
\$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.	903,750
\$8,610,000 Series 2010 A Recovery Zone Economic Development Bonds, financing contract due in annual principal payments ranging from \$860,000 to \$865,000 on December 1 through 2019. Interest is paid semi-annually at rates ranging from 1.0% to 4.4%, fluctuating throughout the life of the bonds.	4,300,000
\$163,978 vehicles financing contract due in annual payments of \$42,710, including interest at an annual rate of 1.66%. Payments will continue through June 30, 2019.	163,978
\$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.	63,828
\$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%	233,566
Total installment purchases indebtedness	<u>\$ 28,810,887</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Year Ending June 30	Principal	Interest
2016	\$ 3,958,372	\$ 1,007,427
2017	3,866,862	874,174
2018	3,859,774	954,796
2019	3,772,374	601,270
2020	3,296,361	461,917
2021-2025	9,142,857	1,105,371
2026	914,287	17,007
Total	<u>\$ 28,810,887</u>	<u>\$ 5,021,962</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. \$ 1,600,000

Year Ending June 30	Principal	Interest
2016	\$ 133,333	\$ 51,200
2017	133,333	46,933
2018	133,333	42,667
2019	133,333	38,400
2020	133,333	34,133
2021-2025	666,667	106,667
2026-2027	266,668	12,800
Total	<u>\$ 1,600,000</u>	<u>\$ 332,800</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, 2015

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, 2015 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. \$ 7,521,404

\$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. 15,465,000

\$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%. 24,001,000

Total governmental limited obligation bonds payable 46,987,404

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. 813,596

Total limited obligation bonds payable \$ 47,801,000

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Governmental Activities:

Year Ending June 30	Principal	Interest
2016	\$ 4,190,468	\$ 1,035,756
2017	6,121,824	893,537
2018	5,208,163	746,596
2019	5,100,139	520,253
2020	4,972,579	511,595
2021-2025	19,272,231	1,209,069
2026-2028	2,122,000	21,326
Total	<u>\$ 46,987,404</u>	<u>\$ 4,938,132</u>

Business-Type Activities:

Year Ending June 30	Principal	Interest
2016	\$ 223,532	\$ 27,161
2017	197,176	18,746
2018	108,837	12,082
2019	107,862	7,743
2020	105,421	4,478
2021	70,768	1,415
Total	<u>\$ 813,596</u>	<u>\$ 71,625</u>

At June 30, 2015, the County had no bonds authorized, but unissued, and a legal debt margin of \$917,886,130.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	Balance			Balance	Current
	July 1, 2014	Increases	Decreases	June 30, 2015	Portion of Balance
Governmental Activities:					
Limited obligation bonds	\$ 49,734,872	\$ -	\$ (2,747,468)	\$ 46,987,404	\$ 4,190,468
Add unamortized bond premium	424,215	-	(84,843)	339,372	84,843
Total limited obligation bonds	<u>50,159,087</u>	<u>-</u>	<u>(2,832,311)</u>	<u>47,326,776</u>	<u>4,275,311</u>
Other long-term obligations:					
Installment purchases	35,644,329	163,978	(6,997,420)	28,810,887	3,958,372
Installment contracts	12,112,073	-	(4,217,735)	7,894,338	2,789,019
Net pension liability (LGERS)	6,227,212	-	(6,227,212)	-	-
Compensated absences	2,248,220	827,692	(769,984)	2,305,928	230,592
Other post-employment benefits	4,329,797	1,306,328	(881,483)	4,754,642	-
Pension benefit obligations	<u>2,188,964</u>	<u>88,150</u>	<u>-</u>	<u>2,277,114</u>	<u>-</u>
Total governmental activities	<u>\$ 112,909,682</u>	<u>\$ 2,386,148</u>	<u>\$ (21,926,145)</u>	<u>\$ 93,369,685</u>	<u>\$ 11,253,294</u>
Business-Type Activities:					
Landfill:					
Installment purchase	\$ 1,733,334	\$ -	\$ (133,334)	\$ 1,600,000	\$ 133,333
Accrued landfill closure and post-closure care cost	1,807,148	-	(114,800)	1,692,348	113,688
Net pension liability (LGERS)	157,707	-	(157,707)	-	-
Other post-employment benefits	84,499	33,137	(22,360)	95,276	-
Compensated absences	<u>32,154</u>	<u>14,488</u>	<u>(8,101)</u>	<u>38,541</u>	<u>3,854</u>
Total Landfill	<u>3,814,842</u>	<u>47,625</u>	<u>(436,302)</u>	<u>3,426,165</u>	<u>250,875</u>
Cane Creek Water and Sewer District:					
Limited obligation bonds	1,037,129	-	(223,533)	813,596	223,532
Add unamortized bond premium	<u>45,885</u>	<u>-</u>	<u>(9,178)</u>	<u>36,707</u>	<u>9,178</u>
Total limited obligation bonds	<u>1,083,014</u>	<u>-</u>	<u>(232,711)</u>	<u>850,303</u>	<u>232,710</u>
Compensated absences	<u>20,836</u>	<u>6,209</u>	<u>(5,441)</u>	<u>21,604</u>	<u>2,160</u>
Total Cane Creek Water and Sewer District	<u>1,103,850</u>	<u>6,209</u>	<u>(238,152)</u>	<u>871,907</u>	<u>234,870</u>
Total business-type activities	<u>\$ 4,918,692</u>	<u>\$ 53,834</u>	<u>\$ (674,454)</u>	<u>\$ 4,298,072</u>	<u>\$ 485,745</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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, 2013	Increases	Decreases	Balance September 30, 2014	Current Portion of Balance
Revenue bonds	\$ 9,545,000	\$ -	\$ 795,000	\$ 8,750,000	\$ 1,555,000
Capitalized leases	<u>3,781,561</u>	<u>998,401</u>	<u>1,273,563</u>	<u>3,506,399</u>	<u>1,204,294</u>
Total	<u>\$ 13,326,561</u>	<u>\$ 998,401</u>	<u>\$ 2,068,563</u>	<u>\$ 12,256,399</u>	<u>\$ 2,759,294</u>

Capital Leases

The Hospital has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The leases have bargain purchase options.

At September 30, 2014, the cost of assets held under capital leases was approximately \$6,896,000, less accumulated depreciation and amortization of approximately \$5,898,000 of the following:

Year Ending September 30	Principal
2015	\$ 1,253,356
2016	1,143,668
2017	1,053,879
2018	193,937
2019	<u>91,286</u>
Total minimum lease payments	3,736,126
Less: amount representing interest	<u>(229,727)</u>
Total capital lease	3,506,399
Less: current portion	<u>(1,204,294)</u>
Present value of the minimum lease payments	<u>\$ 2,302,105</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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:

Year Ending September 30	Principal	Interest
2015	\$ 1,555,000	\$ 155,464
2016	950,000	131,040
2017	970,000	112,320
2018	995,000	93,161
2019	1,025,000	73,466
2020-2021	3,255,000	96,379
Total	<u>\$ 8,750,000</u>	<u>\$ 661,830</u>

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2015 are computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 81,973,698	\$ 22,248,449
Deferred outflows of resources	3,948,783	-
Long-term debt	(84,032,001)	(2,450,303)
Long-term debt for assets not owned by the County	75,711,355	-
Net Investment in Capital Assets	<u>\$ 77,601,835</u>	<u>\$ 19,798,146</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Construction Commitments

A summary of the remaining commitments of the County's open construction projects is as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Health Services Center Building Project	\$ 5,418,799
Emergency Communications Upgrade Project	385,852
Cane Creek Sewer District Projects	<u>128,885</u>
	<u>\$ 5,933,536</u>

Due From/To Other Funds

Interfund balances are summarized below:

	<u>Interfund Loans</u>		<u>Reason</u>
	<u>From</u>	<u>To</u>	
General Fund	<u>\$ 1,599</u>	<u>\$ -</u>	

Nonmajor Governmental Funds:

Community Development

Dodds Meadows Project Fund	<u>\$ -</u>	<u>\$ 1,599</u>	Cash advance for grant expenses
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HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2015 consist of the following:

	Transfers		
	From	To	Purpose
General Capital Reserve Fund General Capital Projects Fund	\$ 373,248	\$ 373,248	Fund capital expansion
General Fund General Capital Reserve	1,564,646	1,564,646	Fund capital expansion
Emergency Telephone Systems Fund General Capital Projects Fund	2,702,700	2,702,700	Fund capital expansion
General Fund General Capital Projects Fund	592,470	592,470	Fund capital expansion
General Fund Public Transit Fund	192,962	192,962	Program contribution
General Fund Landfill Fund	49,480	49,480	Fund capital expansion
Immigration Customs Enforcement Fund General Fund	112,703 -	112,703	Program contribution
Total	<u>\$ 5,588,209</u>	<u>\$ 5,588,209</u>	

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 \$2,198,586 to the Community College for operational expenses and \$959,250 for capital expenditures during the fiscal year ended June 30, 2015. In addition, the County made debt service payments of \$1,477,772, including interest, during the year ended June 30, 2015, 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, 2015. 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, 2015. 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, 2015. 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, 2015

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.

7. Significant Effects of Subsequent Events

The County has evaluated all subsequent events through November 13, 2015, in connection with the preparation of these financial statements which is the date the financial statements are available to be issued.

Subsequent to the year ending June 30, 2015, the County issued approximately \$32,000,000 debt for Health Sciences Center.

In December 2014, subsequent to year ending of September 30, 2014, Henderson County Hospital Corporation had a refunding of \$5,000,000 of bonds.

8. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$3,758,053 and \$102,228, respectively.

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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
- Local Government Employees' Retirement System – Proportionate Share of Net Pension Liability (Asset)
- Local Government Employees' Retirement System – Contributions
- Register of Deeds' Supplemental Pension Fund – Proportionate Share of Net Pension Liability (Asset)
- Register of Deeds' Supplemental Pension Fund - Contributions

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HENDERSON COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

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)					
12/31/2014	\$ -	\$ 3,142,460		0.00%	\$ 3,142,460	\$ 6,561,178	47.89%
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%

Schedule of Employer Contributions

Year Ended June 30	Annual	
	Required Contribution (ARC)	Percentage Contributed
2015	\$ 432,976	62.21%
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%

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, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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, 2015

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)					
12/31/2014	\$ -	\$ 15,111,345		0.00%	\$ 15,111,345	\$ 33,599,674	45.0%
12/31/2012	-	13,859,722		0.00%	13,859,722	29,479,654	47.0%
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
2015	\$	1,331,574	67.9%
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, 2014
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	7.50% - 5.00%
Post-medicare trend rates	5.50% - 5.00%
Year of ultimate trend rate	2020

* Includes inflation at 3.00%

HENDERSON COUNTY, NORTH CAROLINA**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS*****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.54613%	0.52970%
County's proportion of the net pension liability (asset) (\$)	\$ (3,220,780)	\$ 6,384,919
County's covered-employee payroll	\$ 31,738,665	\$ 30,640,057
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.15%	20.84%
Plan fiduciary net position as a percentage of the total pension liability **	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

HENDERSON COUNTY, NORTH CAROLINA**HENDERSON COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS****LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,356,655	\$ 2,246,169
Contributions in relation to the contractually required contribution	<u>2,356,655</u>	<u>2,246,169</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 33,231,069	\$ 31,738,665
Contributions as a percentge of covered-employee payroll	7.09%	7.08%

HENDERSON COUNTY, NORTH CAROLINA**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS*****REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND**

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	1.31871%	1.25345%
County's proportion of the net pension liability (asset) (\$)	\$ (298,899)	\$ (267,737)
County's covered-employee payroll	\$ 69,176	\$ 68,676
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-432.08%	-389.86%
Plan fiduciary net position as a percentage of the total pension liability **	193.88%	190.50%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

HENDERSON COUNTY, NORTH CAROLINA**HENDERSON COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS****REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,922	\$ 10,767
Contributions in relation to the contractually required contribution	<u>10,922</u>	<u>10,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 83,658	\$ 69,176
Contributions as a percentge of covered-employee payroll	13.06%	15.56%

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

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes - current		\$ 63,884,338		\$ 63,959,556
Penalties, interest, and advertising		462,969		464,003
Total	\$ 62,688,780	64,347,307	\$ 1,658,527	64,423,559
Local Option Sales Taxes:				
Article 39 one percent		9,296,877		8,515,089
Article 40 one-half of one percent		6,184,905		5,664,098
Article 42 one-half of one percent		5,204,151		4,759,245
Article 44 one-half of one percent		349		15,666
Medicaid hold harmless		933,857		806,181
Total	18,541,346	21,620,139	3,078,793	19,760,279
Other Taxes and Licenses:				
Deed stamp excise tax		617,931		555,766
Gross receipts rental tax		48,879		45,971
Privilege licenses		362,482		330,045
Total	832,000	1,029,292	197,292	931,782
Unrestricted Intergovernmental Revenues:				
Payment in lieu of taxes	18,000	47,780	29,780	67,978
Total	18,000	47,780	29,780	67,978
Restricted Intergovernmental Revenues:				
Federal and State grants		20,207,486		17,663,374
Controlled substance tax		13,214		27,046
Court facility fee		131,669		137,677
ABC net revenues		53,931		46,243
ABC bottles taxes		29,142		25,464
Total	19,230,615	20,435,442	1,204,827	17,899,804
Permits and Fees:				
Inspection fees		1,164,716		966,906
Register of Deeds		474,175		460,577
Enforcement fees		187,687		191,551
Watershed fees		100		-
Total	1,519,610	1,826,678	307,068	1,619,034
Sales and Services:				
Rents, concessions, and fees		2,712,282		2,585,820
Jail fees		169,373		376,880
Ambulance fees		2,958,264		2,692,127
Recreation fees		195,252		180,563
Total	5,386,556	6,035,171	648,615	5,835,390

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	500,000	418,433	(81,567)	(323,290)
Miscellaneous:				
Sale of materials		30,581		129,109
Other		584,575		591,668
Total	589,833	615,156	25,323	720,777
Total revenues	109,306,740	116,375,398	7,068,658	110,935,313
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits		209,526		203,823
Operating expenditures		140,490		128,921
Donations and dues		605,654		429,098
Total	1,040,105	955,670	84,435	761,842
Administration:				
Salaries and employee benefits		1,253,853		1,073,681
Operating expenditures		184,992		162,198
Total	1,501,150	1,438,845	62,305	1,235,879
Elections:				
Salaries and employee benefits		404,508		382,201
Operating expenditures		242,353		298,938
Total	805,700	646,861	158,839	681,139
Finance:				
Salaries and employee benefits		754,244		638,838
Operating expenditures		63,410		68,904
Total	862,798	817,654	45,144	707,742
Taxes:				
Salaries and employee benefits		1,474,673		1,405,255
Operating expenditures		540,287		391,408
Total	2,241,866	2,014,960	226,906	1,796,663
Legal:				
Salaries and employee benefits		609,792		611,293
Contracted services		29,542		29,274
Total	688,459	639,334	49,125	640,567

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Register of Deeds:				
Salaries and employee benefits		348,085		311,907
Operating expenditures		100,247		127,583
Total	457,623	448,332	9,291	439,490
Public Buildings:				
Salaries and employee benefits		1,101,559		1,064,048
Operating expenditures		1,365,081		1,231,634
Capital outlay		420,854		101,820
Total	2,934,394	2,887,494	46,900	2,397,502
Garage and Grounds:				
Salaries and employee benefits		250,959		281,812
Operating expenditures		74,567		122,605
Total	341,748	325,526	16,222	404,417
Court Facilities:				
Operating expenditures		139,574		160,414
Total	190,000	139,574	50,426	160,414
Data Processing:				
Salaries and employee benefits		765,802		697,579
Operating expenditures		1,451,023		1,417,274
Capital outlay		76,791		42,035
Total	2,369,936	2,293,616	76,320	2,156,888
Wellness Clinic:				
Salaries and employee benefits		357,587		290,963
Operating expenditures		132,125		162,278
Total	501,744	489,712	12,032	453,241
Total general government	13,433,779	13,097,578	837,945	11,835,784
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits		10,863,183		10,843,525
Operating expenditures		1,875,511		1,798,835
Capital outlay		401,381		356,370
Total	14,129,258	13,140,075	989,183	12,998,730
Jail:				
Salaries and employee benefits		2,844,967		2,687,180
Operating expenditures		1,131,034		965,774
Capital outlay		33,988		5,275
Total	4,052,112	4,009,989	42,123	3,658,229

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Emergency Management:				
Salaries and employee benefits		206,557		187,198
Operating expenditures		113,389		76,066
Capital outlay		17,501		-
Total	349,994	337,447	12,547	263,264
Fire Services:				
Salaries and employee benefits		339,102		295,160
Operating expenditures		91,612		85,924
Total	500,048	430,714	69,334	381,084
Inspections:				
Salaries and employee benefits		672,258		598,025
Operating expenditures		80,372		85,358
Capital outlay		28,674		47,876
Total	871,912	781,304	90,608	731,259
Code Enforcement Services:				
Salaries and employee benefits		223,958		209,553
Operating expenditures		41,244		13,542
Total	285,127	265,202	19,925	223,095
Emergency Medical Services:				
Salaries and employee benefits		3,940,009		3,718,760
Operating expenditures		553,561		497,510
Capital outlay		144,716		210,464
Total	4,729,399	4,638,286	91,113	4,426,734
Animal Control:				
Salaries and employee benefits		380,952		358,190
Operating expenditures		166,854		155,742
Total	597,426	547,806	49,620	513,932
Rescue Squad:				
Operating expenditures		303,391		337,805
Capital outlay		-		181,000
Total	303,392	303,391	1	518,805
Total public safety	26,320,412	24,454,214	1,364,454	23,715,132
Environmental Protection:				
Soil and Water Conservation:				
Salaries and employee benefits		262,335		270,106
Operating expenditures		17,993		18,742
Capital outlay		23,659		21,976
Total	331,694	303,987	27,707	310,824

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Forestry Service	<u>52,979</u>	<u>45,252</u>	<u>7,727</u>	<u>41,944</u>
Utilities:				
Operating expenditures		-		1,078
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,078</u>
Total environmental protection	<u>384,673</u>	<u>349,239</u>	<u>35,434</u>	<u>353,846</u>
Economic and Physical Development:				
Planning:				
Salaries and employee benefits		489,547		465,244
Operating expenditures		<u>30,252</u>		<u>32,362</u>
Total	<u>590,133</u>	<u>519,799</u>	<u>70,334</u>	<u>497,606</u>
Agricultural Extension:				
Salaries and employee benefits		234,472		224,208
Operating expenditures		<u>63,282</u>		<u>60,991</u>
Total	<u>316,205</u>	<u>297,754</u>	<u>18,451</u>	<u>285,199</u>
Land Records Management:				
Salaries and employee benefits		<u>27,192</u>		-
Total	<u>30,000</u>	<u>27,192</u>	<u>2,808</u>	-
Agri-Business Development:				
Salaries and employee benefits		125,199		120,603
Operating expenditures		<u>36,793</u>		<u>68,492</u>
Total	<u>162,940</u>	<u>161,992</u>	<u>948</u>	<u>189,095</u>
Other Transfers:				
Economic development contracts	<u>1,934,500</u>	<u>1,839,992</u>	<u>94,508</u>	<u>802,127</u>
Total	<u>1,934,500</u>	<u>1,839,992</u>	<u>94,508</u>	<u>802,127</u>
Total economic and physical development	<u>3,033,778</u>	<u>2,846,729</u>	<u>187,049</u>	<u>1,774,027</u>
Human Services:				
Health:				
General and Administration:				
Salaries and employee benefits		4,768,019		4,553,464
Operating expenditures		<u>937,633</u>		<u>884,755</u>
Total	<u>6,294,795</u>	<u>5,705,652</u>	<u>589,143</u>	<u>5,438,219</u>
Total public health	<u>6,294,795</u>	<u>5,705,652</u>	<u>589,143</u>	<u>5,438,219</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Environmental Health:				
Salaries and employee benefits		892,476		848,603
Operating expenditures		81,290		53,596
Total	1,001,214	973,766	27,448	902,199
Home and Community Block Grant:				
Operating expenditures	704,725	704,725	-	762,976
Total	704,725	704,725	-	762,976
Medical Services:				
Operating expenditures		48,750		46,250
Total	49,250	48,750	500	46,250
Social Services:				
Mental Health:				
Operating expenditures		528,612		528,612
Total	528,612	528,612	-	528,612
Administration:				
Salaries and employee benefits		10,504,993		10,132,605
Operating expenditures		1,757,812		1,469,231
Capital outlay		41,940		44,211
Total	12,965,513	12,304,745	660,768	11,646,047
Smart Start:				
Salaries and employee benefits		49,521		25,324
Operating expenditures		463,957		462,455
Total	536,171	513,478	22,693	487,779
TANF Program:				
County participation only	1,000	750	250	350
Income Maintenance Program:				
Supplemental aid to the aged		429,419		438,641
Supplemental aid to the disabled		508,561		578,426
Crisis intervention payments		278,218		298,211
Total	1,378,222	1,216,198	162,024	1,315,278
Daycare Operations:				
Daycare for children	2,909,507	2,751,921	157,586	3,004,939
LIEAP Operations:				
LIEAP Operations	417,992	418,800	(808)	283,943

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Foster Care:				
State boarding home		182,549		174,621
Foster care - children		822,820		761,505
Adoption assistance		283,827		273,777
Total	1,328,592	1,289,196	39,396	1,209,903
Other Assistance:				
Social work contracts	110,124	110,124	-	107,508
Medicaid transportation	905,000	933,083	(28,083)	874,005
Aid to the blind	5,300	4,607	693	4,607
Adult day care	23,158	62,880	(39,722)	24,878
General assistance	61,500	50,249	11,251	52,585
JOBS program	25,000	8,401	16,599	12,689
EDTAP program	196,095	196,115	(20)	231,018
Emergency assistance	6,000	-	6,000	-
Other assistance	68,922	52,875	16,047	38,508
Total	1,401,099	1,418,334	(17,235)	1,345,798
Total social services	21,466,708	20,442,034	1,024,674	19,822,649
Veteran Services:				
Salaries and employee benefits		25,477		24,843
Operating expenditures		2,315		2,430
Total	48,247	27,792	20,455	27,273
Juvenile Justice Grant:				
Operating expenditures	193,745	192,698	1,047	215,775
Total human services	29,758,684	28,095,417	1,662,767	27,215,341
Cultural and Recreational:				
Library:				
Salaries and employee benefits		2,180,670		2,111,952
Operating expenditures		737,358		688,039
Capital outlay		18,305		-
Total	3,082,913	2,936,333	146,580	2,799,991
Parks and Recreation:				
Salaries and employee benefits		929,227		880,310
Operating expenditures		608,307		609,453
Capital outlay		37,059		54,080
Total	1,596,957	1,574,593	22,364	1,543,843
Total cultural and recreational	4,679,870	4,510,926	168,944	4,343,834

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Intergovernmental:				
Education:				
Public schools - current expense		22,519,970		21,070,846
Public schools - capital expense		1,000,000		1,000,000
Community colleges - capital expense		3,157,836		3,075,977
Total education	26,677,806	26,677,806	-	25,146,823
Debt Service:				
Principal	10,972,872	10,962,623	10,249	10,821,218
Interest	2,607,021	2,604,552	2,469	3,055,852
Total debt service	13,579,893	13,567,175	12,718	13,877,070
Total expenditures	117,868,895	113,599,084	4,269,311	108,261,857
Revenues over (under) expenditures	(8,562,155)	2,776,314	11,338,469	2,673,456
Other Financing Sources (Uses):				
Installment financing issued	163,978	163,978	-	308,997
Transfers in	328,423	112,703	(215,720)	136,657
Transfers (out)	(2,404,078)	(2,399,559)	4,519	(913,466)
Appropriated fund balance	10,473,832	-	(10,473,832)	-
Total other financing sources (uses)	8,562,155	(2,122,878)	(10,685,033)	(467,812)
Net changes in fund balance	\$ -	653,436	\$ 653,436	2,205,644
Fund Balance:				
Beginning of year - July 1		41,537,760		39,332,116
End of year - June 30		\$ 42,191,196		\$ 41,537,760

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, 2015

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues	\$ 2,652,206	\$ 1,966,375	\$ 862,061	\$ 2,828,436
Investment earnings	-	2,151,280	-	2,151,280
Miscellaneous	1,528,000	1,140,066	3,472,856	4,612,922
Total	4,180,206	5,257,721	4,334,917	9,592,638
Expenditures:				
General government	82,130,192	65,990,931	7,524,391	73,515,322
Total general government	82,130,192	65,990,931	7,524,391	73,515,322
Debt Service:				
Advanced payment to escrow agent	4,841,690	4,841,690	-	4,841,690
Interest and fees	1,212,934	1,320,407	-	1,320,407
Total debt service	6,054,624	6,162,097	-	6,162,097
Total expenditures	88,184,816	72,153,028	7,524,391	79,677,419
Revenues over (under) expenditures	(84,004,610)	(66,895,307)	(3,189,474)	(70,084,781)
Other Financing Sources (Uses):				
Transfers (out):				
To General Fund	(1,508,000)	(1,508,000)	-	(1,508,000)
Transfers in:				
From General Fund	10,317,624	8,201,362	592,470	8,793,832
From Capital Reserve Fund	4,085,316	3,444,807	373,248	3,818,055
From Travel and Tourism Fund	125,000	132,359	-	132,359
From Emergency Telephone System Fund	3,600,000	668,911	2,702,700	3,371,611
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)	17,890,210	12,209,709	3,668,418	15,878,127
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	6,107,284	-	6,107,284
Appropriated fund balance	4,578,000	-	-	-
Total other financing sources (uses)	84,004,610	74,230,046	3,668,418	77,898,464
Net change in fund balance	\$ -	\$ 7,334,739	478,944	\$ 7,813,683
Fund Balance:				
Beginning of year - July 1			7,334,739	
End of year - June 30			\$ 7,813,683	

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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.

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 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, 2015

	Nonmajor Special Revenue Funds				
	Revaluation Reserve Fund	Community Development Dodd Meadows Project Fund	Emergency Telephone System Fund (E-911)	Public Transit Fund	Immigration and Customs Enforcement Fund
Assets:					
Cash and investments	\$ -	\$ -	\$ 387,896	\$ 981,842	\$ 209,150
Accounts receivable, net	-	2,600	56,717	115,174	-
Restricted cash	181,805	-	-	-	-
Total assets	<u>\$ 181,805</u>	<u>\$ 2,600</u>	<u>\$ 444,613</u>	<u>\$ 1,097,016</u>	<u>\$ 209,150</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 1,001	\$ 212	\$ 120,971	\$ -
Liabilities to be paid from restricted assets	22,780	-	-	-	-
Due to other funds	-	1,599	-	-	-
Total liabilities	<u>22,780</u>	<u>2,600</u>	<u>212</u>	<u>120,971</u>	<u>-</u>
Fund Balances:					
Restricted:					
Stabilization for State statute	-	2,600	56,717	115,174	-
Restricted, all other	-	-	387,684	860,871	209,150
Committed	159,025	-	-	-	-
Unassigned	-	(2,600)	-	-	-
Total fund balances	<u>159,025</u>	<u>-</u>	<u>444,401</u>	<u>976,045</u>	<u>209,150</u>
Total liabilities and fund balances	<u>\$ 181,805</u>	<u>\$ 2,600</u>	<u>\$ 444,613</u>	<u>\$ 1,097,016</u>	<u>\$ 209,150</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

Nonmajor Capital Project Funds

	<u>Schools Capital Project Fund</u>	<u>General Capital Reserve Fund</u>	<u>Totals June 30, 2015</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:					
Cash and investments	\$ 1,977,210	\$ 1,578,065	\$ 5,134,163	\$ -	\$ 5,134,163
Accounts receivable, net	-	-	174,491	-	174,491
Restricted cash	-	-	181,805	-	181,805
Total assets	<u>\$ 1,977,210</u>	<u>\$ 1,578,065</u>	<u>\$ 5,490,459</u>	<u>\$ -</u>	<u>\$ 5,490,459</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 122,184	\$ -	\$ 122,184
Liabilities to be paid from restricted assets	-	-	22,780	-	22,780
Due to other funds	-	-	1,599	-	1,599
Total liabilities	<u>-</u>	<u>-</u>	<u>146,563</u>	<u>-</u>	<u>146,563</u>
Fund Balances:					
Restricted:					
Stabilization for State statute	-	-	174,491	-	174,491
Restricted, all other	-	-	1,457,705	-	1,457,705
Committed	1,977,210	1,578,065	3,714,300	-	3,714,300
Unassigned	-	-	(2,600)	-	(2,600)
Total fund balances	<u>1,977,210</u>	<u>1,578,065</u>	<u>5,343,896</u>	<u>-</u>	<u>5,343,896</u>
Total liabilities and fund balances	<u>\$ 1,977,210</u>	<u>\$ 1,578,065</u>	<u>\$ 5,490,459</u>	<u>\$ -</u>	<u>\$ 5,490,459</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Special Revenue Funds					
	Revaluation Reserve Fund	Community Development Block Grant - Scattered Site Housing Fund	Community Development Dodd Meadows Project Fund	Emergency Telephone System Fund (E-911)	Public Transit Fund	Immigration and Customs Enforcement Fund
Revenues:						
Ad valorem taxes	\$ 782,842	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	192,390	18,700	2,702,700	611,703	201,145
Sales and services	-	-	-	673,549	-	-
Investment earnings	1,842	-	-	4,003	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>784,684</u>	<u>192,390</u>	<u>18,700</u>	<u>3,380,252</u>	<u>611,703</u>	<u>201,145</u>
Expenditures:						
Current:						
General government	791,434	-	-	-	-	-
Public safety	-	-	-	545,223	-	123,657
Economic and physical development	-	192,390	18,700	-	671,536	-
Education	-	-	-	-	-	-
Debt service:						
Principal repayments	-	-	-	-	-	-
Total expenditures	<u>791,434</u>	<u>192,390</u>	<u>18,700</u>	<u>545,223</u>	<u>671,536</u>	<u>123,657</u>
Revenues over (under) expenditures	<u>(6,750)</u>	<u>-</u>	<u>-</u>	<u>2,835,029</u>	<u>(59,833)</u>	<u>77,488</u>
Other Financing Sources (Uses):						
Transfers from:						
General Fund	-	-	-	-	192,962	-
Transfers to:						
General Capital Projects Fund	-	-	-	(2,702,700)	-	-
General Fund	-	-	-	-	-	(112,703)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,702,700)</u>	<u>192,962</u>	<u>(112,703)</u>
Net change in fund balances	<u>(6,750)</u>	<u>-</u>	<u>-</u>	<u>132,329</u>	<u>133,129</u>	<u>(35,215)</u>
Fund Balances:						
Beginning of year - July 1	<u>165,775</u>	<u>-</u>	<u>-</u>	<u>312,072</u>	<u>842,916</u>	<u>244,365</u>
End of year - June 30	<u>\$ 159,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,401</u>	<u>\$ 976,045</u>	<u>\$ 209,150</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Nonmajor Capital Project Funds</u>				
	<u>School Capital Projects Fund</u>	<u>General Capital Reserve Fund</u>	<u>Totals June 30, 2015</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ 782,842	\$ -	\$ 782,842
Restricted intergovernmental revenues	-	-	3,726,638	-	3,726,638
Sales and services	-	-	673,549	-	673,549
Investment earnings	-	-	5,845	-	5,845
Miscellaneous	61,692	-	61,692	-	61,692
Total revenues	61,692	-	5,250,566	-	5,250,566
Expenditures:					
Current:					
General government	-	-	791,434	-	791,434
Public safety	-	-	668,880	-	668,880
Economic and physical development	-	-	882,626	-	882,626
Education	61,692	-	61,692	-	61,692
Debt service:					
Principal repayments	-	-	-	3,000,000	3,000,000
Total expenditures	61,692	-	2,404,632	3,000,000	5,404,632
Revenues over (under) expenditures	-	-	2,845,934	(3,000,000)	(154,066)
Other Financing Sources (Uses):					
Transfers from:					
General Fund	-	1,564,646	1,757,608	-	1,757,608
Transfers to:			-		
General Capital Projects Fund	-	(373,247)	(3,075,947)	-	(3,075,947)
General Fund	-	-	(112,703)	-	(112,703)
Total other financing sources (uses)	-	1,191,399	(1,431,042)	-	(1,431,042)
Net change in fund balances	-	1,191,399	1,414,892	(3,000,000)	(1,585,108)
Fund Balances:					
Beginning of year - July 1	1,977,210	386,666	3,929,004	3,000,000	6,929,004
End of year - June 30	\$ 1,977,210	\$ 1,578,065	\$ 5,343,896	\$ -	\$ 5,343,896

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 782,842	\$ 782,842	\$ -	\$ 681,313
Investment earnings	-	1,842	1,842	1,378
Total revenues	<u>782,842</u>	<u>784,684</u>	<u>1,842</u>	<u>682,691</u>
Expenditures:				
Current:				
General government	<u>795,461</u>	<u>791,434</u>	<u>4,027</u>	<u>641,123</u>
Total expenditures	<u>795,461</u>	<u>791,434</u>	<u>4,027</u>	<u>641,123</u>
Revenues over (under) expenditures	<u>(12,619)</u>	<u>(6,750)</u>	<u>5,869</u>	<u>41,568</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>12,619</u>	<u>-</u>	<u>(12,619)</u>	<u>-</u>
Total other financing sources (uses)	<u>12,619</u>	<u>-</u>	<u>(12,619)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(6,750)</u>	<u>\$ (6,750)</u>	<u>41,568</u>
Fund Balance:				
Beginning of year - July 1		<u>165,775</u>		<u>124,207</u>
End of year - June 30		<u>\$ 159,025</u>		<u>\$ 165,775</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, 2015

		Actual		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 113,842	\$ 192,390	\$ 306,232
Total revenues	<u>400,000</u>	<u>113,842</u>	<u>192,390</u>	<u>306,232</u>
Expenditures:				
Current:				
Economic and physical development	<u>400,000</u>	<u>113,842</u>	<u>192,390</u>	<u>306,232</u>
Total expenditures	<u>400,000</u>	<u>113,842</u>	<u>192,390</u>	<u>306,232</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA**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, 2015**

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 454,960	\$ 15,185	\$ 18,700	\$ 33,885
Total revenues	<u>454,960</u>	<u>15,185</u>	<u>18,700</u>	<u>33,885</u>
Expenditures:				
Current:				
Economic and physical development	<u>454,960</u>	<u>15,185</u>	<u>18,700</u>	<u>33,885</u>
Total expenditures	<u>454,960</u>	<u>15,185</u>	<u>18,700</u>	<u>33,885</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA**EMERGENCY TELEPHONE SYSTEM FUND (E-911)****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2015****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 4,003	\$ 4,003	\$ 2,042
Restricted intergovernmental revenues	2,931,100	2,702,700	(228,400)	668,911
Subscriber Charges	595,910	673,549	77,639	527,426
Total revenues	<u>3,527,010</u>	<u>3,380,252</u>	<u>(146,758)</u>	<u>1,198,379</u>
Expenditures:				
Current:				
Public safety	595,910	545,223	50,687	423,760
Debt service:				
Principal	-	-	-	102,642
Interest	-	-	-	3,395
Total expenditures	<u>595,910</u>	<u>545,223</u>	<u>50,687</u>	<u>529,797</u>
Revenues over (under) expenditures	<u>2,931,100</u>	<u>2,835,029</u>	<u>(96,071)</u>	<u>668,582</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Capital Projects Fund	(2,931,100)	(2,702,700)	228,400	(668,911)
Total other financing sources (uses)	<u>(2,931,100)</u>	<u>(2,702,700)</u>	<u>228,400</u>	<u>(668,911)</u>
Net change in fund balance	<u>\$ -</u>	<u>132,329</u>	<u>\$ 132,329</u>	<u>(329)</u>
Fund Balance:				
Beginning of year - July 1		<u>312,072</u>		<u>312,401</u>
End of year - June 30		<u>\$ 444,401</u>		<u>\$ 312,072</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, 2015****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 643,166	\$ 611,703	\$ (31,463)	\$ 617,239
Total revenues	<u>643,166</u>	<u>611,703</u>	<u>(31,463)</u>	<u>617,239</u>
Expenditures:				
Current:				
Economic and physical development	<u>900,088</u>	<u>671,536</u>	<u>228,552</u>	<u>681,607</u>
Total expenditures	<u>900,088</u>	<u>671,536</u>	<u>228,552</u>	<u>681,607</u>
Revenues over (under) expenditures	<u>(256,922)</u>	<u>(59,833)</u>	<u>197,089</u>	<u>(64,368)</u>
Other Financing Sources (Uses):				
Transfers in:				
General Fund	192,962	192,962	-	156,320
Appropriated fund balance	<u>63,960</u>	<u>-</u>	<u>(63,960)</u>	<u>-</u>
Total other financing sources (uses)	<u>256,922</u>	<u>192,962</u>	<u>(63,960)</u>	<u>156,320</u>
Net change in fund balance	<u>\$ -</u>	<u>133,129</u>	<u>\$ 133,129</u>	<u>91,952</u>
Fund Balance:				
Beginning of year - July 1		<u>842,916</u>		<u>750,964</u>
End of year - June 30		<u>\$ 976,045</u>		<u>\$ 842,916</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenues	\$ 300,000	\$ 201,145	\$ (98,855)	\$ 313,675
Total revenues	<u>300,000</u>	<u>201,145</u>	<u>(98,855)</u>	<u>313,675</u>
Expenditures:				
Current:				
Public safety	356,448	123,657	232,791	415,314
Total expenditures	<u>356,448</u>	<u>123,657</u>	<u>232,791</u>	<u>415,314</u>
Revenues over (under) expenditures	<u>(56,448)</u>	<u>77,488</u>	<u>133,936</u>	<u>(101,639)</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(112,703)	(112,703)	-	(112,703)
Appropriated fund balance	169,151	-	(169,151)	-
Total other financing sources (uses)	<u>56,448</u>	<u>(112,703)</u>	<u>(169,151)</u>	<u>(112,703)</u>
Net change in fund balance	<u>\$ -</u>	<u>(35,215)</u>	<u>\$ (35,215)</u>	<u>(214,342)</u>
Fund Balance:				
Beginning of year - July 1		<u>244,365</u>		<u>458,707</u>
End of year - June 30		<u>\$ 209,150</u>		<u>\$ 244,365</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, 2015

		Actual		
	Project Authorization	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	-	1,396,204	61,692	1,457,896
Total revenues	<u>456,629</u>	<u>3,513,124</u>	<u>61,692</u>	<u>3,574,816</u>
Expenditures:				
Capital outlay:				
General education	<u>75,059,621</u>	<u>74,874,488</u>	<u>61,692</u>	<u>74,936,180</u>
Total expenditures	<u>75,059,621</u>	<u>74,874,488</u>	<u>61,692</u>	<u>74,936,180</u>
Revenues over (under) expenditures	<u>(74,602,992)</u>	<u>(71,361,364)</u>	<u>-</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>\$ 1,977,210</u>	<u>-</u>	<u>\$ 1,977,210</u>
Fund Balance:				
Beginning of year - July 1			<u>1,977,210</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, 2015****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers out:				
To General Capital Projects Fund	\$ (1,564,646)	\$ (373,247)	\$ 1,191,399	\$ (1,225,000)
Transfers in:				
From General Fund	<u>1,564,646</u>	<u>1,564,646</u>	<u>-</u>	<u>225,000</u>
Total other financing sources (uses)	<u>-</u>	<u>1,191,399</u>	<u>1,191,399</u>	<u>(1,000,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,191,399</u>	<u>\$ 1,191,399</u>	<u>(1,000,000)</u>
Fund Balance:				
Beginning of year - July 1		<u>386,666</u>		<u>1,386,666</u>
End of year - June 30		<u>\$ 1,578,065</u>		<u>\$ 386,666</u>

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Debt Service Fund

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

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HENDERSON COUNTY, NORTH CAROLINA**DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2015****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ 131,686
Total revenues	-	-	-	131,686
Expenditures:				
Debt service:				
Principal repayments	3,000,000	3,000,000	-	-
Total expenditures	3,000,000	3,000,000	-	-
Revenues over (under) expenditures	(3,000,000)	(3,000,000)	-	131,686
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	-	-	-	478,146
Appropriated fund balance	3,000,000	-	(3,000,000)	-
Total other financing sources (uses)	3,000,000	-	(3,000,000)	478,146
Net change in fund balance	\$ -	(3,000,000)	\$ (3,000,000)	609,832
Fund Balance:				
Beginning of year - July 1		3,000,000		2,390,166
End of year - June 30		\$ -		\$ 3,000,000

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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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 4,607,000	\$ 4,766,362	\$ 159,362	\$ 4,479,953
Operating grants	122,300	146,526	24,226	138,304
Non-operating revenues:				
Sale of fixed assets	15,000	21,618	6,618	-
Interest income	16,000	2,980	(13,020)	7,376
Total revenues	<u>4,760,300</u>	<u>4,937,486</u>	<u>177,186</u>	<u>4,625,633</u>
Expenditures:				
Salaries and employee benefits	955,663	928,528	27,135	819,719
Other operating expenditures	3,693,436	3,546,739	146,697	3,521,810
Repairs and maintenance	276,000	122,880	153,120	191,432
Capital outlay	218,000	237,652	(19,652)	290,936
Total expenditures	<u>5,143,099</u>	<u>4,835,799</u>	<u>307,300</u>	<u>4,823,897</u>
Debt Service:				
Interest paid	55,467	55,467	-	59,733
Principal retirement	133,334	133,334	-	133,333
Total debt service	<u>188,801</u>	<u>188,801</u>	<u>-</u>	<u>193,066</u>
Revenue over (under) expenditures	<u>(571,600)</u>	<u>(87,114)</u>	<u>(130,114)</u>	<u>(391,330)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	54,000	49,480	(4,520)	54,000
Appropriated retained earnings	517,600	-	(517,600)	-
Total other financing sources (uses)	<u>571,600</u>	<u>49,480</u>	<u>(522,120)</u>	<u>54,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(37,634)</u>	<u>\$ (37,634)</u>	<u>\$ (337,330)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Change in other post-employment benefits		(10,777)		
Capital outlay, capitalized		218,688		
Principal paid on debt		133,334		
Contributions made to the pension plan in the current fiscal year		58,209		
Change in compensated absences		(6,387)		
Pension expense		(6,415)		
Post-closure care costs		(114,800)		
Depreciation		(224,006)		
Total reconciling items		<u>47,846</u>		
Change in net position		<u>\$ 10,212</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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 1,261,802	\$ 1,437,204	\$ 175,402	\$ 1,356,805
Restricted intergovernmental	-	358,696	358,696	-
Non-operating revenues:				
Misc Revenue	-	-	-	12,000
Interest income	-	36,097	36,097	40,260
Total revenues	<u>1,261,802</u>	<u>1,831,997</u>	<u>570,195</u>	<u>1,409,065</u>
Expenditures:				
Water and sewer administration:				
Operating expenditures	834,668	809,275	25,393	1,087,572
Repairs and maintenance	76,499	39,470	37,029	77,070
Capital outlay	<u>2,631,000</u>	<u>543,572</u>	<u>2,087,428</u>	<u>870,302</u>
Total water and sewer administration	<u>3,542,167</u>	<u>1,392,317</u>	<u>2,149,850</u>	<u>2,034,944</u>
Debt Service:				
Interest paid	36,102	36,102	-	42,049
Principal retirement	<u>223,533</u>	<u>223,533</u>	<u>-</u>	<u>223,531</u>
Total debt service	<u>259,635</u>	<u>259,635</u>	<u>-</u>	<u>265,580</u>
Revenues over (under) expenditures	<u>(2,540,000)</u>	<u>180,045</u>	<u>2,720,045</u>	<u>(891,459)</u>
Other Financing Sources (Uses):				
Appropriated retained earnings	<u>2,540,000</u>	<u>-</u>	<u>(2,540,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,540,000</u>	<u>-</u>	<u>(2,540,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>180,045</u>	<u>\$ 180,045</u>	<u>\$ (891,459)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital contribution		182,952		
Capital outlay, capitalized		543,572		
Principal paid on debt		223,533		
Bond premium amortization		9,178		
Change in compensated absences		768		
Depreciation		<u>(432,142)</u>		
Total reconciling items		<u>527,861</u>		
Change in net position		<u>\$ 707,906</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, 2015****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 38,880	\$ 38,880	\$ -	\$ 38,880
Non-operating revenues:				
Interest income	-	6,773	6,773	6,307
Total revenues	<u>38,880</u>	<u>45,653</u>	<u>6,773</u>	<u>45,187</u>
Expenditures:				
Water and sewer administration:				
Salaries and employee benefits				
Operating expenditures	36,775	28,505	8,270	29,081
Repairs and maintenance	3,600	6,048	(2,448)	7,151
Capital outlay	94,000	-	94,000	-
Total expenditures	<u>134,375</u>	<u>34,553</u>	<u>99,822</u>	<u>36,232</u>
Revenues over (under) expenditures	<u>(95,495)</u>	<u>11,100</u>	<u>106,595</u>	<u>8,955</u>
Other Financing Sources (Uses):				
Appropriated retained earnings	95,495	-	(95,495)	-
Total other financing sources (uses)	<u>95,495</u>	<u>-</u>	<u>(95,495)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>11,100</u>	<u>\$ 11,100</u>	<u>\$ 8,955</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Depreciation		(17,547)		
Total reconciling items		<u>(17,547)</u>		
Change in net position		<u>\$ (6,447)</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.

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, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 66,102	\$ 367,516	\$ 401,691	\$ 31,927
Liabilities:				
Intergovernmental payable	\$ 66,102	\$ 367,516	\$ 401,691	\$ 31,927
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ 26,105	\$ 22,927	\$ 25,611	\$ 23,421
Liabilities:				
Intergovernmental payable	\$ 26,105	\$ 22,927	\$ 25,611	\$ 23,421
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ -	\$ 187,365	\$ 187,365	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 187,365	\$ 187,365	\$ -
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ 256,575	\$ 57,187	\$ 112,688	\$ 201,074
Liabilities:				
Intergovernmental payable	\$ 256,575	\$ 57,187	\$ 112,688	\$ 201,074
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 105,828	\$ 63,163	\$ 42,665
Liabilities:				
Intergovernmental payable	\$ -	\$ 105,828	\$ 63,163	\$ 42,665

HENDERSON COUNTY, NORTH CAROLINA

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
School Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ <u>-</u>	\$ <u>456,630</u>	\$ <u>443,701</u>	\$ <u>12,929</u>
Liabilities:				
Intergovernmental payable	\$ <u>-</u>	\$ <u>456,630</u>	\$ <u>443,701</u>	\$ <u>12,929</u>
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	\$ <u>7,064</u>	\$ <u>86,210</u>	\$ <u>84,667</u>	\$ <u>8,607</u>
Liabilities:				
Intergovernmental payable	\$ <u>7,064</u>	\$ <u>86,210</u>	\$ <u>84,667</u>	\$ <u>8,607</u>
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ <u>410,231</u>	\$ <u>4,872,153</u>	\$ <u>4,841,929</u>	\$ <u>440,455</u>
Liabilities:				
Intergovernmental payable	\$ <u>410,231</u>	\$ <u>4,872,153</u>	\$ <u>4,841,929</u>	\$ <u>440,455</u>
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ <u>766,077</u>	\$ <u>6,155,816</u>	\$ <u>5,759,124</u>	\$ <u>761,078</u>
Liabilities:				
Intergovernmental payable	\$ <u>766,077</u>	\$ <u>6,155,816</u>	\$ <u>5,759,124</u>	\$ <u>761,078</u>

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, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 64,464,719	\$ 63,452,232	\$ 1,012,487
2013-2014	1,422,342	-	1,046,170	376,172
2012-2013	651,009	-	304,889	346,120
2011-2012	301,997	-	92,161	209,836
2010-2011	317,366	-	125,876	191,490
2009-2010	189,124	-	21,249	167,875
2008-2009	215,726	-	21,674	194,052
2007-2008	209,947	-	18,192	191,755
2006-2007	279,332	-	21,496	257,836
2005-2006	163,354	-	12,107	151,247
2004-2005	125,982	-	125,982	-
Total	<u>\$ 3,876,179</u>	<u>\$ 64,464,719</u>	<u>\$ 65,242,028</u>	3,098,870
Less: allowance for uncollectible accounts: General Fund				<u>(1,679,984)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 1,418,886</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 64,347,307
Ad valorem taxes - Revaluation Fund				<u>782,842</u>
Total ad valorem taxes				65,130,149
Reconciling items:				
Interest				(426,789)
Tax refunds				545,002
Other miscellaneous adjustments				(132,316)
Amounts written off per Statute of Limitations				<u>125,982</u>
Total collections and credits				<u>\$ 65,242,028</u>

HENDERSON COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 12,558,699,572	\$ 0.5136	\$ 64,501,481	\$ 59,664,015	\$ 4,837,466
Total	<u>12,558,699,572</u>		<u>64,501,481</u>	<u>59,664,015</u>	<u>4,837,466</u>
Discoveries:					
Current year taxes	18,768,886	0.5136	96,397	84,335	12,062
Prior year taxes	12,904,400	0.5136	66,277	66,277	-
Penalties	-		141,575	107,232	34,343
Total	<u>31,673,287</u>		<u>304,249</u>	<u>257,844</u>	<u>46,405</u>
Abatements	<u>(66,396,223)</u>	0.5136	<u>(341,011)</u>	<u>(341,011)</u>	<u>-</u>
Total property valuation	<u>\$ 12,523,976,636</u>				
Net Levy			64,464,719	59,580,848	4,883,871
Uncollected taxes at June 30, 2015			<u>(1,012,487)</u>	<u>(1,012,487)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 63,452,232</u>	<u>\$ 58,568,361</u>	<u>\$ 4,883,871</u>
Current Levy Collection Percentage			<u>98.43%</u>	<u>98.30%</u>	<u>100.00%</u>

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2015****Secondary Market Disclosures:**

Assessed Valuation:

Assessment ratio (1) 100.60%

Real property \$ 10,397,376,117

Personal Property 1,902,281,108

Public service companies (2) 224,319,411Total assessed valuation \$ 12,523,976,636Tax rate per \$100 \$ 0.5136

Levy (includes discoveries, releases and abatements) (3) \$ 64,464,719

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, 2015:

Fire protection districts 7,206,805Total \$ 71,671,524

(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				
	2006	2007	2008	2009	2010
Governmental activities					
Net investment in capital assets	\$ 17,886,041	\$ 25,994,918	\$ 42,917,076	\$ 46,920,197	\$ 45,283,045
Restricted	248,699	318,524	346,809	-	343,790
Unrestricted	<u>(13,350,654)</u>	<u>(12,992,312)</u>	<u>(26,932,658)</u>	<u>(47,594,779)</u>	<u>(49,123,482)</u>
Total governmental activities	<u>\$ 4,784,086</u>	<u>\$ 13,321,130</u>	<u>\$ 16,331,227</u>	<u>\$ (674,582)</u>	<u>\$ (3,496,647)</u>
Business-type activities					
Net investment in capital assets	\$ 10,125,836	\$ 13,452,142	\$ 14,233,698	\$ 14,917,293	\$ 15,562,023
Unrestricted	<u>3,640,005</u>	<u>4,359,366</u>	<u>6,160,288</u>	<u>6,798,777</u>	<u>6,597,775</u>
Total business-type activities	<u>\$ 13,765,841</u>	<u>\$ 17,811,508</u>	<u>\$ 20,393,986</u>	<u>\$ 21,716,070</u>	<u>\$ 22,159,798</u>
Primary government					
Net investment in capital assets	\$ 28,011,877	\$ 39,447,060	\$ 57,150,774	\$ 61,837,490	\$ 60,845,068
Restricted	248,699	318,524	346,809	-	343,790
Unrestricted	<u>(9,710,649)</u>	<u>(8,632,946)</u>	<u>(20,772,370)</u>	<u>(40,796,002)</u>	<u>(42,525,707)</u>
Total primary government net position	<u>\$ 18,549,927</u>	<u>\$ 31,132,638</u>	<u>\$ 36,725,213</u>	<u>\$ 21,041,488</u>	<u>\$ 18,663,151</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.

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities					
Net investment in capital assets	\$ 45,090,597	\$ 47,218,294	\$ 73,911,997	\$ 73,306,086	\$ 77,601,835
Restricted	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944
Unrestricted	<u>(56,449,939)</u>	<u>(51,095,871)</u>	<u>(61,681,174)</u>	<u>(52,396,535)</u>	<u>(40,465,616)</u>
Total governmental activities	<u>\$ (2,204,574)</u>	<u>\$ 7,118,634</u>	<u>\$ 23,104,727</u>	<u>\$ 33,732,472</u>	<u>\$ 47,483,163</u>
Business-type activities					
Net investment in capital assets	\$ 16,818,425	\$ 18,050,922	\$ 18,124,127	\$ 19,160,584	\$ 19,798,146
Unrestricted	<u>5,448,726</u>	<u>4,896,151</u>	<u>4,220,072</u>	<u>2,839,915</u>	<u>2,811,796</u>
Total business-type activities	<u>\$ 22,267,151</u>	<u>\$ 22,947,073</u>	<u>\$ 22,344,199</u>	<u>\$ 22,000,499</u>	<u>\$ 22,609,942</u>
Primary government					
Net investment in capital assets	\$ 61,909,022	\$ 65,269,216	\$ 92,036,124	\$ 92,466,670	\$ 97,399,981
Restricted	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944
Unrestricted	<u>(51,001,213)</u>	<u>(46,199,720)</u>	<u>(57,461,102)</u>	<u>(49,556,620)</u>	<u>(37,653,820)</u>
Total primary government net position	<u>\$ 20,062,577</u>	<u>\$ 30,065,707</u>	<u>\$ 45,448,926</u>	<u>\$ 55,732,971</u>	<u>\$ 70,093,105</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.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Expenses					
Governmental activities:					
General government	\$ 20,754,875	\$ 20,711,316	\$ 20,573,746	\$ 17,377,905	\$ 12,790,053
Public safety	23,870,516	23,161,801	28,376,181	29,733,774	31,522,260
Environmental protection	2,777,434	745,597	715,577	819,015	620,661
Economic and physical development	2,931,244	3,303,513	2,939,542	3,131,673	3,019,284
Human Services	28,050,637	31,597,865	32,116,159	32,525,413	29,464,315
Cultural and recreation	3,730,608	2,709,515	3,712,969	3,139,072	4,522,826
Education	20,418,061	24,078,437	29,547,701	48,916,897	32,884,958
Interest on long term debt	2,705,438	4,804,820	4,847,599	5,502,008	5,331,692
Total governmental activities	<u>105,238,813</u>	<u>111,112,864</u>	<u>122,829,474</u>	<u>141,145,757</u>	<u>120,156,049</u>
Business-type activities:					
Landfill	3,976,161	4,065,503	3,992,430	4,110,540	4,365,097
Cane Creek water and sewer	475,168	658,003	771,571	852,213	907,057
Other business-type activities	35,548	31,816	36,104	42,278	41,848
Total business-type activities	<u>4,486,877</u>	<u>4,755,322</u>	<u>4,800,105</u>	<u>5,005,031</u>	<u>5,314,002</u>
Total primary government expenses	<u>\$ 109,725,690</u>	<u>\$ 115,868,186</u>	<u>\$ 127,629,579</u>	<u>\$ 146,150,788</u>	<u>\$ 125,470,051</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,368,663	\$ 663,299	\$ 737,144	\$ 631,057	\$ 565,665
Public safety	3,555,211	5,001,265	4,739,681	3,836,365	4,471,480
Environmental protection	-	-	-	-	-
Economic and physical development	2,322,570	1,604,882	1,652,472	1,818,025	1,687,452
Human services	2,210,820	2,450,968	2,518,859	2,837,931	536,580
Cultural and recreation	296,506	278,988	263,541	243,102	245,224
Education	-	-	-	-	-
Operating grants and contributions:					
General government	155,176	388,567	727,155	841,768	974,454
Public safety	528,181	1,000,900	1,901,716	1,869,045	1,649,828
Environmental protection	238,089	740,691	504,249	681,813	47,252
Economic and physical development	2,299,781	1,033,462	1,000,987	1,350,792	81,645
Human services	13,415,019	14,571,769	15,919,725	18,171,953	17,675,287
Cultural and recreation	275,240	272,054	260,165	267,173	242,402
Education	-	617,412	800,000	959,681	1,327,382
Capital grants and contributions:					
General government	8,820	-	-	-	48,242
Environmental protection	-	-	-	-	740,216
Economic and physical development	-	-	-	-	880,680
Cultural and recreation	49,600	-	-	-	-
Education	615,000	-	-	-	-
Total governmental activities program revenues	<u>27,338,676</u>	<u>28,624,257</u>	<u>31,025,694</u>	<u>33,508,705</u>	<u>31,173,789</u>
Business-type activities:					
Charges for services	5,468,857	5,897,199	6,026,980	5,616,874	5,590,190
Operating grants and contributions	961,565	498,756	534,877	201,061	135,743
Capital grants and contributions	130,383	2,261,002	721,353	228,096	162,590
Total business-type activities program revenues	<u>6,560,805</u>	<u>8,656,957</u>	<u>7,283,210</u>	<u>6,046,031</u>	<u>5,888,523</u>
Total primary government program revenues	<u>\$ 33,899,481</u>	<u>\$ 37,281,214</u>	<u>\$ 38,308,904</u>	<u>\$ 39,554,736</u>	<u>\$ 37,062,312</u>
Net (Expense)/Revenue					
Governmental activities	\$ (77,900,137)	\$ (82,488,607)	\$ (91,803,780)	\$ (107,637,052)	\$ (88,982,260)
Business-type activities	<u>2,073,928</u>	<u>3,901,635</u>	<u>2,483,105</u>	<u>1,041,000</u>	<u>574,521</u>
Total primary government net (expense)/revenue	<u>\$ (75,826,209)</u>	<u>\$ (78,586,972)</u>	<u>\$ (89,320,675)</u>	<u>\$ (106,596,052)</u>	<u>\$ (88,407,739)</u>

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Expenses					
Governmental activities:					
General government	\$ 19,654,791	\$ 16,036,914	\$ 17,913,612	\$ 14,762,338	\$ 16,786,995
Public safety	27,061,623	30,342,623	31,153,291	33,519,129	32,758,736
Environmental protection	759,241	678,682	921,122	424,250	338,819
Economic and physical development	3,524,661	3,001,446	2,832,831	2,628,397	3,704,639
Human Services	27,889,051	27,200,233	26,875,838	27,594,630	27,818,854
Cultural and recreation	4,657,512	3,497,027	2,554,407	4,496,879	4,553,125
Education	29,708,049	22,798,061	24,025,977	25,261,561	26,745,692
Interest on long term debt	5,007,243	4,981,375	3,614,839	2,969,032	2,459,209
Total governmental activities	<u>118,262,171</u>	<u>108,536,361</u>	<u>109,891,917</u>	<u>111,656,216</u>	<u>115,166,069</u>
Business-type activities:					
Landfill	4,311,315	4,673,770	4,826,309	5,001,377	4,976,754
Cane Creek water and sewer	921,563	1,039,398	882,351	1,609,949	1,307,043
Other business-type activities	52,167	42,970	53,247	46,677	52,100
Total business-type activities	<u>5,285,045</u>	<u>5,756,138</u>	<u>5,761,907</u>	<u>6,658,003</u>	<u>6,335,897</u>
Total primary government expenses	<u>\$ 123,547,216</u>	<u>\$ 114,292,499</u>	<u>\$ 115,653,824</u>	<u>\$ 118,314,219</u>	<u>\$ 121,501,966</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 2,877,560	\$ 631,150	\$ 711,063	\$ 672,612	\$ 783,476
Public safety	3,357,700	4,010,900	4,560,959	5,208,326	5,586,244
Environmental protection	14,224	-	-	-	-
Economic and physical development	131,193	1,305,720	1,376,578	1,440,014	1,461,757
Human services	447,382	557,456	472,234	504,719	537,524
Cultural and recreation	436,437	167,661	157,272	180,563	195,252
Education	-	-	-	-	-
Operating grants and contributions:					
General government	1,827,808	2,127,237	2,064,465	461,373	534,848
Public safety	2,890,615	2,128,666	1,454,505	2,773,066	4,552,886
Environmental protection	78,413	47,133	47,255	57,655	100,086
Economic and physical development	303,595	363,456	1,004,929	1,027,427	1,093,432
Human services	17,460,691	16,014,799	15,971,818	15,853,571	18,388,282
Cultural and recreation	230,446	197,661	202,240	206,592	213,366
Education	1,635,063	1,021,661	935,017	954,977	883,468
Capital grants and contributions:					
General government	-	-	-	-	-
Environmental protection	-	-	-	-	-
Economic and physical development	469,493	337,184	-	-	100
Cultural and recreation	-	-	-	-	-
Education	139,428	120,744	-	-	-
Total governmental activities program revenues	<u>32,300,048</u>	<u>29,031,428</u>	<u>28,958,335</u>	<u>29,340,895</u>	<u>34,330,721</u>
Business-type activities:					
Charges for services	5,261,018	5,661,118	5,562,362	5,875,638	6,601,142
Operating grants and contributions	148,645	115,892	246,534	150,304	168,144
Capital grants and contributions	77,092	672,883	106,573	283,260	182,952
Total business-type activities program revenues	<u>5,486,755</u>	<u>6,449,893</u>	<u>5,915,469</u>	<u>6,309,202</u>	<u>6,952,238</u>
Total primary government program revenues	<u>\$ 37,786,803</u>	<u>\$ 35,481,321</u>	<u>\$ 34,873,804</u>	<u>\$ 35,650,097</u>	<u>\$ 41,282,959</u>
Net (Expense)/Revenue					
Governmental activities	\$ (85,962,123)	\$ (79,504,933)	\$ (80,933,582)	\$ (82,212,479)	\$ (80,835,348)
Business-type activities	<u>201,710</u>	<u>693,755</u>	<u>153,562</u>	<u>(451,643)</u>	<u>616,341</u>
Total primary government net (expense)/revenue	<u>\$ (85,760,413)</u>	<u>\$ (78,811,178)</u>	<u>\$ (80,780,020)</u>	<u>\$ (82,664,122)</u>	<u>\$ (80,219,007)</u>

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 51,743,823	\$ 58,929,080	\$ 64,331,927	\$ 66,151,942	\$ 67,341,066
Local option sales tax	20,540,587	23,920,538	24,547,750	21,161,570	16,265,083
Other taxes and licenses	2,892,255	2,965,246	2,908,890	1,932,087	1,760,761
Grants and contributions not restricted	27,469	27,349	27,035	58,351	-
Investment earnings	1,463,391	3,602,951	2,780,131	1,161,801	614,221
Gain on sale	-	-	-	-	-
Miscellaneous	524,079	1,368,999	-	-	-
Transfers	245,075	211,488	218,144	165,492	179,064
Total governmental activities:	<u>77,436,679</u>	<u>91,025,651</u>	<u>94,813,877</u>	<u>90,631,243</u>	<u>86,160,195</u>
Business-type activities:					
Investment earnings	217,882	355,520	317,517	446,576	48,271
Miscellaneous	-	-	-	-	-
Transfers	(245,075)	(211,488)	(218,144)	(165,492)	(179,064)
Total business-type activities	<u>(27,193)</u>	<u>144,032</u>	<u>99,373</u>	<u>281,084</u>	<u>(130,793)</u>
Total primary government	<u>\$ 77,409,486</u>	<u>\$ 91,169,683</u>	<u>\$ 94,913,250</u>	<u>\$ 90,912,327</u>	<u>\$ 86,029,402</u>
Change in Net Position					
Governmental activities	\$ (463,459)	\$ 8,537,044	\$ 3,010,097	\$ (17,005,809)	\$ (2,822,065)
Business-type activities	<u>2,046,187</u>	<u>4,045,667</u>	<u>2,582,478</u>	<u>1,322,084</u>	<u>443,728</u>
Total primary government	<u>\$ 1,582,728</u>	<u>\$ 12,582,711</u>	<u>\$ 5,592,575</u>	<u>\$ (15,683,725)</u>	<u>\$ (2,378,337)</u>

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

	Fiscal Year				
	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 67,886,712	\$ 68,689,187	\$ 69,628,114	\$ 72,197,460	\$ 71,844,544
Local option sales tax	16,463,074	17,504,095	18,596,584	19,760,279	21,620,139
Other taxes and licenses	1,884,433	1,761,555	1,170,234	999,760	1,077,072
Grants and contributions not restricted	-	-	-	-	-
Investment earnings	821,618	761,199	675,387	(170,434)	444,340
Gain on sale	-	-	-	-	3,407,477
Miscellaneous	-	-	6,000,125	107,159	-
Transfers	198,359	112,105	849,231	(54,000)	(49,480)
Total governmental activities:	<u>87,254,196</u>	<u>88,828,141</u>	<u>96,919,675</u>	<u>92,840,224</u>	<u>98,344,092</u>
Business-type activities:					
Investment earnings	104,001	98,272	92,795	53,943	45,849
Miscellaneous	-	-	-	-	-
Transfers	(198,359)	(112,105)	(849,231)	54,000	49,480
Total business-type activities	<u>(94,358)</u>	<u>(13,833)</u>	<u>(756,436)</u>	<u>107,943</u>	<u>95,329</u>
Total primary government	<u>\$ 87,159,838</u>	<u>\$ 88,814,308</u>	<u>\$ 96,163,239</u>	<u>\$ 92,948,167</u>	<u>\$ 98,439,421</u>
Change in Net Position					
Governmental activities	\$ 1,292,073	\$ 9,323,208	\$ 15,986,093	\$ 10,627,745	\$ 17,508,744
Business-type activities	107,352	679,922	(602,874)	(343,700)	711,671
	<u>\$ 1,399,425</u>	<u>\$ 10,003,130</u>	<u>\$ 15,383,219</u>	<u>\$ 10,284,045</u>	<u>\$ 18,220,415</u>

Schedule 3
Henderson County
Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Nonspendable:					
Inventories	\$ 14,998	\$ 16,333	\$ 14,386	\$ 25,843	\$ 34,082
Prepaid items	56,110	53,335	98,803	92,671	136,140
Restricted:					
Stabilization for State statute	7,542,377	8,972,465	9,257,898	7,263,179	6,522,876
Restricted, all other	248,699	318,524	346,809	324,500	343,790
Committed:					
Assigned for subsequent year's expenditures	515,000	1,841,778	2,352,740	720,778	6,418,905
Assigned all other	-	99,126	26,996	37,422	87,492
Unassigned:	12,902,473	15,381,495	21,872,379	26,747,571	23,498,852
Total General Fund	<u>\$ 21,279,657</u>	<u>\$ 26,683,056</u>	<u>\$ 33,970,011</u>	<u>\$ 35,211,964</u>	<u>\$ 37,042,137</u>
All Other Governmental Funds					
Nonspendable:					
Prepaid items	\$ -	\$ 5,986	\$ -	\$ -	\$ -
Restricted:					
Stabilization for State statute	401,060	153,693	273,611	409,967	526,857
Restricted, all other	-	-	-	-	-
Committed:					
Special revenue and debt service funds	942,744	2,663,109	4,127,851	4,165,361	5,549,793
Capital project funds	42,402,936	26,184,220	32,637,787	6,114,403	9,320,682
Assigned all other:	-	-	-	-	-
Unassigned:	-	-	-	-	-
Total all other governmental funds	<u>\$ 43,746,740</u>	<u>\$ 29,001,022</u>	<u>\$ 37,039,249</u>	<u>\$ 10,689,731</u>	<u>\$ 15,397,332</u>

Schedule 3
Henderson County
Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable:					
Inventories	\$ 46,785	\$ 61,586	\$ 58,923	\$ 57,349	\$ 50,999
Prepaid items	145,801	124,902	152,058	178,654	227,910
Restricted:					
Stabilization for State statute	6,367,890	6,749,449	6,726,943	8,032,109	8,327,441
Restricted, all other	258,575	161,443	199,106	177,966	210,668
Committed:					
Assigned for subsequent year's expenditures	3,194,191	5,617,206	6,730,029	8,729,065	9,467,043
Assigned all other	305,525	77,195	175,128	220,978	224,033
Unassigned:	26,849,372	28,032,866	25,332,238	24,141,639	23,683,102
Total General Fund	<u>\$ 37,168,139</u>	<u>\$ 40,824,647</u>	<u>\$ 39,374,425</u>	<u>\$ 41,537,760</u>	<u>\$ 42,191,196</u>
All Other Governmental Funds					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Stabilization for State statute	962,962	608,963	284,997	619,125	351,130
Restricted, all other	3,413,004	3,476,356	3,662,858	3,993,721	1,457,705
Committed:					
Special revenue and debt service funds	1,115,294	1,319,314	1,510,873	552,441	3,714,300
Capital project funds	4,775,469	1,628,356	9,148,014	9,295,256	7,686,242
Assigned all other:	7,834	310,293	-	-	-
Unassigned:	(19,551)	47,907	(71,825)	(196,705)	(51,791)
Total all other governmental funds	<u>\$ 10,255,012</u>	<u>\$ 7,391,189</u>	<u>\$ 14,534,917</u>	<u>\$ 14,263,838</u>	<u>\$ 13,157,586</u>

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues					
Taxes:					
Property	\$ 52,074,680	\$ 58,637,892	\$ 64,439,584	\$ 66,018,584	\$ 67,108,338
Sales	20,540,587	22,661,455	23,380,137	20,674,811	16,265,083
Other	2,892,255	2,752,039	2,646,547	1,853,877	1,716,654
Total taxes	75,507,522	84,051,386	90,466,268	88,547,272	85,090,075
Intergovernmental	18,472,353	18,113,945	19,838,087	23,056,971	22,579,216
Permits and Fees	2,081,006	2,295,267	2,555,970	1,259,149	1,303,741
Sales and Services	5,909,591	7,500,403	7,395,847	8,060,928	5,606,937
Investment Earnings	1,463,391	3,602,951	2,780,131	1,161,801	614,221
Miscellaneous	2,945,274	3,925,450	2,732,901	1,708,592	1,692,157
Total Revenues	106,379,137	119,489,402	125,769,204	123,794,713	116,886,347
Expenditures					
General Government	10,166,052	11,479,942	13,046,727	14,533,347	10,460,904
Public Safety	23,090,778	23,989,110	27,503,940	28,865,600	30,198,709
Environmental Protection	2,777,434	725,323	715,577	821,125	612,539
Economic and Physical Development	2,901,890	3,235,715	2,900,510	3,096,497	2,823,059
Human Services	27,968,583	31,276,781	31,776,627	32,308,980	28,796,898
Culture and Recreation	3,529,766	3,561,998	3,618,956	3,018,141	4,283,758
Education	20,418,061	22,038,249	36,524,184	48,916,897	32,884,958
Capital Outlay	24,539,541	23,222,119	14,678,560	3,321,887	1,197,171
Debt Service:					
Principal	5,587,776	7,680,164	7,535,472	14,324,588	8,947,223
Interest	2,808,404	4,702,820	4,640,599	5,505,708	5,612,835
Advanced payment to escrow agent	-	-	-	-	-
Total Expenditures	123,788,285	131,912,221	142,941,152	154,712,770	125,818,054
Excess of revenues over (under) expenditures	(17,409,148)	(12,422,819)	(17,171,948)	(30,918,057)	(8,931,707)
Other Financing Sources (Uses)					
Transfers in	1,060,357	1,077,587	2,540,801	1,828,034	4,000,986
Transfers out	(797,541)	(866,099)	(2,322,657)	(1,662,542)	(3,821,922)
Proceeds from certificates of participation	41,610,000	-	-	-	-
Refunding bonds issued	-	-	-	-	17,037,084
Payment to bond escrow agent	-	-	-	-	(17,282,996)
Bond premium	-	-	-	-	848,430
Insurance proceeds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Installment financing issued	-	2,875,000	32,273,000	5,645,000	14,687,899
Contribution to TDA	-	-	-	-	-
Total other financing sources (uses)	41,872,816	3,086,488	32,491,144	5,810,492	15,469,481
Net change in fund balances	\$ 24,463,668	\$ (9,336,331)	\$ 15,319,196	\$ (25,107,565)	\$ 6,537,774
Debt service as a percentage of noncapital expenditures	7.57%	10.68%	9.49%	13.10%	11.73%

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues					
Taxes:					
Property	\$ 67,640,556	\$ 68,869,266	\$ 69,683,310	\$ 72,442,683	\$ 72,424,338
Sales	16,463,074	17,504,095	18,596,584	19,760,279	21,620,139
Other	1,839,151	1,647,165	1,020,464	931,782	1,029,292
Total taxes	85,942,781	88,020,526	89,300,358	93,134,744	95,073,769
Intergovernmental	23,955,738	20,506,382	20,714,436	20,706,830	25,071,921
Permits and Fees	1,259,908	1,570,092	1,638,646	1,619,034	1,826,678
Sales and Services	5,808,063	5,204,757	5,657,362	6,362,816	6,708,720
Investment Earnings	821,618	761,199	675,311	(170,434)	444,340
Miscellaneous	1,289,906	2,158,119	1,112,638	836,742	742,227
Total Revenues	119,078,014	118,221,075	119,098,751	122,489,732	129,867,655
Expenditures					
General Government	17,181,746	11,345,895	13,818,252	12,558,117	13,889,012
Public Safety	31,113,589	30,683,571	30,360,366	31,855,136	32,437,433
Environmental Protection	645,457	579,882	770,928	353,846	349,239
Economic and Physical Development	3,414,401	3,333,698	2,778,708	2,573,661	3,729,355
Human Services	28,494,208	26,736,224	26,102,907	27,215,341	28,095,417
Culture and Recreation	4,462,354	3,829,304	4,087,986	4,343,834	4,510,926
Education	29,708,049	22,798,061	24,025,977	25,214,625	26,739,498
Capital Outlay	2,433,642	3,231,758	3,862,734	2,754,492	7,524,391
Debt Service:					
Principal	9,654,619	10,189,756	10,630,317	10,924,205	13,962,623
Interest	4,929,086	5,084,218	3,967,959	3,166,375	2,604,552
Advanced payment to escrow agent	-	-	4,841,690	-	-
Total Expenditures	132,037,151	117,812,367	125,247,824	120,959,632	133,842,446
Excess of revenues over (under) expenditures	(12,959,137)	408,708	(6,149,073)	1,530,100	(3,974,791)
Other Financing Sources (Uses)					
Transfers in	2,217,302	1,339,807	6,848,652	2,873,913	5,538,729
Transfers out	(2,018,943)	(1,205,208)	(5,999,421)	(2,927,913)	(5,588,209)
Proceeds from certificates of participation	-	-	-	-	-
Refunding bonds issued	-	-	41,151,000	-	-
Payment to bond escrow agent	-	-	(36,110,000)	-	-
Bond premium	-	-	-	-	-
Insurance proceeds	-	-	6,000,125	107,159	-
Sale of capital assets	-	-	-	-	3,407,477
Installment financing issued	7,744,460	249,378	413,539	308,997	163,978
Contribution to TDA	-	-	(461,316)	-	-
Total other financing sources (uses)	7,942,819	383,977	11,842,579	362,156	3,521,975
Net change in fund balances	\$ (5,016,318)	\$ 792,685	\$ 5,693,506	\$ 1,892,256	\$ (452,816)
Debt service as a percentage of noncapital expenditures	11.84%	13.35%	12.03%	12.13%	12.84%

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	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
2006	\$ 6,300,234,699	\$ 1,103,108,886	\$ *	\$ 176,733,520	\$ 1,406,919,730	\$ 168,808,340	\$ 9,155,805,175	\$ 0.5150	\$ 10,921,871,854
2007 (5)	6,202,171,841	1,201,065,700	177,020,530	115,788,123	1,722,357,586	193,340,879	9,611,744,659	0.5650	9,813,911,230
2008	9,117,452,386	1,287,653,289	*	153,220,366	1,769,324,843	198,266,344	12,525,917,228	0.4620	13,802,663,612
2009	8,934,833,585	1,748,314,967	220,892,345	142,880,776	1,715,328,348	198,684,287	12,960,934,308	0.4620	14,865,161,496
2010	9,092,887,260	1,763,941,443	203,969,345	146,464,425	1,681,442,498	203,783,025	13,092,487,996	0.4620	15,016,043,120
2011 (5)	9,220,396,484	1,799,570,575	222,759,000	158,081,190	1,588,713,764	201,935,623	13,191,456,636	0.4620	13,801,482,147
2012	8,476,402,185	1,411,863,040	195,764,850	152,004,206	1,617,858,308	199,963,948	12,053,856,537	0.5136	12,599,412,233
2013	8,047,908,421	1,718,687,844	421,967,800	150,329,169	1,657,680,403	207,220,867	12,203,794,504	0.5136	12,652,975,121
2014	8,033,802,827	1,746,583,200	418,162,600	155,632,463	2,040,880,296	215,774,689	12,610,836,075	0.5136	12,234,028,012
2015 (5)	8,044,847,579	1,764,809,652	425,506,400	162,212,486	1,902,281,108	224,319,411	12,523,976,636	0.5136	12,599,120,496

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, 2015 and was the basis for FY2016 taxes.

* Indicates valuation was included in Commercial Property Valuation

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Henderson County	0.5150	\$ 0.5650	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5136
Municipality Rates:										
Hendersonville	0.4300	0.4300	0.3800	0.3800	0.3800	0.3800	0.4100	0.4100	0.4400	0.4600
Laurel Park	0.3100	0.3350	0.2700	0.2700	0.3100	0.3100	0.3600	0.3600	0.3900	0.0430
Fletcher	0.2700	0.2200	0.2700	0.2700	0.3200	0.3200	0.3250	0.3250	0.3250	0.3400
Mills River	0.0750	0.0750	0.0750	0.0750	0.0750	0.0750	0.0874	0.0874	0.0974	0.1124
Flat Rock	0.0850	0.0850	0.0750	0.0750	0.0750	0.0750	0.0840	0.0840	0.0840	0.1100
Saluda	0.5000	0.5400	0.6050	0.6050	0.5150	0.5150	0.6250	0.6050	0.6050	0.6050
Downtown - Main Street	0.3000	0.3000	0.2500	0.2500	0.2500	0.2500	0.2800	0.2800	0.2800	0.2800
Downtown - Seventh Ave.	0.1000	0.1000	0.1000	0.0800	0.0800	0.0800	0.1200	0.1200	0.1200	0.1200
Fire Districts:										
Bat Cave	0.0900	0.0900	0.0800	0.0900	0.0900	0.0900	0.1000	0.1000	0.1000	0.1000
Blue Ridge	0.0950	0.0950	0.0850	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.0950
Dana	0.0900	0.1000	0.1000	0.1000	0.1000	0.1000	0.1100	0.1100	0.1100	0.1100
Edneyville	0.0925	0.0950	0.0850	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.0950
Etowah-Horse Shoe	0.0850	0.0850	0.0800	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.0950
Fletcher	0.0950	0.0950	0.0950	0.0950	0.0950	0.0950	0.1000	0.1000	0.1000	0.1000
Gerton	0.1150	0.1150	0.1150	0.1150	0.1150	0.1150	0.1250	0.1250	0.1250	0.1250
Green River	0.0750	0.0750	0.0600	0.0600	0.0600	0.0600	0.0650	0.0650	0.0700	0.0700
Mills River	0.0650	0.0650	0.0650	0.0650	0.0650	0.0650	0.0750	0.0750	0.0750	0.0750
Mountain Home	0.1050	0.1050	0.0950	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050	0.1050
Raven Rock	0.0900	0.0900	0.0750	0.0750	0.0750	0.0750	0.0850	0.0850	0.0850	0.0850
Valley Hill	0.0800	0.0800	0.0700	0.0700	0.0700	0.0700	0.0800	0.0800	0.0850	0.0850
Valley Hill II	0.0800	0.0800	0.0700	0.0700	0.0700	0.0700	0.0800	0.0800	0.0850	0.0850

Source: Henderson County Tax Collector

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

	Taxpayer	Type of Business	Fiscal Year 2015			Fiscal Year 2005		
			Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
	Duke Energy Carolinas LLC	Utility	\$ 137,301,786	1	1.09%	\$ 109,781,640	1	1.20%
	Continental Teves Automotive Systems, Inc.	Automotive Brake Systems	75,286,615	2	0.60%	63,554,150	3	0.69%
	Sierra Nevada Brewing Company	Beverages	58,439,480	3	0.46%	N/A	N/A	N/A
	Meritor Heavy Vehicle Systems	Truck Axles	50,653,071	4	0.40%	72,737,843	2	0.79%
	Berkley Mills	Textiles	49,743,932	5	0.40%	62,969,566	4	0.69%
	Public Service Company of NC	Utility	37,291,838	6	0.30%	27,390,778	7	0.30%
	Layman Foundation of NC, Inc.	Education	37,220,600	7	0.30%	N/A	N/A	N/A
	Bell South	Utility	26,305,715	8	0.21%	37,796,194	6	0.41%
	UPM Rafatac, Inc.	Paper Products	24,157,892	9	0.19%	61,915,919	5	0.68%
	Wilsonart LLC	Laminate Products	23,450,835	10	0.19%	22,819,217	8	0.25%
	Totals		\$ 519,851,764		4.13%	\$ 458,965,307		5.01%

Source: Henderson County Assessor

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		Total Collections to Date	
				Amount	Percentage of Original Levy	Amount	Percentage of Adjusted Levy
2006	\$ 46,981,907	\$ 229,493	\$ 47,211,400	\$ 45,835,220	97.09%	\$ 47,053,152	99.66%
2007	54,697,004	(357,661)	54,339,343	52,721,515	97.02%	54,066,078	99.50%
2008	58,186,499	64,973	58,251,472	56,887,367	97.66%	58,049,655	99.65%
2009	60,238,220	(244,892)	59,993,328	58,473,336	97.47%	59,786,421	99.66%
2010	60,846,087	(276,429)	60,569,659	59,003,033	97.41%	60,393,965	99.71%
2011	61,296,106	(268,085)	61,028,021	58,085,624	95.18%	60,828,274	99.67%
2012	61,814,359	(215,538)	61,598,821	59,928,822	97.29%	61,380,057	99.64%
2013	62,467,870	(155,714)	62,312,153	60,535,291	97.17%	61,956,835	99.43%
2014	65,192,654	(228,522)	64,964,132	63,541,790	97.46%	64,575,136	99.40%
2015	64,501,481	(341,011)	64,160,470	63,452,232	97.88%	63,452,232	98.43%
						\$ 3,098,870	

Source: Henderson County Tax Collector

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

Fiscal Year	Governmental Activities					Business - Type Activities				
	General Obligation Bonds	Limited Obligation Bonds	Installment Contracts	Installment Purchases	Other	General Obligation Bonds	Limited Obligation Bonds	Installment Purchases	Total Primary Government	Per Capita (1)
2006	\$ 6,680,000	\$ -	\$ 84,950,000	\$ 15,473,676	\$ 532,952	\$ 1,178,000	\$ -	\$ -	\$ 108,814,628	\$ 1,113
2007	4,760,000	-	81,485,000	16,983,567	323,466	-	-	3,019,100	106,571,133	1,065
2008	2,885,000	-	77,780,000	47,445,041	187,581	-	-	2,701,300	130,998,922	1,283
2009	1,060,000	-	69,320,000	49,184,096	58,388	-	-	2,383,500	122,005,984	1,175
2010	-	17,037,084	57,190,000	50,876,518	29,195	-	1,842,916	79,450	127,055,163	1,208
2011	-	15,814,348	52,755,000	54,653,290	220,566	-	1,710,652	-	125,153,856	1,168
2012	-	13,725,320	56,140,000	43,416,940	-	-	1,484,680	2,000,000	118,766,940	1,095
2013	-	52,400,340	16,328,539	39,377,603	-	-	1,260,660	1,866,667	111,233,809	1,027
2014	-	50,159,087	12,112,073	35,644,329	-	-	1,083,014	1,733,334	100,731,837	920
2015	-	47,326,776	7,894,338	28,810,887	-	-	850,303	1,600,000	86,482,304	778

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 FY2015.

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		Total			
			Principal					
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	2,970,999	48,271,102	1.14%	0.38%	441	
2015	-	48,177,079	4,414,000	43,763,079	-	0.35%	394	

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 2015.

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed Value of Property	\$ 9,155,805	\$ 9,611,745	\$ 12,525,917	\$ 12,960,934	\$ 13,092,488	\$ 13,191,457	\$ 12,053,856	\$ 12,203,794	\$ 12,610,836	\$ 12,523,976
Debt Limit, 8% of Assessed Value (Statutory Limitation)	732,464	768,940	1,002,073	1,036,874	1,047,399	1,055,316	964,308	976,304	1,008,867	1,001,918
Amount of Debt Applicable to Limit:										
Less: Gross debt	108,815	106,571	130,998	122,006	127,055	125,154	114,767	111,798	100,732	86,482
Less: Debt outstanding for water and sewer purposes	1,178	3,019	2,701	2,384	1,922	1,711	1,485	3,182	2,816	2,450
Total net debt applicable to limit	107,637	103,552	128,297	119,622	125,133	123,443	113,282	108,616	97,916	84,032
Legal Debt Margin	\$ 624,827	\$ 665,388	\$ 873,776	\$ 917,252	\$ 922,266	\$ 931,873	\$ 851,026	\$ 867,688	\$ 910,951	\$ 917,886
Total debt applicable to the limit as a percentage of debt limit	14.70%	13.47%	12.80%	11.54%	11.95%	11.70%	11.75%	11.13%	9.71%	8.39%

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.

Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

<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	\$ 86,482,304	100.00%	\$ 86,482,304
Overlapping:			
City of Hendersonville	1,870,000	100.00%	1,870,000
Town of Fletcher	8,830,630	100.00%	8,830,630
Total overlapping debt			<u>10,700,630</u>
Total direct and overlapping debt			<u>\$ 97,182,934</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

Year	Population(1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Public School Enrollment(3)	Unemployment Rate(4)	Number of Building Inspections Performed(5)
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	4,229,499	38,683	13,446	4.90%	19,742
2015	111,149	*	*	13,771	5.10%	21,437

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	2015		
	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1926	1	3.80%
Park Ridge Hospital	1262	2	2.49%
Margaret R. Pardee Hospital	1216	3	2.40%
Henderson County	780	4	1.54%
Continental Teves, Inc.	611	5	1.21%
Wilsonart International Inc.	575	6	1.14%
Meritor Heavy Vehicle Systems LLC	480	7	0.95%
General Electric	420	8	0.83%
Wal-Mart Associates, Inc.	370	9	0.73%
Ingles Markets, Inc.	312	10	0.62%

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

<u>Function/Program</u>	<u>Full-time Equivalent</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	97	103	104	106	98	95	97	100	100	104
Public safety	258	271	265	271	266	274	261	269	277	281
Environmental protection	23	23	21	23	18	20	22	22	22	20
Economic and physical development	21	21	22	22	23	23	22	22	23	24
Human Services	263	273	272	281	285	288	272	267	269	268
Cultural and recreation	50	50	54	56	48	51	49	50	49	51
Total	<u>712</u>	<u>741</u>	<u>738</u>	<u>759</u>	<u>738</u>	<u>751</u>	<u>723</u>	<u>730</u>	<u>740</u>	<u>748</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).

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

Function	Fiscal Year					Fiscal Year				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>General Government</u>										
# of Registered Voters	70,510	71,431	74,823	74,581	76,117	75,821	78,326	76,224	77,321	76,099
<u>Public Safety</u>										
# of building permits issued	4,433	4,014	4,990	4,471	4,915	4,735	5,077	6,025	6,430	6,542
# of calls dispatched	88,884	103,320	133,644	120,202	117,422	131,706	133,353	140,288	146,494	152,408
<u>Human Services</u>										
# of food & lodging sites inspected	1,701	1,745	1,461	1,431	1,492	1,546	1,479	1,545	1,497	1,595
# of Health clients served	9,317	9,038	9,580	10,250	13,210	12,494	12,090	11,344	12,447	13,152
<u>Economic and Physical Development</u>										
Number of major subdivision plan reviews	44	50	29	11	4	2	3	5	4	6
<u>Cultural and Recreation</u>										
Library book circulation	916,649	929,304	955,670	952,439	972,262	987,905	947,866	981,738	951,697	910,636
<u>Education</u>										
Total \$ spent per ADM	\$ 1,920	\$ 2,151	\$ 2,286	\$ 2,426	\$ 2,281	\$ 2,319	\$ 2,162	\$ 2,226	\$ 2,306	\$ 2,346
<u>Enterprise Fund—Landfill</u>										
Solid waste generated # tons/day	343	314	255	272	245	203	218	240	249	258

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.

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

Function	Fiscal Year					Fiscal Year				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Public Safety</u>										
Sheriff's Department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	130	130	136	159	162	163	176	168	158	180
<u>Cultural and Recreation</u>										
Park Acreage	320	320	320	320	320	320	323	349	331	332
Parks	7	7	7	8	8	8	8	10	11	12
Ballfields and courts	31	31	31	31	31	31	36	35	37	37
Libraries	6	6	6	6	6	6	6	6	6	6

Source: Various County Departments

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 to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2015, 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 13, 2015. 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 purposes 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 Henderson 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.

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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 to be 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 from 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 results 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, NC
November 13, 2015

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2015

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

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, 2015

None