

HENDERSON COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2007



HENDERSON COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2007

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

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INTRODUCTORY SECTION



HENDERSON COUNTY
FINANCE DEPARTMENT

HISTORIC COURTHOUSE ANNEX
113 NORTH MAIN STREET
HENDERSONVILLE, NC 28792

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

November 14, 2007

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, 2007 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 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, 2007 are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unqualified opinion that Henderson County's financial statements for the year ended June 30, 2007 are fairly presented in conformity with GAAP.

The Governmental Accounting Standards Board issued Statement 44 which is the first time the Board has issued authoritative guidance for the statistical section in the report. Statement 44 has changed the statistical section almost completely and focuses on the following information: financial trends, revenue capacity, debt capacity, demographic and economic information and operating information.

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. It has been determined that for the fiscal year ended June 30, 2007, there is one blended component unit, the Cane Creek Water and Sewer District, and one discretely presented component unit, the Henderson County Hospital Corporation, which are required to be presented in the County's combined financial statements. The water and sewer district exists to provide and maintain water and sewer systems for county residents within the district. The County's Board of Commissioners serves as the governing board for the district. The district is reported as an Enterprise Fund in the County's financial statements. Henderson County Hospital Corporation is reported in the financial statements in a manner similar to a proprietary fund. The Board of Commissioners appoints the members of the Hospital Board. The County retains title to the Hospital facilities and leases them back to the Hospital for its operations. The Hospital has title to all personal property.

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

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

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 101,107. 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 and education represent the vast 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 these are the Henderson County Board of Public Education, Blue Ridge Community College, and the Land-of-Sky Regional Council of Governments.

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 value of new homes and businesses, new and expanding manufacturing facilities, and unemployment rates.

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

<u>Fiscal Year</u>	<u>Permits</u>	<u>Dollar Value</u>	<u>Unemployment Rates</u>
2007	2,179	\$276,533,610	3.6%
2006	1,828	\$217,185,218	4.2%
2005	2,393	\$219,789,581	4.2%
2004	1,956	\$189,475,928	4.9%
2003	1,788	\$191,582,465	5.2%

A balanced economic base of agriculture, tourism and manufacturing contributes to growth in the local economy. There are currently over 48,000 acres of farmland and 21,440 acres of harvested cropland in the County. The main agricultural income in the County continues to be produced from greenhouses and nurseries at \$120 million, vegetables and fruit at \$36 million, and livestock and livestock products at \$930,000.

Travel and tourism continues to be the second largest industry in North Carolina. The County's tourism industry continues to grow due to its location, seasonal climate, and the variety of activities to do and sights to see. The County is home to the State Theater of North Carolina, the Flat Rock Playhouse and Carl Sandburg's Home, a national historic site. The world renowned Biltmore Estate is just a short drive in a neighboring County. There are a number of camps, hiking trails and waterfalls to view in and around the County. The most current value by the State of North Carolina of tourism to the County is estimated to be \$189 million.

Manufacturing ranks first in employment with a current annual estimated value of \$284 million. The County continues to offer and provide economic incentive payments to potential new industry and existing industry planning to expand. Some of the main reasons and criteria for offering these incentives are to attract industry with higher paying jobs and have operations that will cause little or no environmental impact. The following table lists the major manufacturing employers in the County:

<u>Company Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Wilsonart International	Laminated plastics	800
General Electric Lighting	Outdoor lighting systems	724
Meritor Vehicle Systems	Truck axles	501
UPM Raflatac, Inc.	Paper products	352
Continental Teves, Inc.	Automotive brake systems	329
Borg-Warner	Automotive cooling systems	293
Manual Woodworkers	Wooden crafts and woven products	235
Kimberly-Clark	Health products	224
Kyocera Feldmuelhle, Inc.	Industrial ceramics	210
Printpack, Inc.	Paper products	165

MAJOR INITIATIVES

FOR THE YEAR. The Board of Commissioners adopted a balanced budget for fiscal year 2006-2007 which included an increase of 5 cents in the county-wide ad valorem property tax rate to 56.5 cents per \$100 dollars of valuation. This tax increase was adopted to fund annual debt service payments on new school, community college and county capital projects and to fund additional operation expenses for the public school system. Total General Fund Balance increased by \$5.4 million to \$26,683,056 while Unreserved/Undesignated General Fund Balance increased by \$2.48 million to \$15,381,495. All governmental funds ended up in a positive financial position at fiscal year-end. The County's three enterprise funds continued to grow and be self-supporting in FY2007.

During fiscal year 2007, construction was completed on the Human Services Building and is the new home for the Department of Social Services, the Public Health Department including Environmental Health and Veteran's Services. Phase I of Dana Elementary School construction and renovation was completed during FY2007 and will give this school much needed capacity in the eastern part of the County where growth is occurring. Construction of a new library in the Etowah Community began in the spring of 2007 and is expected to be completed during FY2008. This project is being financed by a bank installment financing and contributions from an outside nonprofit agency.

The Board of Commissioners initiated a Capital Reserve Fund in FY2007 to accumulate funds for future capital projects. Proceeds from the sale of the former Land Development Building were placed into this fund. The Board also appropriated in the FY2008 budget \$1.4 million to be transferred into the Capital Reserve Fund.

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. Also, total debt service payments may not exceed 15 percent of total General Fund expenditures. Both of these debt capacity measures were met for fiscal year 2007.

FOR THE FUTURE. As has been over the last five fiscal years, the replacement and improvement of school facilities and funding to pay for school projects remains a priority and will continue to be a major issue the Board of Commissioners will be faced with in the future.

New schools for Mills River Elementary and Hillandale Elementary along with Phase II construction at Dana Elementary have been prioritized by the Board of Commissioners and the Board of Public Education as the next school projects to be undertaken. Aging, out of date facilities and expected growth in these areas of the County are the primary factors placing these two new school projects next on the priority list. Phase II construction at Dana Elementary is expected to begin in the fall of 2008.

Classroom additions at various schools and a new transportation bus garage are anticipated school projects within the next five years of the County's Capital Improvement Plan (CIP). A new middle school and a new high school are being forecast six to ten years out in the CIP.

The General Assembly enacted legislation in August 2007 giving counties the ability to put new revenue options in place. The legislation allows either a maximum .4 percent land transfer tax or a .25 percent local option sales tax, but not both, to be passed by voter referendum. The revenues generated from either of these two options are not restricted. The Board of Commissioners has chosen to place the land transfer tax option, which would produce the most revenue, on the November ballot. The funds generated from this new tax would be used by the County to primarily pay school debt service.

The General Assembly also provided Medicaid relief to counties to be phased out over the next three fiscal years beginning in FY2008. In return, the State will take a half percent local sales tax over two fiscal years. Counties will be required to hold cities/towns harmless for their loss of this half percent sales tax. Counties have been guaranteed to be held harmless by the State and will receive at least \$500,000 annually if Medicaid savings is less than the sales tax taken.

The County implemented a new employee compensation plan for FY2008 designed to bring some positions closer to market and provide all employees with an average cost of living increase. A wellness program and clinic were also established for employees to provide health services and assist in slowing down the rising cost of health insurance provided by the County.

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 of Commissioner's Fund Balance Policy is to have at least 12 percent in General Fund Unreserved/Undesignated Fund balance at fiscal year-end. Henderson County had \$15.4 million in Unreserved/Undesignated General Fund Balance at June 30, 2007 or 14.76 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 General Fund Balance available for appropriation.

RISK MANAGEMENT. The County participates in two of the self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement value of real and personal owned property subject to a blanket limit of \$140.3 million per occurrence, general liability of \$2 million per occurrence and worker's compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$500,000 of aggregate annual losses in excess of \$25,000 per occurrence for property coverage, and single occurrence losses up to \$350,000 for workers' compensation. The county has an excellent safety program in place and all employees receive accident prevention training annually in order to control losses.

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 Finance Director and Tax Collector are bonded for \$200,000 and \$1,000,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County 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 \$80,000 per individual health insurance claim with a lifetime maximum of \$5,000,000.

CASH MANAGEMENT. Cash, which is temporarily idle during the year, may be invested in instruments authorized by North Carolina General Statute 159-30(c). Specifically, the County invested idle cash in demand deposits, U.S. Government securities and agencies and the North Carolina Capital Management Trust during the fiscal year. Investment earnings include unrealized gains and losses from the implementation of the Governmental Accounting Standards Board ("GASB") Statement 31, which requires certain investments to be recorded at market value. The County does not expect to realize these gains or losses because the County has historically held all investments to maturity and continues to plan to hold all investments to maturity. At all times, consideration was given to receiving the highest reasonable yields available, while maintaining the safety and liquidity of these funds and necessary cash flow requirements.

PENSION PLANS. Permanent county employees regularly scheduled to work 20 hours or more each week are required to participate in the North Carolina Local Governmental Employee's Retirement System. Six percent of the employee's gross pay is withheld and is matched with 4.90 percent for general County employees and 4.78 percent for law enforcement officers by the County. Two other supplemental pension plans maintained by the State of North Carolina exist for certified law enforcement officers and registers of deeds. The County pays to the State a defined contribution to support both of these pension plans.

OTHER INFORMATION

INDEPENDENT AUDIT. State statutes require an annual audit by independent certified public accountants. The firm of Martin Starnes & Associates, CPAs, P.A. was selected by the

government's management. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Revised State Single Audit Implementation Act of 1996 and the related U. S. Office of Management and Budget's Circular A-133. Auditing standards generally accepted in the United States of America and the standards set forth in Government Auditing Standards, issued by the Comptroller General of the United States, were used by the auditors in conducting the engagement. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in the compliance section of this report.

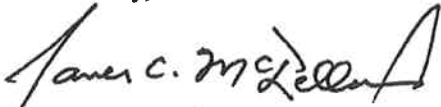
AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2006. This was the eighteenth consecutive year Henderson County received 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. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

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, the various County departments, bond rating agencies, the Local Government Commission, and other financial institutions which have expressed an interest in Henderson County's financial affairs.

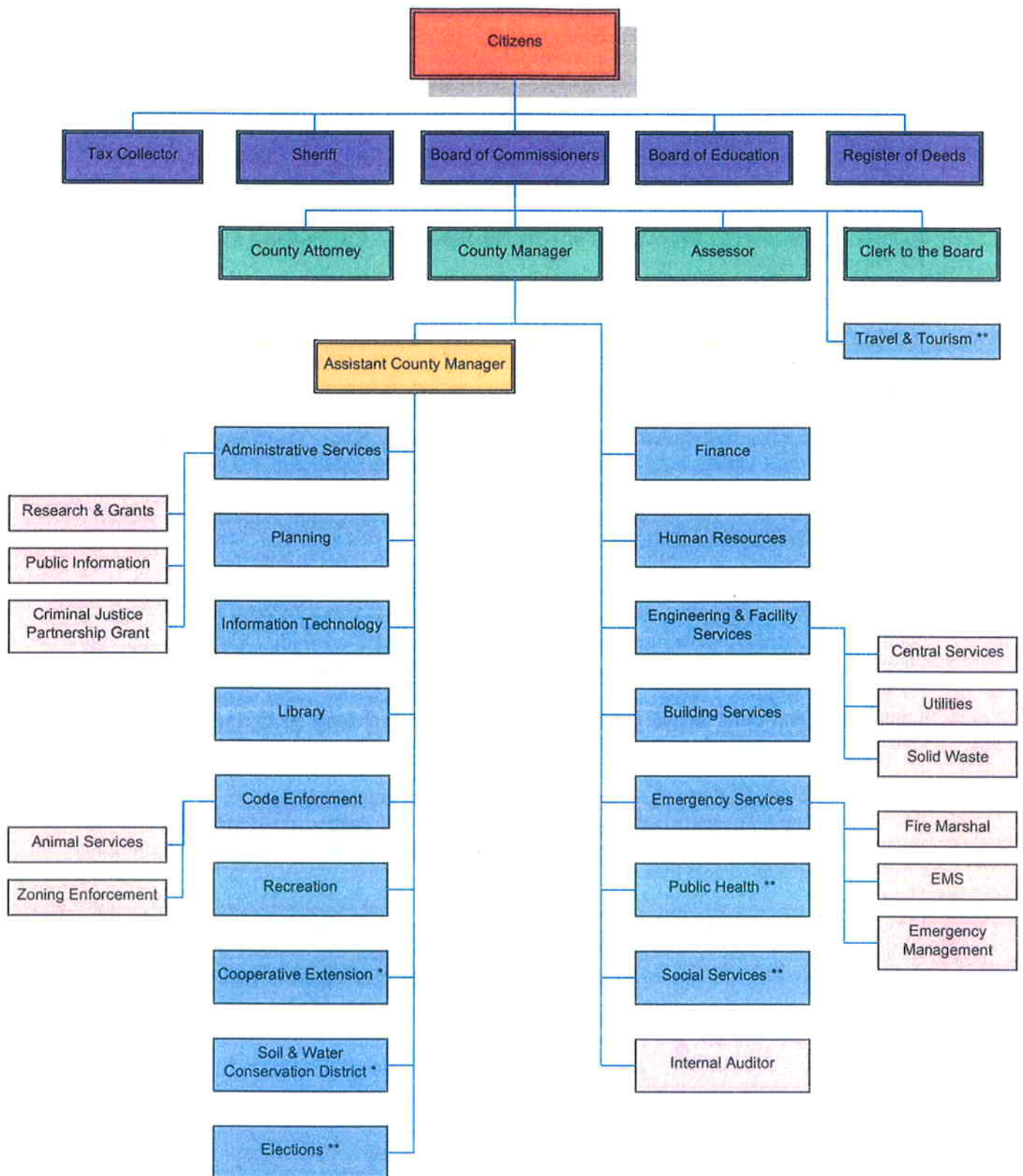
ACKNOWLEDGMENTS. A combined effort of Martin Starnes & Associates, CPAs, P.A., the Henderson County Finance Department Staff and the Internal Auditor made preparation of this comprehensive annual financial report possible. Each has my sincere appreciation for their contributions made towards the completion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

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

Sincerely,



J. Carey McLelland
Finance Director



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

HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2007

Board of Commissioners

Chairman..... William L. Moyer
Vice Chairman..... Charlie Messer
CommissionerChuck McGrady
CommissionerLarry R. Young
Commissioner Mark Williams

County Officials

County Manager..... Steven D. Wyatt
Assistant County Manager Selena D. Coffey
Building Services Director..... Samuel J. Laughter
Central Services Manager Leslie E. Capps
Clerk to the Board..... Elizabeth W. Corn
Clerk of Court Kimberly G. Justice
Code Enforcement Director Toby Linville
Cooperative Extension Director..... Denise Baker
County Assessor..... Stan Duncan
County Attorney..... C. Russell Burrell
County Engineer..... Marcus Jones
Elections Director..... Beverly Cunningham
EMS Manager Terry B. Layne
Finance Director..... J. Carey McLelland
Fire Marshal/Emergency Services Director Rocky D. Hyder
Human Resources Director Janice Prichard
Information Technology Director..... Becky Snyder
Library Director William E. Snyder, Jr.
Planning Director Anthony Starr
Public Health Director..... Thomas D. Bridges
Recreation Director Tim Hopkins
Register of Deeds..... Nedra W. Moles
Sheriff..... Richard W. Davis
Social Services Director..... Liston B. Smith
Soil and Water Conservation District Supervisor..... Jonathan Wallin
Solid Waste Manager..... Gary Corn
Tax Collector..... Terry F. Lyda
Travel and Tourism Director Melody E. Heltman
Utilities Manager..... Doyle Freeman
Veteran Services Officer..... Michael A. Murdock

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, 2006

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



President

Executive Director

FINANCIAL SECTION





Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Henderson County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Henderson County Hospital Corporation. Those financial statements were audited by other auditors whose reports thereon have 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 reports of 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of June 30, 2007, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Fire District Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance, are not a required part of the basic financial but is supplementary information required by the Governmental Accounting Standards Board. We, and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2007 on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of Henderson County, North Carolina. The introductory section, individual fund financial statements and schedules, combining nonmajor governmental statements, agency fund statements, other schedules, and statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and the accompanying schedule of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 14, 2007

HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2007

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, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

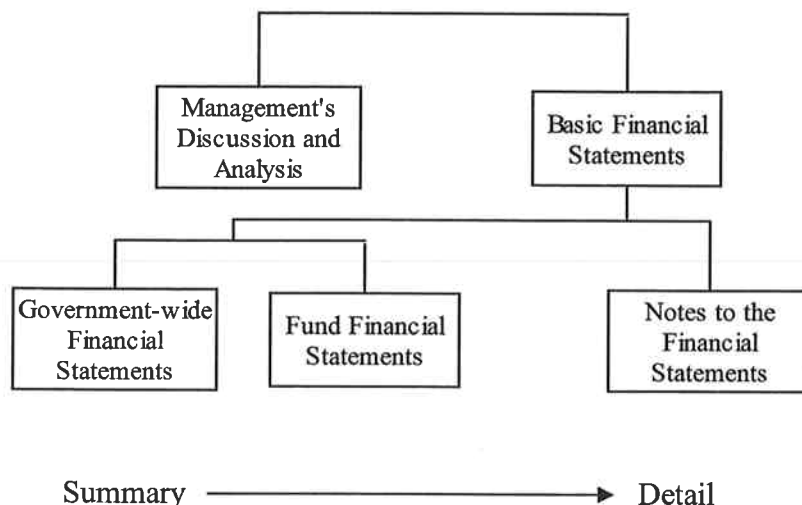
- The assets of Henderson County exceeded its liabilities at the close of the fiscal year by \$31,132,638 (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$55,435,168 and \$16,032,000 in long-term debt associated with assets belonging to the Henderson County Board of Public Education and Blue Ridge Community College, respectively. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County reports a net deficit in unrestricted net assets.
- Total net assets increased by \$12,582,711 primarily due to the increase in the County's investment in capital assets used to provide services net of related outstanding debt.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$55,690,064, a decrease of \$9,336,331, in comparison with the prior year. Approximately 83 percent of this total amount, or \$46,169,728, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$15,381,495, or 14.76 percent of total general fund expenditures, including transfers to other funds for the fiscal year.
- Henderson County's total general obligation and installment note debt decreased by \$3,065,311 (2.79 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Henderson County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Henderson County.

Figure 1

Required Components of Annual Financial Report

**Basic Financial Statements**

The financial statements of the County for the fiscal year ended June 30, 2007 are modified to incorporate implementation of Governmental Accounting Standards Board Statement Number 34 (GASB 34). For many years, the primary focus of local government financial statements has been summarized by fund type information. GASB 34 added government-wide financial statements to the presentation, thus providing two different pictures of the County's financial operations.

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. After the notes, supplemental information is provided to show details about the County's nonmajor governmental funds and nonmajor proprietary 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 Law Enforcement Officers' Special Separation Allowance.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole. The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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

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

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

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

The government-wide financial statements are on pages 16-18 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Henderson County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Henderson County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities, is shown at the end of the budgetary statement.

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

Agency Funds - Agency funds are used to account for assets held on behalf of others. The County has six 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 start on page 28 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 beginning on page 62 of this report.

Government-Wide Financial Analysis

Beginning with the fiscal year ended June 30, 2003, the government-wide financial statements began a new era in financial reporting for Henderson County and many other units of government across the United States. Prior to this year, the County maintained their governmental and fiduciary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of Henderson County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

Figure 2

Henderson County's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$ 64,211,121	\$ 73,632,783	\$ 7,624,071	\$ 6,946,311	\$ 71,835,192	\$ 80,579,094
Capital Assets	62,839,783	48,583,785	16,471,243	11,303,835	79,311,026	59,887,620
Total Assets	127,050,904	122,216,568	24,095,314	18,250,146	151,146,218	140,466,714
Liabilities:						
Long-term liabilities	106,633,512	110,403,871	5,646,586	3,891,350	112,280,098	114,295,221
Other liabilities	7,096,262	7,028,611	637,220	592,955	7,733,482	7,621,566
Total liabilities	113,729,774	117,432,482	6,283,806	4,484,305	120,013,580	121,916,787
Net Assets:						
Invested in capital assets, net of related debt	25,994,918	17,886,041	13,452,142	10,125,836	39,447,060	28,011,877
Restricted	318,524	248,699	-	-	318,524	248,699
Unrestricted	(12,992,312)	(13,350,654)	4,359,366	3,640,005	(8,632,946)	(9,710,649)
Total net assets	\$ 13,321,130	\$ 4,784,086	\$ 17,811,508	\$ 13,765,841	\$ 31,132,638	\$ 18,549,927

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Henderson County exceeded liabilities by \$31,132,638 as of June 30, 2007. The County's net assets increased by \$12,582,711, for the fiscal year ended June 30, 2007. Net assets of the County are reported in three categories: invested in capital assets, net of related debt of \$39,447,060; restricted net assets of \$318,524, represents resources that are subject to external restrictions on how they may be used; and unrestricted net assets of \$(8,632,946).

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

Another category of net assets is unrestricted net assets. At June 30, 2007, the total net deficit of \$(8,632,946) is primarily attributable to the governmental activities unrestricted net deficit balance of \$(12,992,312).

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Henderson County Board of Public Education (the "school system") and Blue Ridge Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system and the community college capital funding by using a mixture of County funds and the issuance of debt. These assets funded by the County, are owned by the County and leased to the school system and the community college over the term of the debt, but are recorded as assets of the school system and the community college, which are the primary users of the assets. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$71.5 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 increase in total net assets of the County, due in large part to the investment in capital assets was also impacted by the following positive operational initiatives and results:

- Continued diligence in the collection of all revenue sources, both current and delinquent.
- Budgetary control efforts, including the cutoff of departmental spending prior to fiscal year-end.

Governmental activities: Governmental activities increased the County's net assets by \$8,537,044, or 68 percent of the total increase in the net assets of the County of Henderson.

Business-type activities: Business-type activities increased the County's net assets by \$4,045,667, or a 32 percent increase in the net assets of the County of Henderson. See figure 3 below.

Figure 3

Henderson County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 9,999,402	\$ 9,753,770	\$ 5,897,199	\$ 5,468,309	\$ 15,896,601	\$ 15,222,079
Operating grants and contributions	18,624,855	16,911,486	498,756	961,565	19,123,611	17,873,051
Capital grants and contributions	-	673,420	2,261,002	130,383	2,261,002	803,803
General revenues:						
Property taxes	58,929,080	51,743,823	-	-	58,929,080	51,743,823
Other taxes	26,885,784	20,540,587	-	-	26,885,784	20,540,587
Other	4,999,299	4,907,194	355,520	217,882	5,354,819	5,125,076
Total revenues	119,438,420	104,530,280	9,012,477	6,778,139	128,450,897	111,308,419
Expenses:						
General government	29,572,399	20,754,875	-	-	29,572,399	20,754,875
Public safety	23,161,801	23,870,516	-	-	23,161,801	23,870,516
Environmental protection	745,597	2,777,434	-	-	745,597	2,777,434
Economic and physical development	3,303,513	2,931,244	-	-	3,303,513	2,931,244
Human services	31,597,865	28,050,637	-	-	31,597,865	28,050,637
Cultural and Education	2,709,515	3,730,608	-	-	2,709,515	3,730,608
Interest on long-term debt	15,217,354	20,418,061	-	-	15,217,354	20,418,061
Solid waste disposal	4,804,820	2,705,438	-	-	4,804,820	2,705,438
Other	-	-	4,065,503	3,976,161	4,065,503	3,976,161
Total expenses	111,112,864	105,238,813	4,755,322	4,486,877	115,868,186	109,725,690
Increase (decrease) in net assets before transfers	8,325,556	(708,534)	4,257,155	2,291,262	12,582,711	1,582,728
Transfers	211,488	245,075	(211,488)	(245,075)	-	-
Increase (decrease) in net assets	8,537,044	(463,459)	4,045,667	2,046,187	12,582,711	1,582,728
Net assets, beginning	4,784,086	5,247,545	13,765,841	11,719,654	18,549,927	16,967,199
Net assets, ending	\$ 13,321,130	\$ 4,784,086	\$ 17,811,508	\$ 13,765,841	\$ 31,132,638	\$ 18,549,927

Financial Analysis of the County's Funds

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, unreserved fund balance 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, unreserved fund balance of the General Fund was \$17,322,399, while total fund balance was \$26,683,056. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total General Fund expenditures, including transfers to other funds. Unreserved fund balance represents 16.96 percent of total General Fund expenditures, while total fund balance represents 26.13 percent of that same amount.

At June 30, 2007, the governmental funds of the County reported a combined fund balance of \$55,690,064, a 14.36 percent decrease from last year. The primary reason for this decrease was the use of financing proceeds held in escrow to pay for capital project expenditures.

General Fund Budgetary Highlights: The County experienced a successful year financially during fiscal year 2007 with above average growth in almost all revenue categories particularly ad valorem taxes, sales tax, sales and services, permits and fees, and investment earnings. Total fiscal year 2007 revenues grew by 11.2 percent over the prior fiscal year. Expenditures were held below revised budgetary levels and grew 11.9 percent over fiscal year 2006. Human services, education, and debt service were the leading expenditure categories to contribute to this growth. Total General Fund balance increased \$5.4 million and the amount of unreserved/undesignated fund balance that is available for appropriation increased by \$2.8 million at fiscal year-end.

The County revised the budget on several occasions during the fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and expenditures by \$4,833,686 or less than five percent of the original budget.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of all the proprietary funds at the end of the fiscal year amounted to \$4,359,366. During the fiscal year 2007, proprietary fund net assets increased \$8,537,044. The increase in total net assets for proprietary funds is due to the expansion of sewer line infrastructure in the Cane Creek Water and Sewer District necessary to meet current demands and future growth in the district.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007 totals \$62,839,783 (net of accumulated depreciation). These assets include land, buildings, plant and distribution systems, equipment, automotive equipment, and construction in progress.

Figure 4

Henderson County's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 10,731,187	\$ 10,597,432	\$ 1,715,576	\$ 1,715,576	\$ 12,446,763	\$ 12,313,008
Buildings	35,158,619	21,655,165	-	-	35,158,619	21,655,165
Plant and distribution systems	-	-	14,517,620	6,609,476	14,517,620	6,609,476
Equipment	718,580	558,074	202,752	151,963	921,332	710,037
Vehicles and motor equipment	2,320,623	1,829,271	35,295	16,752	2,355,918	1,846,023
Construction in progress	13,910,774	13,943,843	-	2,809,798	13,910,774	16,753,641
Total	\$ 62,839,783	\$ 48,583,785	\$ 16,471,243	\$ 11,303,565	\$ 79,311,026	\$ 59,887,350

Additional information on the County's capital assets can be found on pages 42-44 of the Notes to the Basic Financial Statements.

Long-term debt. As of June 30, 2007, Henderson County had total bonded debt outstanding of \$4,760,000, of which \$4,760,000 is debt backed by the full faith, credit and taxing power of the County. The County also has several installment notes outstanding, of which the majority is related to debt issued for the construction and renovation of school facilities. A summary of long-term debt is shown in Figure 5.

Figure 5

Henderson County's General Obligation Bonds and
Installment Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 4,760,000	\$ 6,680,000	\$ -	\$ 1,178,000	\$ 4,760,000	\$ 7,858,000
Installment notes payable	98,792,033	101,778,444	3,019,100	-	101,811,133	101,778,444
Total	<u>\$ 103,552,033</u>	<u>\$ 108,458,444</u>	<u>\$ 3,019,100</u>	<u>\$ 1,178,000</u>	<u>\$ 106,571,133</u>	<u>\$ 109,636,444</u>

Henderson County's total long-term debt decreased by \$3,065,311 (27.96 percent) 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 bond ratings:

Standard & Poors	AAm
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 \$665,387,540.

Additional information regarding Henderson County's long-term debt can be found on pages 52-59 of this audited financial report.

Economic Factors and Next Year's Budget and Rates

The County of Henderson has approved an \$113,351,538 General Fund budget for fiscal year 2008, which represents a 9.4 percent increase from the final 2007 budget. The property tax rate decreased to a revenue neutral rate of 46.2 cents per \$100 of assessed valuation. The following factors were considered when developing the FY2008 budget:

- Property revaluation
- Local education funding for major capital and new school operational expenses
- Growth in major revenue sources
- Maintaining an adequate fund balance meeting Local Government Commission requirements and Board policy
- Implementation of a new employee compensation plan
- Implementation of a wellness program and clinic to assist in slowing down rising healthcare costs

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: Property was revalued by the County Assessor as of January 1, 2007 to be effective for FY2008. Current year property tax collections are expected to grow approximately 5.5 percent over prior year actual collections. The remaining growth in the General Fund budget is expected to be from sales taxes and intergovernmental revenues. County departments have been tasked with holding operational expenditures to a growth rate of 3.5 percent in FY2008 to compensate for the implementation of a new employee compensation package. No adjustments were made in the General Fund budget for FY2008 in anticipation of the State providing Medicaid relief to counties. The State has guaranteed a hold harmless payment of \$500,000 to all counties from Medicaid relief. School capital needs continue to be the major budgetary facing the County FY2008. Education current expense and debt service for two new public schools require much of the County's revenue growth. Unreserved General Fund balance of \$1.8 million was appropriated to balance the budget for FY2008.

Business-Type Activities: There is no change in the user fees for the Solid Waste Enterprise Fund. With construction completed on a second landfill transfer station, the flow of solid waste flow is expected to continue to be constant during FY2008. The revenues produced will offset the operating costs for the facilities including hauling costs while adding reserves for future capital needs.

The Cane Creek Water and Sewer District and Justice Academy Sewer Fund sewer rates remain unchanged for FY2008. Growth in the Cane Creek District continues with increased pressure to provide infrastructure to meet service demands. District revenues are expected to increase in FY2008 due to the number of new customers coming online and will cover the additional operating expense necessary to treat waste and continue to add reserves for future infrastructure expansion in the district. Operating revenues and expenses in the Justice Academy Sewer Fund are expected to remain constant in FY2008.

Requests for Information

This financial report is designed to provide an overview of Henderson County's finances for all 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, 113 North Main Street, Hendersonville, North Carolina 28792.



BASIC FINANCIAL STATEMENTS – OVERVIEW



HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS JUNE 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation
Assets:				
Cash and cash equivalents	\$ 52,447,862	\$ 6,913,143	\$ 59,361,005	\$ 3,416,481
Investments	-	-	-	21,818,763
Taxes receivable (net)	1,950,455	-	1,950,455	-
Receivables (net)	9,737,150	710,928	10,448,078	22,978,219
Pledges receivable	-	-	-	443,180
Inventories	16,333	-	16,333	2,263,825
Prepaid expenses	59,321	-	59,321	1,042,680
Restricted cash and cash equivalents	-	-	-	31,997
Restricted investments	-	-	-	1,919,008
Capital assets:				
Land and construction in progress	24,641,961	1,715,576	26,357,537	7,072,199
Other capital assets, net of depreciation	38,197,822	14,755,667	52,953,489	74,931,076
Net capital assets	62,839,783	16,471,243	79,311,026	82,003,275
Other assets	-	-	-	273,152
Total assets	127,050,904	24,095,314	151,146,218	136,190,580
Accounts payable and accrued expenses	6,802,236	631,720	7,433,956	13,627,411
Third-party payor settlements	-	-	-	2,431,059
Unearned revenue	294,026	5,500	299,526	-
Long-term liabilities:				
Due within one year	8,248,985	323,100	8,572,085	1,885,613
Due in more than one year	98,384,527	5,323,486	103,708,013	14,390,605
Total liabilities	113,729,774	6,283,806	120,013,580	32,334,688
Net Assets:				
Invested in capital assets, net of related debt	25,994,918	13,452,142	39,447,060	65,727,057
Restricted for:				
Register of Deeds	318,524	-	318,524	-
Debt service	-	-	-	420,000
Capital projects	-	-	-	745,813
Other purposes	-	-	-	1,232,375
Unrestricted	(12,992,312)	4,359,366	(8,632,946)	35,730,647
Total net assets	\$ 13,321,130	\$ 17,811,508	\$ 31,132,638	\$ 103,855,892

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
JUNE 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 20,711,316	\$ 663,299	\$ 388,567	\$ -
Public safety	23,161,801	5,001,265	1,000,900	-
Environmental protection	745,597	-	740,691	-
Economic and physical development	3,303,513	1,604,882	1,033,462	-
Human services	31,597,865	2,450,968	14,571,769	-
Cultural and recreational	2,709,515	278,988	272,054	-
Education	24,078,437	-	617,412	-
Interest on long-term debt	4,804,820	-	-	-
Total governmental activities	<u>111,112,864</u>	<u>9,999,402</u>	<u>18,624,855</u>	<u>-</u>
Business-Type Activities:				
Landfill	4,065,503	4,826,352	197,504	-
Cane Creek water and sewer	658,003	993,847	301,252	2,261,002
Other business-type activities	31,816	77,000	-	-
Total business-type activities	<u>4,755,322</u>	<u>5,897,199</u>	<u>498,756</u>	<u>2,261,002</u>
Total primary government	<u>\$ 115,868,186</u>	<u>\$ 15,896,601</u>	<u>\$ 19,123,611</u>	<u>\$ 2,261,002</u>
Component units:				
Hospital	<u>\$ 120,788,496</u>	<u>\$ 120,859,318</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose
Local option sales tax
Other taxes and licenses
Grants and contributions not restricted to specific programs
Sale of Fixed Assets
Investment earnings, unrestricted
Miscellaneous, unrestricted

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation
\$ (19,659,450)	\$ -	\$ (19,659,450)	
(17,159,636)	-	(17,159,636)	
(4,906)	-	(4,906)	
(665,169)	-	(665,169)	
(14,575,128)	-	(14,575,128)	
(2,158,473)	-	(2,158,473)	
(23,461,025)	-	(23,461,025)	
(4,804,820)	-	(4,804,820)	
(82,488,607)	-	(82,488,607)	
-	958,353	958,353	
-	2,898,098	2,898,098	
-	45,184	45,184	
-	3,901,635	3,901,635	
(82,488,607)	3,901,635	(78,586,972)	
			\$ 70,822
58,929,080	-	58,929,080	-
23,920,538	-	23,920,538	-
2,965,246	-	2,965,246	-
27,349	-	27,349	1,217,790
1,368,999	-	1,368,999	-
3,602,951	355,520	3,958,471	544,682
-	-	-	219,443
211,488	(211,488)	-	-
91,025,651	144,032	91,169,683	1,981,915
8,537,044	4,045,667	12,582,711	2,052,737
4,784,086	13,765,841	18,549,927	101,803,155
\$ 13,321,130	\$ 17,811,508	\$ 31,132,638	\$ 103,855,892

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

HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	General Capital Projects Fund	School Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 20,132,729	\$ 18,034,105	\$ 10,380,034	\$ 1,257,549	\$ 2,643,445	\$ 52,447,862
Taxes receivable, net	1,950,455	-	-	-	-	1,950,455
Other receivables, net	9,102,945	226,122	134,675	-	273,408	9,737,150
Due from other funds	44,860	-	-	-	-	44,860
Inventories	16,333	-	-	-	-	16,333
Prepaid items	53,335	-	-	-	5,986	59,321
Total assets	<u>\$ 31,300,657</u>	<u>\$ 18,260,227</u>	<u>\$ 10,514,709</u>	<u>\$ 1,257,549</u>	<u>\$ 2,922,839</u>	<u>\$ 64,255,981</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,687,561	\$ 1,678,277	\$ 912,439	\$ 1,233,549	\$ 55,191	\$ 5,567,017
Accrued payroll liabilities	510,219	-	-	-	-	510,219
Due to other funds	-	-	-	-	44,860	44,860
Deferred revenues	2,419,821	-	-	24,000	-	2,443,821
Total liabilities	<u>4,617,601</u>	<u>1,678,277</u>	<u>912,439</u>	<u>1,257,549</u>	<u>100,051</u>	<u>8,565,917</u>
Fund Balances:						
Reserved for:						
State statute	8,972,465	-	-	-	153,693	9,126,158
Inventories	16,333	-	-	-	-	16,333
Prepaid items	53,335	-	-	-	5,986	59,321
Register of Deeds	318,524	-	-	-	-	318,524
Unreserved, designated for:						
Subsequent year's budget	1,841,778	-	-	-	-	1,841,778
Drug enforcement	99,126	-	-	-	-	99,126
Unreserved (deficit), undesignated:	15,381,495	-	-	-	-	15,381,495
Unreserved, reported in nonmajor:						
Debt service funds	-	-	-	-	916,647	916,647
Special revenue funds	-	-	-	-	1,746,462	1,746,462
Capital projects funds	-	16,581,950	9,602,270	-	-	26,184,220
Total fund balances (deficit)	<u>26,683,056</u>	<u>16,581,950</u>	<u>9,602,270</u>	<u>-</u>	<u>2,822,788</u>	<u>55,690,064</u>
Total liabilities and fund balances	<u>\$ 31,300,657</u>	<u>\$ 18,260,227</u>	<u>\$ 10,514,709</u>	<u>\$ 1,257,549</u>	<u>\$ 2,922,839</u>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.						62,839,783
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.						2,149,795
Long-term liabilities and compensated absences are not due and payable in the current period and therefore are not reported in the funds.						(106,633,512)
Some liabilities, including accrued interest are not due and payable in the current period and therefore are not reported in the funds.						(725,000)
Net assets of governmental activities						<u>\$ 13,321,130</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, 2007

	General	General Capital Projects Fund	School Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	\$ 53,435,343	\$ -	\$ -	\$ 5,202,549	\$ -	\$ 58,637,892
Local option sales taxes	22,661,455	-	-	-	-	22,661,455
Other taxes and licenses	1,986,347	-	-	-	765,692	2,752,039
Unrestricted intergovernmental revenues	27,349	-	-	-	-	27,349
Restricted intergovernmental revenues	17,007,108	-	-	-	1,079,488	18,086,596
Permits and fees	2,295,267	-	-	-	-	2,295,267
Sales and services	7,349,906	-	-	-	150,497	7,500,403
Investment earnings	1,358,622	1,028,621	1,103,491	53,992	58,225	3,602,951
Miscellaneous	1,480,702	384,919	176,732	-	1,883,097	3,925,450
Total revenues	<u>107,602,099</u>	<u>1,413,540</u>	<u>1,280,223</u>	<u>5,256,541</u>	<u>3,936,999</u>	<u>119,489,402</u>
Expenditures:						
Current:						
General government	11,114,894	12,647,896	-	-	589,205	24,351,995
Public safety	19,153,446	-	-	5,256,537	544,038	24,954,021
Environmental protection	428,471	-	-	-	317,126	745,597
Economic and physical development	1,716,438	-	-	-	1,562,248	3,278,686
Human services	31,719,520	-	-	-	-	31,719,520
Cultural and recreation	3,580,086	-	-	-	-	3,580,086
Intergovernmental:						
Education	22,038,249	-	8,861,083	-	-	30,899,332
Debt service:						
Principal retirement	7,680,164	-	-	-	-	7,680,164
Interest and other charges	4,702,820	-	-	-	-	4,702,820
Total expenditures	<u>102,134,088</u>	<u>12,647,896</u>	<u>8,861,083</u>	<u>5,256,537</u>	<u>3,012,617</u>	<u>131,912,221</u>
Revenues over (under) expenditures	<u>5,468,011</u>	<u>(11,234,356)</u>	<u>(7,580,860)</u>	<u>4</u>	<u>924,382</u>	<u>(12,422,819)</u>
Other Financing Sources (Uses):						
Transfers from other funds	891,488	(650,000)	-	-	836,099	1,077,587
Proceeds from installment financing	1,125,000	1,750,000	-	-	-	2,875,000
Transfers to other funds	(2,081,099)	600,000	645,000	-	(30,000)	(866,099)
Total other financing sources (uses)	<u>(64,611)</u>	<u>1,700,000</u>	<u>645,000</u>	<u>-</u>	<u>806,099</u>	<u>3,086,488</u>
Net change in fund balances	5,403,400	(9,534,356)	(6,935,860)	4	1,730,481	(9,336,331)
Fund Balances:						
Beginning of year - July 1	<u>21,279,656</u>	<u>26,116,306</u>	<u>16,538,130</u>	<u>(4)</u>	<u>1,092,307</u>	<u>65,026,395</u>
End of year - June 30	<u>\$ 26,683,056</u>	<u>\$ 16,581,950</u>	<u>\$ 9,602,270</u>	<u>\$ -</u>	<u>\$ 2,822,788</u>	<u>\$ 55,690,064</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, 2007

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	\$ (9,336,331)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund statement.	291,188
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 60 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 fund statement	(342,170)
Expenses related to compensated absences and law enforcement officers separation allowance that do not require current financial resources are not reported as expenditures in the governmental fund statement.	(314,235)
Capital outlays are reported as expenditures in the governmental fund statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets	15,967,241
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental fund statements.	(1,697,762)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(13,481)
Expenses that do not require current financial resources are not reported as expenditures in the governmental fund statement.	(102,000)
The issuance of long-term debt provides current financial resources to governmental funds but does not effect net assets.	(2,935,000)
Principal repayments are reported as expenditures in the governmental fund statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>7,019,594</u>
Total changes in net assets of governmental activities.	<u>\$ 8,537,044</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 - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2007

	General Fund			Variance from
	Budgeted Amounts			Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	\$ 52,656,110	\$ 52,656,110	\$ 53,435,343	\$ 779,233
Local option sales taxes	21,599,294	21,599,294	22,661,455	1,062,161
Other taxes and licenses	1,640,120	1,830,120	1,986,347	156,227
Unrestricted intergovernmental revenues	26,500	26,500	27,349	849
Restricted intergovernmental revenues	16,508,103	17,927,754	17,007,108	(920,646)
Permits and fees	2,136,500	2,136,500	2,295,267	158,767
Sales and services	6,118,617	6,214,409	7,349,906	1,135,497
Investment earnings	450,000	560,000	1,358,622	798,622
Miscellaneous	1,973,599	3,204,039	1,480,702	(1,723,337)
Total revenues	103,108,843	106,154,726	107,602,099	1,447,373
Expenditures:				
Current:				
General government	11,017,763	12,061,310	11,114,894	946,416
Public safety	19,246,023	20,194,496	19,153,446	1,041,050
Environmental protection	435,590	456,590	428,471	28,119
Economic and physical development	2,126,233	2,109,733	1,716,438	393,295
Human services	30,981,139	33,259,043	31,719,520	1,539,523
Cultural and recreational	3,980,047	3,956,317	3,580,086	376,231
Intergovernmental:				
Education	22,563,249	22,038,249	22,038,249	-
Debt Service:				
Principal retirement	7,488,921	7,715,913	7,680,164	35,749
Interest and other charges	4,669,861	4,669,861	4,702,820	(32,959)
Total expenditures	102,508,826	106,461,512	102,134,088	4,327,424
Revenues over (under) expenditures	600,017	(306,786)	5,468,011	5,774,797
Other Financing Sources (Uses):				
Proceeds from installment financing	958,000	2,083,000	1,125,000	(958,000)
Transfers from other funds	267,057	929,860	891,488	(38,372)
Transfers to other funds	(1,825,074)	(2,706,074)	(2,081,099)	624,975
Total other financing sources (uses)	(600,017)	306,786	(64,611)	(371,397)
Net change in fund balances	\$ -	\$ -	5,403,400	\$ 5,403,400
Fund Balances:				
Beginning of year - July 1			21,279,656	
End of year - June 30			\$ 26,683,056	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2007

	Fire Districts Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 5,062,305	\$ 5,262,305	\$ 5,202,549	\$ (59,756)
Investment earnings	25,000	25,000	53,992	28,992
Total revenues	5,087,305	5,287,305	5,256,541	(30,764)
Expenditures:				
Capital outlay				
Public safety	5,087,305	5,287,305	5,256,537	30,768
Total expenditures	5,087,305	5,287,305	5,256,537	30,768
Revenues over (under) expenditures	-	-	4	4
Net change in fund balances	\$ -	\$ -	4	\$ 4
Fund Balances:				
Beginning of year - July 1			(4)	
End of year - June 30			\$ -	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2007

	Enterprise Funds			Total
	Major		Non Major	
	Landfill Fund	Cane Creek Water and Sewer District	Other Proprietary Funds	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,500,882	\$ 3,966,560	\$ 445,701	\$ 6,913,143
Accounts receivable, net	349,860	350,068	11,000	710,928
Total current assets	2,850,742	4,316,628	456,701	7,624,071
Noncurrent assets:				
Capital assets:				
Land and construction in progress	1,406,581	308,995	-	1,715,576
Other capital assets, net of depreciation	2,681,446	11,727,042	347,179	14,755,667
Total capital assets	4,088,027	12,036,037	347,179	16,471,243
Total assets	6,938,769	16,352,665	803,880	24,095,314
Liabilities:				
Current liabilities:				
Accounts payable	305,627	324,671	1,422	631,720
Unearned Revenue	-	-	5,500	5,500
Current portion of compensated absences	4,400	900	-	5,300
Current portion of long-term debt	-	317,800	-	317,800
Total current liabilities	310,027	643,371	6,922	960,320
Noncurrent Liabilities:				
Liabilities payable from restricted assets:				
Accrued landfill closure and postclosure care costs	2,574,357	-	-	2,574,357
Compensated absences	39,191	8,637	-	47,828
Installment purchase payable	-	2,701,301	-	2,701,301
Total noncurrent liabilities	2,613,548	2,709,938	-	5,323,486
Total liabilities	2,923,575	3,353,309	6,922	6,283,806
Net Assets:				
Invested in capital assets, net of related debt	4,088,027	9,016,936	347,179	13,452,142
Unrestricted	(72,833)	3,982,420	449,779	4,359,366
Total net assets	\$ 4,015,194	\$ 12,999,356	\$ 796,958	\$ 17,811,508

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

HENDERSON COUNTY, NORTH CAROLINA
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds			Total
	Major		Nonmajor	
	Landfill Fund	Cane Creek Water and Sewer District	Other Proprietary Funds	
Operating Revenues:				
Charges for services	\$ 4,826,352	\$ 993,847	\$ 77,000	\$ 5,897,199
Operating Expenses:				
Salaries and employee benefits	690,032	-	-	690,032
Other operating expenses	3,288,693	293,434	20,892	3,603,019
Depreciation	86,778	276,961	10,924	374,663
Total operating expenses	4,065,503	570,395	31,816	4,667,714
Operating income (loss)	760,849	423,452	45,184	1,229,485
Nonoperating Revenues (Expenses):				
Operating grants	197,504	301,252	-	498,756
Interest income	135,719	198,981	20,820	355,520
Interest expense	-	(87,608)	-	(87,608)
Total nonoperating revenues (expenses)	333,223	412,625	20,820	766,668
Income (loss) before capital contributions and transfers	1,094,072	836,077	66,004	1,996,153
Transfers:				
Transfers in	50,000	-	-	50,000
Transfers out	-	261,488	-	261,488
Net transfers	50,000	(261,488)	-	(211,488)
Capital contributions	-	2,261,002	-	2,261,002
Change in net assets	1,144,072	2,835,591	66,004	4,045,667
Net Assets:				
Beginning of year - July 1	2,871,122	10,163,765	730,954	13,765,841
End of year - June 30	\$ 4,015,194	\$ 12,999,356	\$ 796,958	\$ 17,811,508

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, 2007**

	Enterprise Funds			
	Major		Nonmajor	Total
	Landfill Fund	Cane Creek Water and Sewer District	Other Proprietary Funds	
Cash Flows From Operating Activities:				
Cash received from customers	\$ 4,770,872	\$ 1,063,178	\$ 66,000	\$ 5,900,050
Cash paid for goods and services	(3,387,500)	(245,514)	(21,031)	(3,654,045)
Cash paid to employees for services	(682,464)	1,858	-	(680,606)
Net cash provided by operating activities	<u>700,908</u>	<u>819,522</u>	<u>44,969</u>	<u>1,565,399</u>
Cash Flows From Non-Capital Financing:				
Transfers in	50,000	-	-	50,000
Transfers out	-	(261,488)	-	(261,488)
Proceeds from operating grants	197,504	301,252	-	498,756
Net cash provided (used) by non-capital financing activities	<u>247,504</u>	<u>39,764</u>	<u>-</u>	<u>287,268</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,507,173)	(4,034,898)	-	(5,542,071)
Installment purchase debt issued	-	3,178,000	-	3,178,000
Proceeds from capital contributions	-	2,261,002	-	2,261,002
Principal paid on bond maturities and equipment contracts	-	(1,336,900)	-	(1,336,900)
Interest paid on bond maturities	-	(87,608)	-	(87,608)
Net cash used for capital and related financing activities	<u>(1,507,173)</u>	<u>(20,404)</u>	<u>-</u>	<u>(1,527,577)</u>
Cash Flows From Investing Activities:				
Interest on investments	<u>135,719</u>	<u>198,981</u>	<u>20,820</u>	<u>355,520</u>
Net increase (decrease) in cash and cash equivalents	(423,042)	1,037,863	65,789	680,610
Cash and Cash Equivalents - Beginning of Year	<u>2,923,924</u>	<u>2,928,697</u>	<u>379,912</u>	<u>6,232,533</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,500,882</u>	<u>\$ 3,966,560</u>	<u>\$ 445,701</u>	<u>\$ 6,913,143</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 760,849	\$ 423,452	\$ 45,184	\$ 1,229,485
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	86,778	276,961	10,924	374,663
Landfill closure and postclosure care costs	(95,291)	-	-	(95,291)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(55,480)	69,330	(11,000)	2,850
Increase (decrease) in accounts payable and accrued liabilities	(3,516)	47,921	(139)	44,266
Increase (decrease) in accrued vacation pay	7,568	1,858	-	9,426
Total adjustments	<u>(59,941)</u>	<u>396,070</u>	<u>(215)</u>	<u>56,542</u>
Net cash provided by operating activities	<u>\$ 700,908</u>	<u>\$ 819,522</u>	<u>\$ 44,969</u>	<u>\$ 1,565,399</u>

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

HENDERSON COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 813,909</u>
Liabilities:	
Intergovernmental payable	<u>\$ 813,909</u>

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies

The accounting policies of Henderson County and its discretely presented component unit conform to accounting principles generally accepted in the United States of America 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 units, although they are legally separate entities, are, in substance, part of the County's operations.

Blended Component Units

Cane Creek Water and Sewer District

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

Discretely Presented Component Units

Henderson County Hospital Corporation

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

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

Margaret R. Pardee Memorial Hospital
715 Fleming Street
Hendersonville, N.C. 28791

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

B. Government-Wide and Fund Financial Statements – Basis of Presentation

The statement of net assets 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. It also accounts for the 3 percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

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

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

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

The County reports the following major enterprise funds:

Landfill Fund – This fund accounts for the operation, maintenance, and development of the County's landfill and transfer station facility.

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

The County also reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains ten Special Revenue Funds: the Revaluation Reserve, Travel and Tourism, CDBG-Scattered Site Housing, Crisis Housing Assistance Program, Mills River Watershed Protection, Mud Creek Watershed Restoration, Public Transit, Emergency Watershed Protection Project, Capital Reserve and Sheriff E-911.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

Capital Projects 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: the School Capital Projects Fund and the Capital Projects Fund.

Agency Funds – Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the County holds on behalf of others. The County maintains the following Agency Funds: the School Fines and Forfeitures Fund, which accounts for the collection and payment of fines and forfeitures to the Board of Education in the County; the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Fund, which accounts for assets held by the County for the benefit of certain individuals in the County; the Flexible Spending Fund, which accounts for assets held for County employees in accordance with the provisions of Internal Revenue Code Section 125; the Fireman's Association Fund, which accounts for assets held for the Fireman's Association; the Recreation Sponsorship Fund, which accounts for monies collected for advertising signs on display at the County's ball fields that is used for maintenance, repairs and improvements by recreation facilities; the Land Development Fund, which accounts for a percentage of subdivision guarantee improvement funds that are held for developers until the improvements are completed; and the other Agency Funds, which account for miscellaneous funds held by the County for the benefit of others.

C. Measurement Focus and 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

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

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Henderson County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. As of June 30, 2007, all annually registered vehicles have been converted to the staggered system.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

E. Assets, Liabilities and Fund Equity

Deposits and Investments

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

Restricted Assets

The unexpended bond proceeds of the Hospital's Serial Bonds are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued.

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, 2007. 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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. General infrastructure assets acquired prior to July 1, 2003, consist of water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Years</u>
Buildings	40
Sewer and water infrastructure	40
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

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

	<u>Years</u>
Buildings	20
Equipment	10
Leasehold improvements	10-20
Computers	3

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Compensated Absences

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

The sick leave policies of the County and the Hospital provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

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 and depreciation lives.

Net Assets / Fund Balances

Net Assets

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statutes.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b) (16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to other reserved balances, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of receivable balances that are not offset by deferred revenues, inventories, and prepaid items.

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories that are not expendable available resources.

Reserved for prepaid items - portion of fund balance not available for appropriation because it represents the year-end balance of prepaid items that are not expendable available resources.

Reserved for 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.

Unreserved

Designated for subsequent year's budget - portion of total fund balance available for appropriation that has been designated for the adopted subsequent year's budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

2. Detail Notes on All Funds

A. Assets

Deposits

All of the County and the Hospital's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County or the Hospital's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Hospital, these deposits are considered to be held by their agents in the entity's name. 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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

to measure the exact amount of collateral pledged for the County or the Hospital under the Pooling Method, the potential exists for under-collateralization, 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 Hospital rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2007, the County's deposits had a carrying amount of \$27,561,088 and a bank balance of \$28,703,013. Of the bank balance, \$300,000 was covered by federal depository insurance, and \$28,403,013 in interest-bearing deposits was covered by collateral held under the Pooling Method. At June 30, 2007, Henderson County had \$5,006 cash on hand.

At September 30, 2006, the Hospital's deposits had a balance of \$3,448,478 and a bank balance of \$5,785,000 of the bank balance, \$469,000 was covered by federal depository insurance and \$5,316,000 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2007, the County had the following investments and maturities:

Investment Type	Fair Value	Less Than		
		6 Months	6-12 Months	1-3 Years
US Government Agencies	\$ 1,846,541	\$ 1,846,541	\$ -	\$ -
North Carolina Capital Management				
Trust-Cash Portfolio	29,846,018	29,846,018	-	-
Commercial Paper	916,261	916,261	-	-
Total	\$ 32,608,820	\$ 32,608,820	\$ -	\$ -

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, 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, 2007. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. 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.

At September 30, 2006, the Hospital's investment consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>2-3 years</u>	<u>4-7 years</u>	<u>No Maturity Date</u>
U.S. Government securities	\$ 6,106,807	\$ 1,565,485	\$ 4,032,472	\$ 508,850	\$ -
U.S. Government agencies	5,859,558	825,323	4,548,920	485,315	-
North Carolina Capital Management Trust	7,381,046	-	-	-	7,381,046
Equity securities	2,244,752	-	-	-	2,244,752
Debt securities	1,159,580	-	-	-	1,159,580
Money market funds	403,273	-	-	-	403,273
Certificate of deposit	582,755	-	-	-	582,755
Total	<u>\$ 23,737,771</u>	<u>\$ 2,390,808</u>	<u>\$ 8,581,392</u>	<u>\$ 994,165</u>	<u>\$ 11,771,406</u>

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

Credit Risk. The Hospital's investments in N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of September 30, 2005. The Hospital's investment in N.C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and also in high-grade money market instruments are permitted under North Carolina General Statutes 159-30 as amended. The Hospital's investments in U.S. Government Agencies (Fannie Mae) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The Hospital has no policy on credit risk.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Property Tax – Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forest land 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 Levied	Tax	Interest	Total
2004	\$ 827,240	\$ 215,082	\$ 1,042,322
2005	910,307	154,752	1,065,059
2006	963,298	77,064	1,040,362
2007	1,775,627	-	1,775,627
Total	<u>\$ 4,476,472</u>	<u>\$ 446,898</u>	<u>\$ 4,923,370</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Receivables

Receivables at the government-wide level at June 30, 2007 were as follows:

	<u>Accounts</u>	<u>Taxes and Accrued Interest</u>	<u>Due from other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 9,399,088	\$ 3,566,855	\$ 398,077	\$ 379,657	\$ 13,743,677
Other governmental	273,408	-	360,797	-	634,205
Total receivables	9,672,496	3,566,855	758,874	379,657	14,377,882
Allowance for doubtful accounts	(1,073,877)	(1,616,400)	-	-	(2,690,277)
Total governmental activities	<u>\$ 8,598,619</u>	<u>\$ 1,950,455</u>	<u>\$ 758,874</u>	<u>\$ 379,657</u>	<u>\$ 11,687,605</u>
Business-Type Activities:					
Landfill	\$ 321,101	\$ -	\$ 33,532	\$ -	\$ 354,633
Water and sewer	427,108	-	33,317	-	460,425
Other proprietary funds	11,000	-	-	-	11,000
Total receivables	759,209	-	66,849	-	826,058
Allowance for doubtful accounts	(115,130)	-	-	-	(115,130)
Total business-type activities	<u>\$ 644,079</u>	<u>\$ -</u>	<u>\$ 66,849</u>	<u>\$ -</u>	<u>\$ 710,928</u>

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

Local option sales tax	\$ 799,720
Other	26,003
	<u>\$ 825,723</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$10,597,432	\$ 133,755	\$ -	\$ -	\$10,731,187
Construction in progress	13,943,843	14,141,184	(14,174,253)	-	13,910,774
Total capital assets not being depreciated	<u>24,541,275</u>	<u>14,274,939</u>	<u>(14,174,253)</u>	<u>-</u>	<u>24,641,961</u>
Capital assets being depreciated:					
Buildings	35,416,597	14,508,244	(53,980)	-	49,870,861
Equipment	2,518,077	333,309	(70,127)	48,799	2,830,058
Vehicles and motor equipment	2,883,687	1,025,002	(99,721)	(48,799)	3,760,169
Total capital assets being depreciated	<u>40,818,361</u>	<u>15,866,555</u>	<u>(223,828)</u>	<u>-</u>	<u>56,461,088</u>
Less accumulated depreciation for:					
Buildings	13,761,432	1,004,790	(53,980)	-	14,712,242
Equipment	1,942,720	249,925	(63,884)	(17,283)	2,111,478
Vehicles and motor equipment	1,071,699	443,047	(92,483)	17,283	1,439,546
Total accumulated depreciation	<u>16,775,851</u>	<u>1,697,762</u>	<u>(210,347)</u>	<u>-</u>	<u>18,263,266</u>
Total capital assets being depreciated, net	<u>24,042,510</u>	<u>14,168,793</u>	<u>(13,481)</u>	<u>-</u>	<u>38,197,822</u>
Governmental activity capital assets, net	<u>\$48,583,785</u>	<u>\$28,443,732</u>	<u>\$(14,187,734)</u>	<u>\$ -</u>	<u>\$62,839,783</u>

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

General government	\$ 474,193
Public safety	791,246
Economic and physical development	38,991
Human services	275,826
Cultural and recreational	117,506
Total	<u>\$ 1,697,762</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Landfill:				
Capital assets not being depreciated:				
Land	\$ 1,406,581	\$ -	\$ -	\$ 1,406,581
Construction in progress	155,211	1,438,434	(1,593,645)	-
Total capital assets not being depreciated	<u>1,561,792</u>	<u>1,438,434</u>	<u>(1,593,645)</u>	<u>1,406,581</u>
Capital assets being depreciated:				
Plant and distribution systems	1,252,463	1,593,645	-	2,846,108
Furniture and maintenance equipment	499,703	3,943	(666)	502,980
Vehicles	1,025,640	64,796	-	1,090,436
Total capital assets being depreciated	<u>2,777,806</u>	<u>1,662,384</u>	<u>(666)</u>	<u>4,439,524</u>
Less accumulated depreciation for:				
Plant and distribution systems	278,504	31,562	-	310,066
Furniture and maintenance equipment	359,001	8,963	(666)	367,298
Vehicles	1,034,461	46,253	-	1,080,714
Total accumulated depreciation	<u>1,671,966</u>	<u>86,778</u>	<u>(666)</u>	<u>1,758,078</u>
Total capital assets being depreciated, net	<u>1,105,840</u>	<u>1,575,606</u>	<u>-</u>	<u>2,681,446</u>
Landfill capital assets, net	<u>\$ 2,667,632</u>	<u>\$ 3,014,040</u>	<u>\$ (1,593,645)</u>	<u>\$ 4,088,027</u>
Cane Creek Water and Sewer District:				
Capital assets not being depreciated:				
Land	\$ 308,995	\$ -	\$ -	\$ 308,995
Construction in progress	2,654,587	1,727,978	(4,382,565)	-
Total capital assets not being depreciated	<u>2,963,582</u>	<u>1,727,978</u>	<u>(4,382,565)</u>	<u>308,995</u>
Capital assets being depreciated:				
Plant and distribution systems	7,135,792	6,611,835	-	13,747,627
Furniture and maintenance equipment	233,745	77,650	(2,906)	308,489
Vehicles	68,130	-	(17,767)	50,363
Total capital assets being depreciated	<u>7,437,667</u>	<u>6,689,485</u>	<u>(20,673)</u>	<u>14,106,479</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,859,545	255,599	-	2,115,144
Furniture and maintenance equipment	221,047	21,362	(2,906)	239,503
Vehicles	42,557	-	(17,767)	24,790
Total accumulated depreciation	<u>2,123,149</u>	<u>276,961</u>	<u>(20,673)</u>	<u>2,379,437</u>
Total capital assets being depreciated, net	<u>5,314,518</u>	<u>6,412,524</u>	<u>-</u>	<u>11,727,042</u>
Cane Creek Water and Sewer District capital assets, net	<u>\$ 8,278,100</u>	<u>\$ 8,140,502</u>	<u>\$ (4,382,565)</u>	<u>\$ 12,036,037</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

	Beginning Balances	Increases	Decreases	Ending Balances
Justice Academy Water and Sewer District:				
Capital assets being depreciated:				
Plant and distribution systems	\$ 441,187	\$ -	\$ -	\$ 441,187
Furniture and maintenance equipment	17,234	-	-	17,234
Total capital assets being depreciated	<u>458,421</u>	<u>-</u>	<u>-</u>	<u>458,421</u>
Less accumulated depreciation for:				
Plant and distribution systems	81,647	10,455	-	92,102
Furniture and maintenance equipment	18,671	479	-	19,150
Total accumulated depreciation	<u>100,318</u>	<u>10,934</u>	<u>-</u>	<u>111,252</u>
Total capital assets being depreciated, net	<u>358,103</u>	<u>(10,934)</u>	<u>-</u>	<u>347,169</u>
Justice Academy Water and Sewer District capital assets, net	<u>\$ 358,103</u>	<u>\$ (10,934)</u>	<u>\$ -</u>	<u>\$ 347,169</u>
Business-type activities capital assets, net	<u>\$ 11,303,835</u>			<u>\$ 16,471,243</u>

Construction Commitments

The government has active construction projects as of June 30, 2007. The projects include County facilities, school construction and water and sewer district projects. At year-end, the government's commitments with contractors are as follows:

Project	Remaining Commitment
Historic Courthouse Rehab	\$ 4,610,953
Dana Elementary School	36,000
Human Services Building	96,007
Hillandale Elementary School	726,150
Sugarloaf Road Elementary School	7,584,234
Mills River Elementary School	552,113
Edneyville Park	70,000
Etowah Library	605,265
BRCC Technology Building	6,503,820
Mud Creek Sewer	<u>71,606</u>
Total	<u>\$ 20,856,148</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Activity for the Henderson County Hospital Corporation for the year ended September 30, 2006 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Nondepreciable Assets:					
Land	\$ 4,418,689	\$ -	\$ (190,000)	\$ -	\$ 4,228,689
Construction in progress	8,862,818	5,747,321	-	(11,766,629)	2,843,510
Depreciable Assets:					
Land improvements	1,232,634	8,488	(26,744)	-	1,214,378
Buildings and fixed equipment	78,438,336	682,032	(376,104)	7,676,635	86,420,899
Moveable equipment	<u>80,192,826</u>	<u>1,890,244</u>	<u>(7,333,063)</u>	<u>4,089,994</u>	<u>78,840,001</u>
Totals at historical cost	<u>173,145,303</u>	<u>8,328,085</u>	<u>(7,925,911)</u>	<u>-</u>	<u>173,547,477</u>
Less Accumulated Depreciation For:					
Buildings	894,443	54,021	(22,419)	-	926,045
Equipment	30,922,925	3,434,171	(112,892)	-	34,244,204
Vehicles and motor equipment	<u>55,652,030</u>	<u>7,939,143</u>	<u>(7,217,220)</u>	<u>-</u>	<u>56,373,953</u>
Total accumulated depreciation	<u>87,469,398</u>	<u>11,427,335</u>	<u>(7,352,531)</u>	<u>-</u>	<u>91,544,202</u>
Total capital assets being depreciated, net	<u>\$ 85,675,905</u>	<u>\$ (3,099,250)</u>	<u>\$ (573,380)</u>	<u>\$ -</u>	<u>\$ 82,003,275</u>

B. Liabilities

Payables

Payables at government-wide level at June 30, 2007 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,687,561	\$ 510,219	\$ 725,000	\$ 2,922,780
Other governmental	<u>3,879,456</u>	<u>-</u>	<u>-</u>	<u>3,879,456</u>
Total governmental activities	<u>\$ 5,567,017</u>	<u>\$ 510,219</u>	<u>\$ 725,000</u>	<u>\$ 6,802,236</u>
Business-Type Activities:				
Landfill	\$ 305,627	\$ -	\$ -	\$ 305,627
Water and Sewer Fund	324,671	-	-	324,671
Other	<u>1,422</u>	<u>-</u>	<u>-</u>	<u>1,422</u>
Total business-type activities	<u>\$ 631,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,720</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Pension Plan Obligation

Local Governmental Employees' Retirement System

Plan Description - Henderson County contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The 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, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.90% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Henderson County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$1,305,057, \$1,256,800 and \$1,113,390, respectively. The contributions made by the County equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description

Henderson County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate stand-alone financial report. Each local government makes benefit payments required under this plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of 132 active plan members and 6 retired members receiving benefits.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. There are no plan assets and the liability is not material; therefore, the plan is not presented as a pension trust fund in the County's Comprehensive Annual Financial Report. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The County is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2005, actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases.

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	\$ 174,778
Interest on net pension obligation	80,846
Adjustment to annual required contribution	(66,733)
Annual pension cost	188,891
Employer contributions made	52,474
Increase (decrease) in net pension obligation	136,417
Net pension obligation, July 1	1,115,116
Net pension obligation, June 30	\$ 1,251,533

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 171,476	17.07%	\$ 937,025
6/30/2006	205,305	13.26%	1,115,116
6/30/2007	188,891	27.78%	1,251,533

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.

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, 2007, were \$415,536, which consisted of \$285,782 from the County and \$129,754 from the law enforcement officers.

Register of Deeds' Supplemental Pension Fund

Plan Description. Henderson County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any County Register of Deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2007, the County's required and actual contributions were \$34,148.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Other Post-Employment Health Care Benefits

At retirement, all County employees determined eligible to participate in the County's retiree health insurance program shall continue to participate in the County's health insurance plan as a subscriber at the retiree's or the County's premium costs based on the retiree's combined years of age and service and to continue dependent care coverage for spouse and/or children.

The Hospital provides post-retirement group term life insurance benefits to all eligible employees who retire from the Hospital. The Hospital paid and expensed premiums of approximately \$7,300 for the group term life insurance benefits for retirees in 2006.

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/her death, but the benefit may not exceed \$20,000. Effective July 1, 2006 the death benefit payments to beneficiaries must be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2007, the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively.

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 \$80,000 per individual health insurance claim with a lifetime maximum of \$5,000,000. Aggregate stop-loss is set at the level of 120 percent with a minimum aggregate attachment point of \$5,202,189.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Landfill Closure and Postclosure Care Costs

State and federal 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 Stony Mountain Road Landfill stopped accepting waste on that date. Although certain closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post- closure care costs as an operating expense in each period.

Due to a redetermination of postclosure costs being performed after the landfill stopped accepting waste, the estimated postclosure costs decreased significantly from the amount estimated in prior years. The \$2,574,358 reported as landfill postclosure care liability at June 30, 2007, represents the cumulative amount reported at that date for costs yet to be incurred. The County will recognize the remaining estimated cost of postclosure care as incurred. These amounts are based on what it would cost to perform all postclosure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Henderson County Hospital Corporation Pension Plan

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

Deferred / Unearned Revenues

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at June 30, 2007 is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid revenue not yet earned (General)	\$ 294,026	\$ 294,026
Taxes receivable, net (General)	1,950,456	-
Other receivable (General)	175,339	-
Taxes receivable, net (Special Revenue)	24,000	-
Prepaid revenue not yet earned (Enterprise)	-	5,500
Total	<u>\$ 2,443,821</u>	<u>\$ 294,026</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two of the self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement value of real and personal owned property subject to a blanket limit of \$140.3 million per occurrence, general liability coverage of \$2 million per occurrence, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$500,000 of aggregate annual losses in excess of \$25,000 per occurrence for property coverage, and single occurrence losses up to \$350,000 for workers' compensation.

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 Finance Director and Tax Collector are bonded for \$200,000 and \$1,000,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County carries flood insurance through the National Flood Insurance Program (NFIP). Because the County is in an area of the State that has been mapped and designated an "A" area (An area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP.

Claims and Judgments

At June 30, 2007, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Long-Term Obligations

Installment Financing Contracts

The County has entered into four installment financing contracts with the Henderson County Governmental Financing Corporation, a component unit, for construction of educational and public safety facilities. These contracts were funded by execution and delivery of Certificates of Participation. The outstanding contracts at June 30, 2007 are as follows:

\$9,065,000 Detention Center Series 1999 due in annual principal payments of \$445,000 on June 1 through 2019. Interest is payable semi-annually at rates ranging from 3.8% to 5.63%, fluctuating throughout the life of the certificates. \$ 5,425,000

\$16,290,000 School Projects Series 2001 due in annual principal payments of \$815,000 on September 1 through 2021. Interest is payable semi-annually at rates ranging from 4.25% to 5.00%, fluctuating throughout the life of the certificates. 11,400,000

\$25,875,000 Projects series 2005A due in annual principal payments ranging from \$630,000 to \$1,430,000 on May 1 through 2025. Interest is payable semi-annually at rates ranging from 3.0% to 5.0%, fluctuating throughout the life of the certificates. 24,600,000

\$41,610,000 Projects Series 2006A due in annual principal payments ranging from \$1,550,000 to \$2,185,000 on June 1 through 2026. Interest is payable semi-annually at rates ranging from 4.375% to 5.00% fluctuating throughout the life of the certificates. 40,060,000

Total installment contracts \$ 81,485,000

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,705,000	\$ 3,884,975
2009	3,945,000	3,721,137
2010	4,445,000	3,551,475
2011	4,890,000	3,353,438
2012	4,885,000	3,123,163
2013-2017	24,400,000	12,135,213
2018-2022	22,205,000	6,084,551
2023-2027	13,010,000	1,408,500
Total	<u>\$ 81,485,000</u>	<u>\$ 37,262,452</u>

Installment Purchases

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

On April 4, 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 15, 2015. The County is required to make 13 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, 2007

Other installment purchase contracts payable at June 30, 2007, are comprised of the following individual issues:

Governmental Activities:

\$6,750,000 Fletcher Elementary Series 2000 due in semi-annual principal payments of \$168,750 on August 10, 2000 through 2020. The interest rate throughout the issue is 4.19%. \$ 4,387,500

\$9,100,000 Middle School project financing contract due in semi-annual principal payments of \$303,333, including interest charged at an annual rate of 4.09%; payments will continue through April 10, 2017. 6,066,668

\$529,000 vehicle financing contract due in quarterly payments of \$45,990, including interest at an annual rate of 2.63%; payments will continue through December 10, 2007. 91,081

\$560,000 voting equipment financing contract due in quarterly payments of \$30,801 including interest at an annual rate of 3.70%, payments will continue through March 17, 2011. 378,559

\$958,000 vehicle financing contract due in semi-annual payments of \$84,251 including interest at an annual rate of 3.35%, payments will continue through October 20, 2008. 490,997

\$1,750,000 library financing contract due in quarterly payments of \$53,332 including interest at an annual rate of 4.01%, payments will continue through May 10, 2017. 1,750,000

\$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. 238,464

\$690,000 vehicle financing contract due in quarterly payments of \$61,064 including interest at an annual rate of 3.75%, payments will continue through October 13, 2009. 580,298

\$3,000,000 Hendersonville Middle School Qualified Zone Academy Bonds requiring 13 annual deposits of \$164,363 into a debt service fund; final payment of the bonds is April 5, 2015. 3,000,000

Total installment purchases indebtedness \$ 16,983,567

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Business-Type Activities:

\$3,178,000 sewer installment contract due in quarterly installments of \$79,450 plus interest at 3.7321%, payments will continue through November 27, 2016.

\$ 3,019,100

Long Term Debt

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,170,900	\$ 665,304
2009	1,940,942	584,065
2010	1,671,842	511,624
2011	1,481,190	447,566
2012	1,448,829	387,673
2013-2017	9,741,913	985,565
2018-2022	1,431,028	61,265
2023-2027	<u>116,023</u>	<u>12,977</u>
Total	<u>\$ 20,002,667</u>	<u>\$ 3,656,039</u>

General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Cane Creek Water and Sewer Systems issues general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Cane Creek Water and Sewer District Fund, are collateralized by the full faith, credit, and taxing power of the District. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2007 are comprised of the following individual issues:

Serviced by the General Fund:

\$18,570,000 1998 County's General Obligation refunding bonds due on June 1 in installments as follows:
2007 - \$1,920,000; 2008 - \$1,875,000; 2009 - \$1,825,000;
and 2010 - \$1,060,000. Interest ranges from 3.25% to 4.25% throughout the life of the bonds.

\$ 4,760,000

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

Governmental Activities:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,875,000	\$ 197,613
2009	1,825,000	122,613
2010	1,060,000	45,050
Total	<u>\$ 4,760,000</u>	<u>\$ 365,276</u>

At June 30, 2007 Henderson County had no bonds authorized but unissued and a legal debt margin of \$665,387,540.

Other Long-Term Obligations

The County has entered into agreements to finance various proceeds to accommodate economic and industrial development. Other long-term obligations at June 30, 2007 are comprised of the following individual issues:

\$60,000 financing agreement for economic development incentives for The Warm Company due in annual installments of \$60,000; payments will continue through August 30, 2010.	\$ 48,000
\$93,460 financing agreement for economic development incentives for BORGWARNER due in annual installments of \$18,692; payments will continue through March 31, 2009.	18,692
\$440,000 financing agreement for economic development incentives for Meritor Heavy Vehicle Systems, LLC due in annual installments of \$88,000; payments will continue through March 31, 2009	88,000
\$1,000,000 financing agreement incentives for economic development incentives for UPM-RAFLATAC, Inc. due in annual Installments of \$100,000; payments will continue through December 2006.	100,000
\$85,967 financing agreement for economic development incentives for Pepsi-Cola Bottling Company of Hickory, N.C., Inc. due in annual installments of \$17,193 payments will continue through December 2009.	<u>68,774</u>
Total other long-term obligations	<u>\$ 323,466</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

Annual debt service requirements to maturity for the County's other long-term obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 235,885	\$ -
2009	29,193	-
2010	29,193	-
2011	29,195	-
Total	<u>\$ 323,466</u>	<u>\$ -</u>

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
General obligation bonds	\$ 6,680,000	\$ -	\$ 1,920,000	\$ 4,760,000	\$ 1,875,000
Other long-term obligations	532,952	60,000	269,486	323,466	235,885
Installment purchases	16,295,492	2,875,000	2,186,925	16,983,567	1,853,100
Installment contracts	84,950,000	-	3,465,000	81,485,000	3,705,000
Compensated absences	1,652,128	748,739	570,921	1,829,946	580,000
Pension benefit obligations	1,115,116	136,417	-	1,251,533	-
Total governmental activities	<u>\$ 111,225,688</u>	<u>\$ 3,820,156</u>	<u>\$ 8,412,332</u>	<u>\$ 106,633,512</u>	<u>\$ 8,248,985</u>
Business-Type Activities:					
General obligation bonds	\$ 1,178,000	\$ -	\$ 1,178,000	\$ -	\$ -
Installment purchase	-	3,178,000	158,900	3,019,100	317,800
Accrued landfill closure and postclosure care cost	2,669,648	-	95,290	2,574,358	-
Compensated absences	43,702	15,824	6,398	53,128	5,300
Total business-type activities	<u>\$ 5,144,878</u>	<u>\$ 3,193,824</u>	<u>\$ 1,438,588</u>	<u>\$ 5,646,586</u>	<u>\$ 323,100</u>
Discretely Presented Component Units:					
Revenue bonds	\$ 13,840,000	\$ -	\$ 535,000	\$ 13,305,000	\$ 560,000
Capitalized leases	3,878,221	1,312,956	2,219,959	2,971,218	1,325,613
Total discretely presented component units and long-term liabilities	<u>\$ 17,718,221</u>	<u>\$ 1,312,956</u>	<u>\$ 2,754,959</u>	<u>\$ 16,276,218</u>	<u>\$ 1,885,613</u>

Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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.

The assets held under these capital leasing arrangements are included with other equipment within the total property, plant, and equipment reported by the Hospital. At September 30, 2006, those assets were recorded at \$15,774,000 and the related accumulated depreciation at September 30, 2006 was \$10,904,000. Amortization expense related to these assets of approximately \$2,773,000 is included in depreciation and amortization expense for the year ended September 30, 2006.

At September 30, 2006, the future minimum payments under the Hospital's capital leases consist of the following:

<u>Year Ending September 30</u>	
2007	\$ 1,548,185
2008	785,029
2009	553,092
2010	388,519
2011	<u>131,012</u>
Total minimum lease payments	3,405,837
Less: amount representing interest	<u>(434,619)</u>
Present value of the minimum lease payments	<u>\$ 2,971,218</u>

Revenue Bonds

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 560,000	\$ 453,700
2008	590,000	434,604
2009	620,000	414,485
2010	650,000	393,343
2011	685,000	371,178
2012-2016	3,970,000	1,481,475
2017-2021	5,060,000	734,173
2022	1,170,000	39,897
Total	<u>\$ 13,305,000</u>	<u>\$ 4,322,855</u>

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2007 consist of the following:

	<u>Transfers</u>		<u>Purpose</u>
	<u>From</u>	<u>To</u>	
General Fund	\$ 2,081,099	\$ 891,488	
Revaluation Reserve Fund	-	582,736	Revaluation of property
Mills River Watershed Protection Fund	-	25,000	Watershed protection projects
Public Transit Fund	-	64,000	Transportation services
Debt Service	-	164,363	School debt service
School Capital Projects Fund	-	645,000	School capital projects
County Capital Projects Fund	650,000	600,000	County capital projects
Travel and Tourism Fund	30,000	-	Administrative costs
Landfill Fund	-	50,000	Personnel costs
Cane Creek and Sewer Fund	261,488	-	Personnel and billing operations

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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. 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 \$2,019,122 to the community college for capital operational expenses during the fiscal year ending June 30, 2007. In addition, the County made debt service payments of \$1,834,327 including interest, during the year ended June 30, 2007, on general obligation bonds and Certificates of Participation (COPs) issued for 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, 2007. Complete financial statements for the community college may be obtained from the community college's administrative offices at Blue Ridge Community College, Flat Rock, North Carolina.

The County, in conjunction with seven other counties, participates in the Western Highlands Area Authority, a Local Management Entity, which provides mental health, development disability and substance abuse services to residents of the eight-County area. Each participating government appoints members to the governing board of the Authority. The County has ongoing financial responsibility to provide maintenance of effort funding to assist in providing mental health services primarily within Henderson 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, 2007. None of the eight participating governments has any equity interest in the Authority, so no equity has been reflected in the financial statements at June 30, 2007. Complete financial statements for the Authority may be obtained from the Authority's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

4. Jointly Governed Organization

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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.

Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 687,279	\$ (1)
Medicaid	52,047,098	25,184,836
Food Stamp Program	5,681,443	-
WIC	1,439,935	-
Adoption Assistance	283,702	73,042
Low Income Energy Assistance	231,658	-
State/County Special Assistance for Adults	-	869,963
	<u> </u>	<u> </u>
Total	\$ 60,371,115	\$ 26,127,840

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.



HENDERSON COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2006	\$ -	\$ 1,705,055	0.00%	\$ 1,705,055	\$ 5,625,074	30.31%
12/31/2005	-	1,426,389	0.00%	1,426,389	5,212,692	27.42%
12/31/2004	-	1,538,713	0.00%	1,538,713	4,964,811	30.99%
12/31/2003	-	1,213,157	0.00%	1,213,157	4,494,889	26.99%
12/31/2002	-	1,151,106	0.00%	1,151,106	4,493,816	25.62%
12/31/2001	-	1,023,367	0.00%	1,023,367	4,230,571	24.19%
12/31/2000	-	895,880	0.00%	895,880	3,703,676	24.19%
12/31/1999	-	512,848	0.00%	512,848	3,377,440	15.18%
12/31/1998	-	475,256	0.00%	475,256	3,136,737	15.15%
12/31/1997	-	428,608	0.00%	428,608	2,955,827	14.50%
12/31/1996	-	346,882	0.00%	346,882	2,418,739	14.34%
12/31/1995	-	335,856	0.00%	335,856	2,176,656	15.43%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
2007	\$ 198,970	0.00%
2006	174,778	0.00%
2005	158,440	0.00%
2004	150,619	0.00%
2003	144,257	0.00%
2002	125,471	0.00%
2001	79,691	0.00%
2000	75,160	0.00%
1999	80,528	0.00%
1998	72,872	0.00%
1997	59,705	0.00%

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, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.25%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None



SUPPLEMENTARY INFORMATION

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



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.



HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes - current		\$ 53,031,008	
Penalties, interest and advertising		404,335	
Total	\$ 52,656,110	53,435,343	\$ 779,233
Local Option Sales Taxes:			
Article 39 one percent		8,686,122	
Article 40 one-half of one percent		4,947,106	
Article 42 one-half of one percent		4,905,388	
Article 44 one-half of one percent		4,122,839	
Total	21,599,294	22,661,455	1,062,161
Other Taxes and Licenses:			
Deed stamp excise tax		1,947,993	
Gross receipts rental tax		38,319	
Privilege licenses		35	
Total	1,830,120	1,986,347	156,227
Unrestricted Intergovernmental Revenues:			
Payment in lieu of taxes	26,500	27,349	849
Total	26,500	27,349	849
Restricted Intergovernmental Revenues:			
Federal and state grants		16,689,306	
Controlled substance tax		35,000	
Court facility fee		183,069	
ABC net revenues		74,199	
ABC bottles taxes		25,534	
Total	17,927,754	17,007,108	(920,646)
Permits and Fees:			
Inspection fees		1,536,195	
Register of Deeds		759,072	
Total	2,136,500	2,295,267	158,767

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sales and Services:			
Rents, concessions and fees		4,576,905	
Jail fees		314,928	
Ambulance fees		2,179,085	
Recreation fees		278,988	
Total	<u>6,214,409</u>	<u>7,349,906</u>	<u>1,135,497</u>
Investment Earnings	<u>560,000</u>	<u>1,358,622</u>	<u>798,622</u>
Miscellaneous:			
Sale of materials		31,804	
Other		1,448,898	
Total	<u>3,204,039</u>	<u>1,480,702</u>	<u>(1,723,337)</u>
Total revenues	<u>106,154,726</u>	<u>107,602,099</u>	<u>1,447,373</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits		207,039	
Operating expenditures		132,074	
Donations and dues		326,766	
Total	<u>667,297</u>	<u>665,879</u>	<u>1,418</u>
Administration:			
Salaries and employee benefits		774,849	
Operating expenditures		334,554	
Capital outlay		6,843	
Total	<u>1,256,888</u>	<u>1,116,246</u>	<u>140,642</u>
Elections:			
Salaries and employee benefits		253,675	
Operating expenditures		603,662	
Total	<u>1,126,326</u>	<u>857,337</u>	<u>268,989</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, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Finance:			
Salaries and employee benefits		438,901	
Operating expenditures		128,098	
Total	<u>570,263</u>	<u>566,999</u>	<u>3,264</u>
Taxes:			
Salaries and employee benefits		986,433	
Operating expenditures		672,575	
Capital outlay		48,003	
Total	<u>2,131,628</u>	<u>1,707,011</u>	<u>424,617</u>
Legal:			
Salaries and employee benefits		442,897	
Contracted services		66,798	
Total	<u>560,977</u>	<u>509,695</u>	<u>51,282</u>
Register of Deeds:			
Salaries and employee benefits		1,331,256	
Operating expenditures		106,369	
Capital outlay		13,556	
Total	<u>1,462,431</u>	<u>1,451,181</u>	<u>11,250</u>
Public Buildings:			
Salaries and employee benefits		649,983	
Operating expenditures		1,663,590	
Capital outlay		35,159	
Total	<u>2,375,601</u>	<u>2,348,732</u>	<u>26,869</u>
Garage and Grounds:			
Salaries and employee benefits		246,085	
Operating expenditures		478,218	
Total	<u>737,160</u>	<u>724,303</u>	<u>12,857</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, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Court Facilities:			
Operating expenditures		163,981	
Total	<u>165,000</u>	<u>163,981</u>	<u>1,019</u>
Data Processing:			
Salaries and employee benefits		498,158	
Operating expenditures		384,776	
Capital outlay		120,596	
Total	<u>1,007,739</u>	<u>1,003,530</u>	<u>4,209</u>
Total general government	<u>12,061,310</u>	<u>11,114,894</u>	<u>946,416</u>
Public Safety:			
Sheriff and Communications:			
Salaries and employee benefits		7,816,423	
Operating expenditures		1,645,076	
Capital outlay		813,498	
Total	<u>10,648,908</u>	<u>10,274,997</u>	<u>373,911</u>
Jail:			
Salaries and employee benefits		2,383,711	
Operating expenditures		948,785	
Capital outlay		22,368	
Total	<u>3,645,031</u>	<u>3,354,864</u>	<u>290,167</u>
Emergency Management:			
Salaries and employee benefits		139,637	
Operating expenditures		56,169	
Capital outlay		27,931	
Total	<u>272,233</u>	<u>223,737</u>	<u>48,496</u>
Fire Services:			
Salaries and employee benefits		120,784	
Operating expenditures		157,707	
Capital outlay		14,200	
Total	<u>312,375</u>	<u>292,691</u>	<u>19,684</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Inspections:			
Salaries and employee benefits		777,444	
Operating expenditures		123,915	
Capital outlay		65,034	
Total	<u>1,101,183</u>	<u>966,393</u>	<u>134,790</u>
Risk Management:			
Salaries and employee benefits		23,481	
Operating expenditures		247	
Total	<u>25,569</u>	<u>23,728</u>	<u>1,841</u>
Emergency Medical Services:			
Salaries and employee benefits		2,621,359	
Operating expenditures		513,271	
Capital outlay		11,380	
Total	<u>3,206,622</u>	<u>3,146,010</u>	<u>60,612</u>
Animal Control:			
Salaries and employee benefits		403,584	
Operating expenditures		120,716	
Capital outlay		10,500	
Total	<u>634,869</u>	<u>534,800</u>	<u>100,069</u>
Day Reporting Center:			
Salaries and employee benefits		54,657	
Operating expenditures		73,409	
Total	<u>128,067</u>	<u>128,066</u>	<u>1</u>
Rescue Squad:			
Operating expenditures	<u>89,800</u>	<u>89,800</u>	<u>-</u>
Property Addressing:			
Salaries and employee benefits		107,930	
Operating expenditures		10,430	
Total	<u>129,839</u>	<u>118,360</u>	<u>11,479</u>
Total public safety	<u>20,194,496</u>	<u>19,153,446</u>	<u>1,041,050</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Environmental Protection:			
Soil and water conservation:			
Salaries and employee benefits		154,788	
Operating expenditures		39,181	
Capital outlay		20,274	
Total	<u>232,734</u>	<u>214,243</u>	<u>18,491</u>
Forestry service	<u>46,919</u>	<u>43,629</u>	<u>3,290</u>
Utilities:			
Salaries and employee benefits		170,549	
Operating expenditures		50	
Total	<u>176,937</u>	<u>170,599</u>	<u>6,338</u>
Total environmental protection	<u>456,590</u>	<u>428,471</u>	<u>28,119</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits		376,721	
Operating expenditures		87,182	
Total	<u>587,773</u>	<u>463,903</u>	<u>123,870</u>
Development Services:			
Salaries and employee benefits		274,002	
Operating expenditures		25,738	
Capital outlay		9,500	
Total	<u>315,174</u>	<u>309,240</u>	<u>5,934</u>
Agricultural Extension:			
Salaries and employee benefits		276,012	
Operating expenditures		92,775	
Capital outlay		20,986	
Total	<u>415,294</u>	<u>389,773</u>	<u>25,521</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Land Records Management:			
Salaries and employee benefits		299,429	
Operating expenditures		21,608	
Capital outlay		12,485	
Total	<u>357,492</u>	<u>333,522</u>	<u>23,970</u>
Other Transfers:			
Economic development contracts	<u>434,000</u>	<u>220,000</u>	<u>214,000</u>
Total	<u>434,000</u>	<u>220,000</u>	<u>214,000</u>
Total economic and physical development	<u>2,109,733</u>	<u>1,716,438</u>	<u>393,295</u>
Human Services:			
Health:			
General and Administration:			
Salaries and employee benefits		1,282,707	
Operating expenditures		1,103,858	
Capital outlay		6,000	
Total	<u>2,437,389</u>	<u>2,392,565</u>	<u>44,824</u>
Public Health:			
Bio-terrorism program			
Salaries and employee benefits		19,959	
Operating expenditures		41,550	
Total	<u>78,052</u>	<u>61,509</u>	<u>16,543</u>
AIDS Grant:			
Salaries and employee benefits		12,816	
Operating expenditures		540	
Total	<u>16,007</u>	<u>13,356</u>	<u>2,651</u>
Tuberculosis Clinic:			
Salaries and employee benefits		9,357	
Operating expenditures		6,178	
Total	<u>17,210</u>	<u>15,535</u>	<u>1,675</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, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Maternal Health:			
Salaries and employee benefits		481,658	
Operating expenditures		126,374	
Total	<u>666,276</u>	<u>608,032</u>	<u>58,244</u>
Family Planning:			
Salaries and employee benefits		126,561	
Operating expenditures		101,130	
Total	<u>259,397</u>	<u>227,691</u>	<u>31,706</u>
Child Health:			
Salaries and employee benefits		498,638	
Operating expenditures		111,338	
Total	<u>685,679</u>	<u>609,976</u>	<u>75,703</u>
WIC:			
Salaries and employee benefits		349,011	
Operating expenditures		40,192	
Total	<u>421,726</u>	<u>389,203</u>	<u>32,523</u>
B&C Cancer Control:			
Salaries and employee benefits		14,042	
Operating expenditures		17,089	
Total	<u>31,192</u>	<u>31,131</u>	<u>61</u>
Risk Reduction:			
Salaries and employee benefits		33,460	
Operating expenditures		19,117	
Total	<u>69,933</u>	<u>52,577</u>	<u>17,356</u>
IAP Program:			
Salaries and employee benefits		16,508	
Operating expenditures		4,841	
Total	<u>21,823</u>	<u>21,349</u>	<u>474</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, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
N.C. Cardiovascular Health:			
Operating expenditures	150,000	141,668	8,332
Total	150,000	141,668	8,332
Smart Start- Child Care:			
Salaries and employee benefits		63,722	
Operating expenditures		9,469	
Total	77,606	73,191	4,415
Smart Start - Preventive Dental:			
Salaries and employee benefits		57,329	
Operating expenditures		39,689	
Total	104,052	97,018	7,034
Smart Start - Nurturing Parent:			
Operating expenditures	4,294	4,286	8
Total	4,294	4,286	8
March of Dimes Grant:			
Salaries and employee benefits		19,433	
Operating expenditures		59	
Total	21,018	19,492	1,526
Prenatal Smoking:			
Salaries and employee benefits		1,240	
Total	1,275	1,240	35
School Health Nurse Program:			
Salaries and employee benefits		305,491	
Operating expenditures		58,531	
Total	407,108	364,022	43,086
Total public health	5,470,037	5,123,841	346,196

HENDERSON COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Environmental Health:			
Salaries and employee benefits		821,917	
Operating expenditures		109,866	
Capital outlay		49,246	
Total	<u>1,057,029</u>	<u>981,029</u>	<u>76,000</u>
Home and Community Block Grant:			
Operating expenditures	<u>628,672</u>	<u>731,253</u>	<u>(102,581)</u>
Total	<u>628,672</u>	<u>731,253</u>	<u>(102,581)</u>
Youth Services:			
Salaries and employee benefits		537,254	
Operating expenditures		62,989	
Total	<u>674,410</u>	<u>600,243</u>	<u>74,167</u>
Social Services:			
Mental Health:			
Operating expenditures		751,332	
Capital outlay		342,992	
Total	<u>1,186,062</u>	<u>1,094,324</u>	<u>91,738</u>
Administration:			
Salaries and employee benefits		7,644,938	
Operating expenditures		3,170,634	
Capital outlay		44,501	
Total	<u>11,376,016</u>	<u>10,860,073</u>	<u>515,943</u>
Smart Start:			
Salaries and employee benefits		39,426	
Operating expenditures		454,817	
Total	<u>525,323</u>	<u>494,243</u>	<u>31,080</u>
TANF Program :			
County participation only	<u>311,777</u>	<u>283,815</u>	<u>27,962</u>
Medicaid:			
County participation only	<u>4,852,252</u>	<u>4,605,052</u>	<u>247,200</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, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Income Maintenance Program:			
Supplemental aid to the aged		387,574	
Supplemental aid to the disabled		483,852	
Crisis intervention payments		100,750	
Total	<u>995,500</u>	<u>972,176</u>	<u>23,324</u>
Daycare Operations:			
Day care for children	<u>3,488,520</u>	<u>3,537,262</u>	<u>(48,742)</u>
Foster Care:			
State boarding home		441,632	
Foster care -children		645,361	
Adoption assistance		159,036	
Total	<u>1,350,184</u>	<u>1,246,029</u>	<u>104,155</u>
NC Fast Program:			
Salaries and employer benefits	<u>17,035</u>	<u>17,036</u>	<u>(1)</u>
Other Assistance:			
Social work contracts	81,672	83,302	(1,630)
Medicaid transportation	614,772	572,166	42,606
Aid to the blind	5,161	4,662	499
Adult day care	14,857	13,532	1,325
General assistance	41,425	41,312	113
JOBS Program	57,152	48,996	8,156
EDTAP program	142,093	127,611	14,482
Emergency assistance	100,000	50,313	49,687
Other assistance:	<u>36,440</u>	<u>6,229</u>	<u>30,211</u>
Total	<u>1,093,572</u>	<u>948,123</u>	<u>145,449</u>
Total social services	<u>25,196,241</u>	<u>24,058,133</u>	<u>1,138,108</u>
Veteran Services:			
Salaries and employee benefits		16,962	
Operating expenditures		3,607	
Total	<u>24,644</u>	<u>20,569</u>	<u>4,075</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Juvenile Justice Grant:			
Operating expenditures	<u>208,010</u>	<u>204,452</u>	<u>3,558</u>
Total human services	<u>33,259,043</u>	<u>31,719,520</u>	<u>1,539,523</u>
Cultural and Recreation:			
Library:			
Salaries and employee benefits		1,814,974	
Operating expenditures		872,810	
Capital outlay		9,931	
Total	<u>2,893,611</u>	<u>2,697,715</u>	<u>195,896</u>
Parks and Recreation:			
Salaries and employee benefits		544,525	
Operating expenditures		329,689	
Capital outlay		8,157	
Total	<u>1,062,706</u>	<u>882,371</u>	<u>180,335</u>
Total cultural and recreation	<u>3,956,317</u>	<u>3,580,086</u>	<u>376,231</u>
Intergovernmental:			
Education:			
Public schools - current expense		17,705,127	
Public schools - capital expense		2,314,000	
Community colleges - current expense		2,019,122	
Total education	<u>22,038,249</u>	<u>22,038,249</u>	<u>-</u>
Debt Service:			
Principal	7,715,913	7,680,164	35,749
Interest	<u>4,669,861</u>	<u>4,702,820</u>	<u>(32,959)</u>
Total debt service	<u>12,385,774</u>	<u>12,382,984</u>	<u>2,790</u>
Total expenditures	<u>106,461,512</u>	<u>102,134,088</u>	<u>4,327,424</u>
Revenues over expenditures	<u>(306,786)</u>	<u>5,468,011</u>	<u>5,774,797</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Installment financing issued	2,083,000	1,125,000	(958,000)
Transfers in	929,860	891,488	(38,372)
Transfers out	<u>(2,706,074)</u>	<u>(2,081,099)</u>	<u>(624,975)</u>
Total other financing sources (uses)	<u>306,786</u>	<u>(64,611)</u>	<u>(371,397)</u>
Net changes in fund balance	<u>\$ -</u>	5,403,400	<u>\$ 5,403,400</u>
Fund Balance:			
Beginning of year - July 1		<u>21,279,656</u>	
End of year - June 30		<u>\$ 26,683,056</u>	



Other Major Governmental Funds

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

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



HENDERSON COUNTY, NORTH CAROLINA

**GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 1,028,621	\$ 1,028,621
Miscellaneous	300,000	384,919	84,919
Total	<u>300,000</u>	<u>1,413,540</u>	<u>1,113,540</u>
Expenditures:			
Capital outlay:			
General government	<u>40,285,910</u>	<u>12,647,896</u>	<u>27,638,014</u>
Total	<u>40,285,910</u>	<u>12,647,896</u>	<u>27,638,014</u>
Revenues over (under) expenditures	<u>(39,985,910)</u>	<u>(11,234,356)</u>	<u>28,751,554</u>
Other Financing Sources (Uses):			
Installment financing issued	40,235,910	1,750,000	(38,485,910)
Transfers out	(650,000)	(650,000)	-
Transfers in:			
From General Fund	<u>400,000</u>	<u>600,000</u>	<u>200,000</u>
Total other financing sources (uses)	<u>39,985,910</u>	<u>1,700,000</u>	<u>(38,285,910)</u>
Net change in fund balances	<u>\$ -</u>	<u>(9,534,356)</u>	<u>\$ (9,534,356)</u>
Fund Balance:			
Beginning of year - July 1		<u>26,116,306</u>	
End of year - June 30		<u>\$ 16,581,950</u>	

HENDERSON COUNTY, NORTH CAROLINA

SCHOOL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 456,629	\$ 1,103,491	\$ 646,862
Miscellaneous	-	176,732	176,732
Total	<u>456,629</u>	<u>1,280,223</u>	<u>823,594</u>
Expenditures:			
Capital outlay:			
General education	<u>29,214,512</u>	<u>8,861,083</u>	<u>20,353,429</u>
Total	<u>29,214,512</u>	<u>8,861,083</u>	<u>20,353,429</u>
Revenues under expenditures	<u>(28,757,883)</u>	<u>(7,580,860)</u>	<u>21,177,023</u>
Other Financing Sources (Uses):			
Installment financing issued	27,960,674	-	(27,960,674)
Transfers out:			
To General Fund	645,000	645,000	-
Appropriated fund balance	<u>152,209</u>	<u>-</u>	<u>(152,209)</u>
Total other financing sources (uses)	<u>28,757,883</u>	<u>645,000</u>	<u>(28,112,883)</u>
Net change in fund balances	<u>\$ -</u>	<u>(6,935,860)</u>	<u>\$ (6,935,860)</u>
Fund Balances:			
Beginning of year - July 1		<u>16,538,130</u>	
End of year - June 30		<u>\$ 9,602,270</u>	

Nonmajor Governmental Funds



Special Revenue Funds

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

Individual Fund Descriptions:

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

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

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

Crisis Housing Assistance Fund – accounts for a State grant fund for assisting families under the Hurricane Recovery Act of 2005.

Mills River Watershed Protection Fund – accounts for a federal grant and matching funds used to implement watershed management programs on the Mills River.

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

Sheriff E-911 Fund - accounts for the funds received for the operation of the County's Emergency 911 Communications program.

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

Emergency Watershed Protection Project Fund - accounts for federal and matching State grant funds for watershed protection projects to remove debris and repair damage to streams due to excessive flooding.

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, 2007

	Revaluation Reserve Fund	Travel and Tourism	CDBG - Scattered Site Housing	Crisis Housing Assistance Fund	Mills River Watershed Protection Fund
Assets:					
Cash and investments	\$ 10,099	\$ 178,191	\$ -	\$ -	\$ 4,672
Accounts receivable, net	-	90,228	24,776	2,066	-
Prepaid expenses	-	5,986	-	-	-
Total assets	<u>\$ 10,099</u>	<u>\$ 274,405</u>	<u>\$ 24,776</u>	<u>\$ 2,066</u>	<u>\$ 4,672</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 145	\$ 812	\$ 125	\$ -	\$ 42
Due to other funds	-	-	24,651	2,066	-
Total liabilities	<u>145</u>	<u>812</u>	<u>24,776</u>	<u>2,066</u>	<u>42</u>
Fund Balances:					
Reserved by State statute	-	90,228	-	-	-
Reserved for prepaids	-	5,986	-	-	-
Unreserved:					
Undesignated	9,954	177,379	-	-	4,630
Total fund balances	<u>9,954</u>	<u>273,593</u>	<u>-</u>	<u>-</u>	<u>4,630</u>
Total liabilities and fund balances	<u>\$ 10,099</u>	<u>\$ 274,405</u>	<u>\$ 24,776</u>	<u>\$ 2,066</u>	<u>\$ 4,672</u>

Schedule C-1

Mud Creek Watershed Restoration Fund	Sheriff E-911	Public Transit Fund	Emergency Watershed Protection Project	Capital Reserve Fund	Totals June 30, 2007	Debt Service Fund	Total Non-Major Governmental Funds
\$ 2,807	\$ 125,523	\$ -	\$ 68,311	\$ 1,337,195	\$ 1,726,798	\$ 916,647	\$ 2,643,445
16,978	46,487	92,873	-	-	273,408	-	273,408
-	-	-	-	-	5,986	-	5,986
<u>\$ 19,785</u>	<u>\$ 172,010</u>	<u>\$ 92,873</u>	<u>\$ 68,311</u>	<u>\$ 1,337,195</u>	<u>\$ 2,006,192</u>	<u>\$ 916,647</u>	<u>\$ 2,922,839</u>
\$ 6,179	\$ 3,464	\$ 43,423	1,001	\$ -	\$ 55,191	\$ -	\$ 55,191
-	-	18,143	-	-	44,860	-	44,860
<u>6,179</u>	<u>3,464</u>	<u>61,566</u>	<u>1,001</u>	<u>-</u>	<u>100,051</u>	<u>-</u>	<u>100,051</u>
16,978	46,487	-	-	-	153,693	-	153,693
-	-	-	-	-	5,986	-	5,986
(3,372)	122,059	31,307	67,310	1,337,195	1,746,462	916,647	2,669,095
<u>13,606</u>	<u>168,546</u>	<u>31,307</u>	<u>67,310</u>	<u>1,337,195</u>	<u>1,906,141</u>	<u>916,647</u>	<u>2,822,788</u>
<u>\$ 19,785</u>	<u>\$ 172,010</u>	<u>\$ 92,873</u>	<u>\$ 68,311</u>	<u>\$ 1,337,195</u>	<u>\$ 2,006,192</u>	<u>\$ 916,647</u>	<u>\$ 2,922,839</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	Revaluation Reserve Fund	Travel and Tourism	CDBG - Scattered Site Housing	Crisis Housing Assistance Fund	Mills River Watershed Protection Fund
Revenues:					
Other taxes and licenses	\$ -	\$ 765,692	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-	375,625	10,267	224,736
Sales and services	-	150,497	-	-	-
Investment earnings	2,456	10,057	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,456</u>	<u>926,246</u>	<u>375,625</u>	<u>10,267</u>	<u>224,736</u>
Expenditures:					
Current:					
General government	589,205	-	-	-	-
Public safety	-	-	-	-	-
Environmental protection	-	-	-	-	245,106
Economic and physical development	-	798,456	375,625	10,267	-
Total expenditures	<u>589,205</u>	<u>798,456</u>	<u>375,625</u>	<u>10,267</u>	<u>245,106</u>
Revenues over (under) expenditures	<u>(586,749)</u>	<u>127,790</u>	<u>-</u>	<u>-</u>	<u>(20,370)</u>
Other Financing Sources (Uses):					
Transfers from:					
General Fund	582,736	-	-	-	25,000
Transfers to:					
General Fund	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>582,736</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	<u>(4,013)</u>	<u>97,790</u>	<u>-</u>	<u>-</u>	<u>4,630</u>
Fund Balances:					
Beginning of year - July 1	<u>13,967</u>	<u>175,803</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year - June 30	<u>\$ 9,954</u>	<u>\$ 273,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,630</u>

Schedule C-2

Mud Creek Watershed Restoration Fund	Sheriff E-911	Public Transit Fund	Emergency Watershed Protection Project	Capital Reserve Fund	Totals June 30, 2007	Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 765,692	\$ -	\$ 765,692
65,903	-	345,207	57,750	-	1,079,488	-	1,079,488
-	-	-	-	-	150,497	-	150,497
-	6,678	-	-	-	19,191	39,034	58,225
-	545,902	-	-	1,337,195	1,883,097	-	1,883,097
<u>65,903</u>	<u>552,580</u>	<u>345,207</u>	<u>57,750</u>	<u>1,337,195</u>	<u>3,897,965</u>	<u>39,034</u>	<u>3,936,999</u>
-	-	-	-	-	589,205	-	589,205
-	544,038	-	-	-	544,038	-	544,038
54,649	-	-	17,371	-	317,126	-	317,126
-	-	377,900	-	-	1,562,248	-	1,562,248
<u>54,649</u>	<u>544,038</u>	<u>377,900</u>	<u>17,371</u>	<u>-</u>	<u>3,012,617</u>	<u>-</u>	<u>3,012,617</u>
<u>11,254</u>	<u>8,542</u>	<u>(32,693)</u>	<u>40,379</u>	<u>1,337,195</u>	<u>885,348</u>	<u>39,034</u>	<u>924,382</u>
-	-	64,000	-	-	671,736	164,363	836,099
-	-	-	-	-	(30,000)	-	(30,000)
-	-	64,000	-	-	641,736	164,363	806,099
11,254	8,542	31,307	40,379	1,337,195	1,527,084	203,397	1,730,481
<u>2,352</u>	<u>160,004</u>	<u>-</u>	<u>26,931</u>	<u>-</u>	<u>379,057</u>	<u>713,250</u>	<u>1,092,307</u>
<u>\$ 13,606</u>	<u>\$ 168,546</u>	<u>\$ 31,307</u>	<u>\$ 67,310</u>	<u>\$ 1,337,195</u>	<u>\$ 1,906,141</u>	<u>\$ 916,647</u>	<u>\$ 2,822,788</u>

HENDERSON COUNTY, NORTH CAROLINA

REVALUATION RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 2,456	\$ 2,456
Total revenues	-	2,456	2,456
Expenditures:			
Current:			
General government	727,711	589,205	138,506
Total expenditures	727,711	589,205	138,506
Revenues over (under) expenditures	(727,711)	(586,749)	140,962
Other Financing Sources (Uses):			
Transfers in:			
From General Fund	727,711	582,736	(144,975)
Total other financing sources (uses)	727,711	582,736	(144,975)
Net change in fund balance	\$ -	(4,013)	\$ (4,013)
Fund Balance:			
Beginning of year - July 1		13,967	
End of year - June 30		\$ 9,954	

HENDERSON COUNTY, NORTH CAROLINA**TRAVEL AND TOURISM FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ 697,000	\$ 765,692	\$ 68,692
Sales and services	130,000	150,497	20,497
Investment earnings	<u>2,000</u>	<u>10,057</u>	<u>8,057</u>
Total revenues	<u>829,000</u>	<u>926,246</u>	<u>97,246</u>
Expenditures:			
Current:			
Economic and physical development	<u>799,000</u>	<u>798,456</u>	<u>544</u>
Revenues over (under) expenditures	<u>30,000</u>	<u>127,790</u>	<u>97,790</u>
Other Financing Sources (Uses):			
Transfers out:			
To General Fund	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>97,790</u>	<u>\$ 97,790</u>
Fund Balance:			
Beginning of year - July 1		<u>175,803</u>	
End of year - June 30		<u>\$ 273,593</u>	

HENDERSON COUNTY, NORTH CAROLINA

CDBG - 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, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 9,131	\$ 375,625	\$ 384,756
Total revenues	<u>400,000</u>	<u>9,131</u>	<u>375,625</u>	<u>384,756</u>
Expenditures:				
Current:				
Economic and physical development	400,000	9,131	375,625	384,756
Total expenditures	<u>400,000</u>	<u>9,131</u>	<u>375,625</u>	<u>384,756</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

CRISIS HOUSING - ASSISTANCE PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 492,090	\$ 22,400	\$ 10,267	\$ 32,667
Total revenues	492,090	22,400	10,267	32,667
Expenditures:				
Current:				
Economic and physical development	492,090	22,400	10,267	32,667
Total expenditures	492,090	22,400	10,267	32,667
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

HENDERSON COUNTY, NORTH CAROLINA

MILLS RIVER WATERSHED PROTECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 230,034	\$ 224,736	\$ (5,298)
Total revenues	<u>230,034</u>	<u>224,736</u>	<u>(5,298)</u>
Expenditures:			
Current:			
Environmental protection	<u>255,034</u>	<u>245,106</u>	<u>9,928</u>
Total expenditures	<u>255,034</u>	<u>245,106</u>	<u>9,928</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(20,370)</u>	<u>4,630</u>
Other Financing Sources (Uses):			
Transfers in:			
From General Fund	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>4,630</u>	<u>\$ 4,630</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ 4,630</u>	

HENDERSON COUNTY, NORTH CAROLINA

MUD CREEK WATERSHED RESTORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 489,860	\$ 65,903	\$ (423,957)
Total revenues	<u>489,860</u>	<u>65,903</u>	<u>(423,957)</u>
Expenditures:			
Current:			
Environmental protection	<u>489,860</u>	<u>54,649</u>	<u>435,211</u>
Total expenditures	<u>489,860</u>	<u>54,649</u>	<u>435,211</u>
Net change in fund balance	<u>\$ -</u>	11,254	<u>\$ 11,254</u>
Fund Balance:			
Beginning of year - July 1		<u>2,352</u>	
End of year - June 30		<u>\$ 13,606</u>	

HENDERSON COUNTY, NORTH CAROLINA**SHERIFF E-911 FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 66,952	\$ 6,678	\$ (60,274)
Miscellaneous	<u>516,448</u>	<u>545,902</u>	<u>29,454</u>
Total revenues	<u>583,400</u>	<u>552,580</u>	<u>(30,820)</u>
Expenditures:			
Current:			
Public safety	<u>583,400</u>	<u>544,038</u>	<u>39,362</u>
Total expenditures	<u>583,400</u>	<u>544,038</u>	<u>39,362</u>
Net change in fund balance	<u>\$ -</u>	8,542	<u>\$ 8,542</u>
Fund Balance:			
Beginning of year - July 1		<u>160,004</u>	
End of year - June 30		<u>\$ 168,546</u>	

HENDERSON COUNTY, NORTH CAROLINA

PUBLIC TRANSIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 520,255	\$ -	\$ 345,207	\$ 345,207
Total revenues	520,255	-	345,207	345,207
Expenditures:				
Current:				
Economic and physical development	608,872	-	377,900	377,900
Total expenditures	608,872	-	377,900	377,900
Revenues over (under) expenditures	(88,617)	-	(32,693)	(32,693)
Other Financing Sources (Uses):				
Transfers in:				
General Fund	88,617	-	64,000	64,000
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ -	31,307	\$ 31,307
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ 31,307	

HENDERSON COUNTY, NORTH CAROLINA

EMERGENCY WATERSHED PROTECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 2,346,105	\$ 57,750	\$ (2,288,355)
Total revenues	<u>2,346,105</u>	<u>57,750</u>	<u>(2,288,355)</u>
Expenditures:			
Current:			
Environmental protection	<u>2,321,105</u>	<u>17,371</u>	<u>2,303,734</u>
Total expenditures	<u>2,321,105</u>	<u>17,371</u>	<u>2,303,734</u>
Other Financing Sources (Uses):			
Transfers in:			
From General Fund	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Net change in fund balance	<u>\$ -</u>	<u>40,379</u>	<u>\$ 40,379</u>
Fund Balance:			
Beginning of year - July 1		<u>26,931</u>	
End of year - June 30		<u>\$ 67,310</u>	

HENDERSON COUNTY, NORTH CAROLINA

CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Sale of assets	\$ 1,337,195	\$ 1,337,195	\$ -
Total revenues	<u>1,337,195</u>	<u>1,337,195</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,337,195</u>	<u>1,337,195</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ 1,337,195</u>	



Debt Service Fund

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



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, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 39,034	\$ 39,034
Total revenues	-	39,034	39,034
Expenditures:			
Current:			
General education	164,363	-	164,363
Revenues over (under) expenditures	(164,363)	39,034	203,397
Other Financing Sources (Uses):			
Transfers in:			
From General Fund	164,363	164,363	-
Total other financing sources (uses)	164,363	164,363	-
Net change in fund balance	\$ -	203,397	\$ 203,397
Fund Balance:			
Beginning of year - July 1		713,250	
End of year - June 30		\$ 916,647	



Enterprise Fund

The Enterprise Fund is used to account for solid waste collection and disposal operations in Henderson County that are financed through solid waste fees and operating transfers from the General Fund.



HENDERSON COUNTY, NORTH CAROLINA**LANDFILL FUND****SCHEDULE OF REVENUES AND EXPENDITURES****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 4,267,000	\$ 5,023,856	\$ 756,856
Nonoperating revenues:			
Interest income	<u>80,000</u>	<u>135,719</u>	<u>55,719</u>
Total revenues	<u>4,347,000</u>	<u>5,159,575</u>	<u>812,575</u>
Expenditures:			
Salaries and employee benefits	789,470	682,494	-
Other operating expenditures	3,377,525	3,288,693	-
Capital outlay	<u>1,902,555</u>	<u>1,662,384</u>	<u>-</u>
Total expenditures	<u>6,069,550</u>	<u>5,633,571</u>	<u>435,979</u>
Revenue over (under) expenditures	<u>(1,722,550)</u>	<u>(473,996)</u>	<u>376,596</u>
Other Financing Sources (Uses):			
Transfers in:			
From Sewer Fund	50,000	50,000	-
Appropriated retained earnings	<u>1,672,550</u>	<u>-</u>	<u>(1,672,550)</u>
Total other financing sources (uses)	<u>1,722,550</u>	<u>50,000</u>	<u>(1,672,550)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(423,996)</u>	<u>\$ (423,996)</u>
Reconciliation of modified accrual basis to full accrual basis:			
Reconciling items:			
Increase in accrued vacation pay		(7,538)	
Capital outlay		1,662,384	
Depreciation		<u>(86,778)</u>	
Total reconciling items		<u>1,568,068</u>	
Change in net assets		<u>\$ 1,144,072</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 2,853,803	\$ 993,847	\$ (1,859,956)
Nonoperating revenues:			
Trust and grants	-	301,252	-
Interest income	-	198,981	-
Total revenues	<u>2,853,803</u>	<u>1,494,080</u>	<u>(1,359,723)</u>
Expenditures:			
Water and sewer administration:			
Operating expenditures	2,456,386	291,576	-
Capital outlay	<u>77,029</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,533,415</u>	<u>291,576</u>	<u>2,241,839</u>
Debt service:			
Interest paid	58,900	87,608	-
Principal retirement	<u>-</u>	<u>158,900</u>	<u>-</u>
Total debt service	<u>58,900</u>	<u>246,508</u>	<u>(187,608)</u>
Revenues over (under) expenditures	<u>261,488</u>	<u>955,996</u>	<u>(3,413,954)</u>
Other Financing Sources (Uses):			
Proceeds from long-term debt issued:			
Transfers out:			
To Landfill Fund	50,000	50,000	-
To General Fund	<u>211,488</u>	<u>211,488</u>	<u>-</u>
Total other financing sources (uses)	<u>261,488</u>	<u>261,488</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>694,508</u>	<u>\$ 694,508</u>
Reconciliation of modified accrual basis to full accrual basis:			
Reconciling items:			
Capital Contribution		2,261,002	
(Increase) in accrued vacation pay		(1,858)	
Payment of debt principal		158,900	
Depreciation		<u>(276,961)</u>	
Total reconciling items		<u>2,141,083</u>	
Change in net assets		<u>\$ 2,835,591</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 43,467	\$ 77,000	\$ 33,533
Nonoperating revenues:			
Interest income	-	20,820	20,820
Total revenues	<u>43,467</u>	<u>97,820</u>	<u>54,353</u>
Expenditures:			
Water and sewer administration:			
Operating expenditures	39,467	20,892	18,575
Capital outlay	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total expenditures	<u>43,467</u>	<u>20,892</u>	<u>22,575</u>
Revenues over (under) expenditures	<u>\$ -</u>	76,928	<u>\$ 76,928</u>
Reconciliation of modified accrual basis to full accrual basis:			
Reconciling items:			
Depreciation		<u>(10,924)</u>	
Change in net assets		<u>\$ 66,004</u>	



Agency Funds

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

Individual Fund Descriptions:

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

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

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

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

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

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

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

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



HENDERSON COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ <u>33,508</u>	\$ <u>149,818</u>	\$ <u>166,221</u>	\$ <u>17,105</u>
Liabilities:				
Accounts payable	\$ <u>33,508</u>	\$ <u>149,818</u>	\$ <u>166,221</u>	\$ <u>17,105</u>
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ <u>15,228</u>	\$ <u>20,670</u>	\$ <u>18,578</u>	\$ <u>17,320</u>
Liabilities:				
Intergovernmental payable	\$ <u>15,228</u>	\$ <u>20,670</u>	\$ <u>18,578</u>	\$ <u>17,320</u>
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ <u>20,243</u>	\$ <u>278,408</u>	\$ <u>285,844</u>	\$ <u>12,807</u>
Liabilities:				
Intergovernmental payable	\$ <u>20,243</u>	\$ <u>278,408</u>	\$ <u>285,844</u>	\$ <u>12,807</u>
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ <u>88,423</u>	\$ <u>114,382</u>	\$ <u>95,962</u>	\$ <u>106,843</u>
Liabilities:				
Intergovernmental payable	\$ <u>88,423</u>	\$ <u>114,382</u>	\$ <u>95,962</u>	\$ <u>106,843</u>
Recreation Sponsorship Fund:				
Assets:				
Cash and cash equivalents	\$ <u>28,396</u>	\$ <u>8,800</u>	\$ <u>-</u>	\$ <u>37,196</u>
Liabilities:				
Intergovernmental payable	\$ <u>28,396</u>	\$ <u>8,800</u>	\$ <u>-</u>	\$ <u>37,196</u>

HENDERSON COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ <u>52,117</u>	\$ <u>783,566</u>	\$ <u>402,963</u>	\$ <u>432,720</u>
Liabilities:				
Intergovernmental payable	\$ <u>52,117</u>	\$ <u>783,566</u>	\$ <u>402,963</u>	\$ <u>432,720</u>
School Fines & Forfeitures Fund				
Assets:				
Cash and cash equivalents	\$ <u>-</u>	\$ <u>764,853</u>	\$ <u>764,853</u>	\$ <u>-</u>
Liabilities:				
Intergovernmental payable	\$ <u>-</u>	\$ <u>764,853</u>	\$ <u>764,853</u>	\$ <u>-</u>
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ <u>85,720</u>	\$ <u>313,871</u>	\$ <u>209,673</u>	\$ <u>189,918</u>
Liabilities:				
Intergovernmental payable	\$ <u>85,720</u>	\$ <u>313,871</u>	\$ <u>209,673</u>	\$ <u>189,918</u>
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ <u>323,635</u>	\$ <u>2,434,368</u>	\$ <u>1,944,094</u>	\$ <u>813,909</u>
Liabilities:				
Intergovernmental payable	\$ <u>323,635</u>	\$ <u>2,434,368</u>	\$ <u>1,944,094</u>	\$ <u>813,909</u>
Total liabilities	\$ <u>323,635</u>	\$ <u>2,434,368</u>	\$ <u>1,944,094</u>	\$ <u>813,909</u>

Additional Financial Data

This section contains additional information on taxes receivable, and the tax levy as of June 30, 2007.



HENDERSON COUNTY, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

Fiscal Year	Uncollected Balance June 30, 2006	Additions	Collections and Credits	Uncollected Balance June 30, 2007
2006-2007	\$ -	\$ 54,339,343	\$ 52,721,515	\$ 1,617,828
2005-2006	1,376,180	-	951,571	424,609
2004-2005	349,777	-	121,781	227,996
2003-2004	289,666	-	41,834	247,832
2002-2003	232,417	-	12,213	220,204
2001-2002	180,023	-	6,988	173,035
2000-2001	185,585	-	5,460	180,125
1999-2000	179,777	-	5,751	174,026
1998-1999	178,803	-	4,088	174,715
1997-1998	129,501	-	3,016	126,485
1996-1997	128,547	-	128,547	-
Totals	\$ 3,230,276	\$ 54,339,343	\$ 54,002,764	3,566,855

Less: allowance for uncollectible accounts: General Fund (1,616,400)

Ad valorem taxes receivable net: General Fund \$ 1,950,455

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 53,435,343

Reconciling items:

Penalties, interest and advertising (404,334)

Tax refunds 848,575

Taxes written off and other 123,180

Total collections and credits \$ 54,002,764

HENDERSON COUNTY, NORTH CAROLINA
**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2007**

	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	\$9,407,238,584	0.565	\$ 53,150,898	\$ 49,629,781	\$ 3,521,117
Motor vehicles taxed at prior year's rate	276,262,913	0.515	1,422,754	-	1,422,754
Penalties	-		123,352	123,352	-
Total	9,683,501,497		54,697,004	49,753,133	4,943,871
Discoveries:					
Current year taxes	70,909,558	0.57	400,639	400,639	-
Prior year taxes	7,523,869		37,483	37,483	-
Penalties	-		52,792	52,792	-
Abatements	(150,190,265)		(848,575)	(738,089)	(110,486)
Total property valuation	<u>\$9,611,744,659</u>				
Net Levy			54,339,343	49,505,958	4,833,385
Uncollected taxes at June 30, 2007			1,617,828	1,001,411	616,417
Current Year's Taxes Collected			<u>\$ 52,721,515</u>	<u>\$ 48,504,547</u>	<u>\$ 4,216,968</u>
Current Levy Collection Percentage			<u>97.02%</u>	<u>97.98%</u>	<u>87.25%</u>

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2007**Secondary Market Disclosures:

Assessed Valuation:

Assessment ratio (1)	83.83%
Real Property	\$ 7,696,046,194
Personal Property	1,722,357,586
Public Service Companies (2)	<u>193,340,879</u>
Total Assessed Valuation	<u>\$ 9,611,744,659</u>
Tax Rate per \$100	0.565
Levy (includes discoveries, releases and abatements) (3)	\$ 54,339,343

In addition to the County-wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the fiscal year ended June 30, 2007.

Fire Protection Districts	<u>5,091,835</u>
Total	<u>\$ 59,431,178</u>

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

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

(3) The levy includes interest and penalties

HENDERSON COUNTY, NORTH CAROLINA

DISCRETELY PRESENTED COMPONENT UNIT
- HENDERSON COUNTY HOSPITAL CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES
- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 119,383,111	\$ 120,859,318	\$ 1,476,207
Non-operating revenues:			
Interest income	630,000	1,207,895	577,895
Miscellaneous income (expense)	(892,500)	(460,426)	432,074
Total revenues	<u>119,120,611</u>	<u>121,606,787</u>	<u>2,486,176</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	63,012,324	63,025,722	(13,398)
Operating expenditures	45,595,835	46,323,089	(727,254)
Depreciation and amortization	11,722,820	11,439,685	(283,135)
Total expenditures	<u>120,330,979</u>	<u>120,788,496</u>	<u>(1,023,787)</u>
Revenues over (under) expenditures	<u>(1,210,368)</u>	<u>818,291</u>	<u>3,509,963</u>
Individuals and others	551,018	1,217,790	666,772
Capital contributions	-	16,656	16,656
Net change in fund balance	<u>\$ (659,350)</u>	<u>\$ 2,052,737</u>	<u>\$ 4,193,391</u>

Statistical Section

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

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



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

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 25,124,892	\$ 25,056,708	\$ 15,631,980	\$ 17,886,041	\$ 25,994,918
Restricted	129,243	111,956	160,729	248,699	318,524
Unrestricted	<u>(29,093,325)</u>	<u>(26,291,897)</u>	<u>(10,545,164)</u>	<u>(13,350,654)</u>	<u>(12,992,312)</u>
Total governmental activities net assets	<u>\$ (3,839,190)</u>	<u>\$ (1,123,233)</u>	<u>\$ 5,247,545</u>	<u>\$ 4,784,086</u>	<u>\$ 13,321,130</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 5,955,335	\$ 8,037,206	\$ 9,435,656	\$ 10,125,836	\$ 13,452,142
Unrestricted	<u>3,653,211</u>	<u>3,019,111</u>	<u>2,283,998</u>	<u>3,640,005</u>	<u>4,359,366</u>
Total business-type activities	<u>\$ 9,608,546</u>	<u>\$ 11,056,317</u>	<u>\$ 11,719,654</u>	<u>\$ 13,765,841</u>	<u>\$ 17,811,508</u>
Primary government					
Invested in capital assets, net of related debt	\$ 31,080,227	\$ 33,093,914	\$ 25,067,636	\$ 28,011,877	\$ 39,447,060
Restricted	129,243	111,956	160,729	248,699	318,524
Unrestricted	<u>(25,440,114)</u>	<u>(23,272,786)</u>	<u>(8,261,166)</u>	<u>(9,710,649)</u>	<u>(8,632,946)</u>
Total primary government net assets	<u>\$ 5,769,356</u>	<u>\$ 9,933,084</u>	<u>\$ 16,967,199</u>	<u>\$ 18,549,927</u>	<u>\$ 31,132,638</u>

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented. The decrease in capital assets net of related debt from FY2004 to FY2005 is due to the issuance of \$25.8 million in new debt in May of 2005. The significant increase in total net assets between FY2006 and FY2007 is primarily due to the investment in capital assets net of any related debt.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 8,037,910	\$ 9,636,247	\$ 11,407,380	\$ 20,754,875	\$ 29,572,399
Public safety	19,846,152	20,081,366	23,487,233	23,870,516	23,161,801
Environmental protection	251,016	368,585	744,817	2,777,434	745,597
Economic and physical development	3,217,786	3,333,981	3,187,593	2,931,244	3,303,513
Human services	22,642,819	23,675,869	25,940,590	28,050,637	31,597,865
Cultural and recreation	2,949,193	3,075,883	3,452,018	3,730,608	2,709,515
Education	26,631,432	23,063,272	19,615,543	20,418,061	15,217,354
Interest on long term debt	2,719,494	2,442,078	1,746,726	2,705,438	4,804,820
Total governmental activities	<u>86,295,802</u>	<u>85,677,281</u>	<u>89,581,900</u>	<u>105,238,813</u>	<u>111,112,864</u>
Business-type activities:					
Landfill	2,950,143	3,438,021	3,691,541	3,976,161	4,065,503
Cane Creek water and sewer	1,353,596	1,370,401	393,788	475,168	658,003
Other business-type activities	37,774	29,892	27,937	35,548	31,816
Total business-type activities	<u>4,341,513</u>	<u>4,838,314</u>	<u>4,113,266</u>	<u>4,486,877</u>	<u>4,755,322</u>
Total primary government expenses	<u>\$ 90,637,315</u>	<u>\$ 90,515,595</u>	<u>\$ 93,695,166</u>	<u>\$ 109,725,690</u>	<u>\$ 115,868,186</u>
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 1,157,071	\$ 2,709,280	\$ 721,329	\$ 1,368,663	\$ 663,299
Public safety	6,965,596	2,659,675	756,144	3,555,211	5,001,265
Economic and physical development	52,698	1,861	1,442,614	2,322,570	1,604,882
Environmental protection	546,555	234,235	2,750,650	2,210,820	2,450,968
Human services	374,746	171,093	173,873	296,506	278,988
Operating grants and contributions:					
General government	161,298	296,007	151,052	155,176	388,567
Public safety	979,183	822,301	857,396	528,181	1,000,900
Environmental protection	182,705	671,865	41,428	238,089	740,691
Economic and physical development	162,411	965,442	1,030,417	2,299,781	11,033,462
Human services	11,665,324	10,851,065	13,845,185	13,415,019	14,571,769
Cultural and recreation	767,775	257,747	302,857	275,240	272,054
Capital grants and contributions:					
General government	-	-	-	8,820	-
Cultural and recreation	-	-	-	49,600	-
Education	-	-	52,470	615,000	-
Total governmental activities					
program revenues	<u>23,015,362</u>	<u>19,640,571</u>	<u>22,125,415</u>	<u>27,338,676</u>	<u>38,006,845</u>
Business-type activities:					
Charges for services	5,065,553	5,913,784	5,126,857	5,468,857	5,897,199
Operating grants and contributions	195,388	232,124	1,108,124	961,565	498,756
Capital grants and contributions	353,220	266,112	140,870	130,383	2,261,002
Total business-type activities					
program revenues	<u>5,614,161</u>	<u>6,412,020</u>	<u>6,375,851</u>	<u>6,560,805</u>	<u>8,656,957</u>
Total primary government					
program revenues	<u>\$ 28,629,523</u>	<u>\$ 26,052,591</u>	<u>\$ 28,501,266</u>	<u>\$ 33,899,481</u>	<u>\$ 46,663,802</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (Expense)/Revenue					
Governmental activities	\$ (63,280,440)	\$ (66,036,710)	\$ (67,456,485)	\$ (77,900,137)	\$ (73,106,019)
Business-type activities	<u>1,272,648</u>	<u>1,573,706</u>	<u>2,262,585</u>	<u>6,525,257</u>	<u>8,625,141</u>
Total primary government net (expense)/revenue	<u>\$ (62,007,792)</u>	<u>\$ (64,463,004)</u>	<u>\$ (65,193,900)</u>	<u>\$ (71,374,880)</u>	<u>\$ (64,480,878)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 37,968,150	\$ 46,232,977	\$ 47,851,376	\$ 51,743,823	\$ 58,929,080
Local option sales tax	14,836,112	18,851,961	19,730,435	20,540,587	23,920,538
Other taxes and licenses	1,377,161	1,876,023	2,210,814	2,892,255	2,965,246
Grants and contributions not restricted	1,250	35,133	27,039	27,469	27,349
Investment earnings	338,410	147,447	750,138	1,463,391	3,602,951
Miscellaneous	414,447	1,448,034	1,601,486	524,079	1,368,999
Transfers	<u>112,718</u>	<u>161,092</u>	<u>1,655,975</u>	<u>245,075</u>	<u>211,488</u>
Total governmental activities:	<u>55,048,248</u>	<u>68,752,667</u>	<u>73,827,263</u>	<u>77,436,679</u>	<u>91,025,651</u>
Business-type activities:					
Investment earnings	58,564	31,948	50,903	217,882	355,520
Miscellaneous	851	3,209	5,824	-	-
Transfers	<u>(112,718)</u>	<u>(161,092)</u>	<u>(1,655,975)</u>	<u>(245,075)</u>	<u>(211,488)</u>
Total business-type activities	<u>(53,303)</u>	<u>(125,935)</u>	<u>(1,599,248)</u>	<u>(27,193)</u>	<u>144,032</u>
Total primary government	<u>\$ 54,994,945</u>	<u>\$ 68,626,732</u>	<u>\$ 72,228,015</u>	<u>\$ 77,409,486</u>	<u>\$ 91,169,683</u>
Change in Net Assets					
Governmental activities	\$ (8,232,192)	\$ 2,715,957	\$ 6,370,778	\$ (463,459)	\$ 8,537,044
Business-type activities	<u>1,219,345</u>	<u>1,447,771</u>	<u>663,337</u>	<u>2,046,187</u>	<u>4,045,667</u>
Total primary government	<u>\$ (7,012,847)</u>	<u>\$ 4,163,728</u>	<u>\$ 7,034,115</u>	<u>\$ 1,582,728</u>	<u>\$ 12,582,711</u>

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

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

	Fiscal Year			
	1998	1999	2000	2001
General Fund				
Reserved for:				
State statute	\$ 8,585,795	\$ 6,566,497	\$ 7,013,754	\$ 5,434,612
Inventories	16,990	21,977	16,267	13,272
Prepaid items	-	-	30,800	29,950
Future register of deeds technology enhancements	-	-	-	-
Total reserved	8,602,785	6,588,474	7,060,821	5,477,834
Unreserved				
Designated for subsequent year's expenditures	-	-	-	780,000
Drug enforcement	-	-	-	-
Undesignated	2,697,755	5,880,032	6,673,143	8,333,421
Total General Fund	\$ 11,300,540	\$ 12,468,506	\$ 13,733,964	\$ 14,591,255
All Other Governmental Funds				
Reserved for:				
State statute	\$ 33,557	\$ 86,962	\$ 176,275	\$ 203,242
Prepaid items	-	-	-	-
Unreserved:				
Undesignated/(deficit):				
All other special revenue funds and debt service fund	(1,172,177)	18,016	1,213,075	2,090,881
Designated for Capital Projects Fund	3,589	-	12,081,287	14,543,896
Total all other governmental funds	\$ (1,135,031)	\$ 104,978	\$ 13,470,637	\$ 16,838,019

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 4,952,611	\$ 4,809,834	\$ 7,118,014	\$ 6,085,013	\$ 7,542,377	\$ 8,972,465
17,904	16,191	11,649	18,295	14,998	16,333
47,545	46,190	46,310	67,145	56,110	53,335
38,384	129,243	111,956	160,729	248,699	318,524
5,056,444	5,001,458	7,287,929	6,331,182	7,862,184	9,360,657
709,882	486,606	400,000	-	515,000	1,841,778
-	-	-	-	-	99,126
9,079,518	7,121,581	7,284,036	9,932,388	12,902,473	15,381,495
\$ 14,845,844	\$ 12,609,645	\$ 14,971,965	\$ 16,263,570	\$ 21,279,657	\$ 26,683,056
\$ 110,951	\$ 78,814	\$ 64,047	\$ 159,701	\$ 401,060	\$ 153,693
-	-	-	-	-	5,986
1,201,339	363,424	590,310	781,540	942,744	2,663,109
12,568,693	3,985,305	660,117	23,357,918	42,402,936	26,184,220
\$ 13,880,983	\$ 4,427,543	\$ 1,314,474	\$ 24,299,159	\$ 43,746,740	\$ 29,007,008

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

	Fiscal Year				
	1998	1999	2000	2001	2002
Revenues					
Taxes:					
Property	\$ 30,741,355	\$ 34,074,822	\$ 36,782,190	\$ 38,768,924	\$ 41,249,794
Sales	12,013,048	12,601,801	13,631,076	14,090,618	14,716,365
Other	848,202	1,441,833	1,443,615	1,470,718	1,520,027
Total taxes	43,602,605	48,118,456	51,856,881	54,330,260	57,486,186
Intergovernmental	11,429,409	20,525,385	16,708,073	13,804,992	15,198,997
Permits and Fees	1,042,797	1,108,843	1,146,335	1,505,143	1,543,488
Sales and Services	3,109,039	2,731,214	2,545,073	3,084,165	3,542,269
Investment Earnings	343,794	376,994	1,070,633	1,662,326	622,764
Miscellaneous	1,799,618	1,055,270	926,138	817,928	939,081
Total Revenues	61,327,262	73,916,162	74,253,133	75,204,814	79,332,785
Expenditures					
General Government	5,450,207	6,042,236	6,280,986	6,898,418	6,909,525
Public Safety	14,647,400	14,000,715	14,913,621	16,415,826	18,364,897
Environmental Protection	346,070	174,308	181,201	229,879	231,064
Economic Development	2,114,978	3,556,130	2,111,060	2,547,010	2,298,912
Human Services	14,510,485	16,271,536	18,077,620	19,975,574	21,023,485
Culture and Recreation	2,521,258	2,876,745	2,419,121	2,681,466	2,720,848
Education	13,677,293	14,884,907	16,113,222	16,840,663	18,438,926
Capital Outlay	2,791,532	10,152,477	9,994,226	19,304,291	17,710,331
Debt Service:					
Principal	3,162,341	3,353,541	3,789,040	3,432,490	4,123,986
Interest	1,685,667	1,268,735	1,248,471	1,722,206	2,462,018
Total Expenditures	60,907,231	72,581,330	75,128,568	90,047,823	94,283,992
Excess of revenues over (under) expenditures	420,031	1,334,832	(875,435)	(14,843,009)	(14,951,207)
Other Financing Sources (Uses)					
Transfers in	7,376,121	2,573,597	3,671,327	1,797,338	2,530,116
Transfers out	(7,194,123)	(2,931,933)	(4,123,915)	(1,666,662)	(3,385,988)
Proceeds from certificates of participation	-	-	9,065,000	16,290,000	-
Bond Proceeds	-	18,570,000	-	-	-
Refunding bonds issued	-	(18,476,142)	-	-	-
Sale of capital assets	-	-	-	-	1,000,000
Proceeds from installment note	-	-	6,899,850	2,650,000	12,100,000
Total other financing sources (uses)	181,998	(264,478)	15,512,262	19,070,676	12,244,128
Net change in fund balances	\$ 602,029	\$ 1,070,354	\$ 14,636,827	\$ 4,227,667	\$ (2,707,079)
Debt service as a percentage of noncapital expenditures	8.34%	7.40%	7.73%	7.29%	8.60%

Fiscal Year				
2003	2004	2005	2006	2007
\$ 42,631,095	\$ 46,232,977	\$ 47,851,376	\$ 52,074,680	\$ 58,637,892
14,836,112	18,851,961	19,730,435	20,540,587	22,661,455
1,608,439	1,876,023	2,210,814	2,892,255	2,752,039
<u>59,075,646</u>	<u>66,960,961</u>	<u>69,792,625</u>	<u>75,507,522</u>	<u>84,051,386</u>
12,052,413	13,899,560	16,307,844	18,472,353	18,113,945
1,819,856	1,810,064	1,945,291	2,081,006	2,295,267
3,773,924	3,966,080	3,899,319	5,909,591	7,500,403
339,493	147,743	558,999	1,463,391	3,602,951
948,094	1,448,034	1,566,357	2,945,274	3,925,450
<u>78,009,426</u>	<u>88,232,442</u>	<u>94,070,435</u>	<u>106,379,137</u>	<u>119,489,402</u>
8,114,877	8,710,370	9,569,567	10,166,052	11,479,942
14,392,284	15,629,184	22,169,007	23,090,778	23,989,110
251,016	368,585	744,817	2,777,434	725,323
2,378,287	2,799,098	3,250,597	2,901,890	3,235,715
22,581,034	23,452,151	25,769,902	27,968,583	31,276,781
2,841,095	3,047,538	3,308,167	3,529,766	3,561,998
18,393,390	19,191,870	19,770,627	20,418,061	22,038,249
13,379,967	9,211,337	6,069,945	24,539,541	23,222,119
4,873,216	4,498,477	4,888,061	5,587,776	7,680,164
2,691,125	2,442,078	1,746,726	2,808,404	4,702,820
<u>89,896,291</u>	<u>89,350,688</u>	<u>97,287,416</u>	<u>123,788,285</u>	<u>131,912,221</u>
<u>(11,886,865)</u>	<u>(1,118,246)</u>	<u>(3,216,981)</u>	<u>(17,409,148)</u>	<u>(12,422,819)</u>
3,339,914	1,946,650	3,742,448	1,060,357	1,077,587
(3,142,688)	(1,785,558)	(2,086,473)	(797,541)	(866,099)
-	-	25,837,296	41,610,000	-
-	205,949	-	-	-
-	-	-	-	-
-	5,000	-	-	-
-	-	-	-	2,875,000
<u>197,226</u>	<u>372,041</u>	<u>27,493,271</u>	<u>41,872,816</u>	<u>3,086,488</u>
\$ <u>(11,689,639)</u>	\$ <u>(746,205)</u>	\$ <u>24,276,290</u>	\$ <u>24,463,668</u>	\$ <u>(9,336,331)</u>
8.48%	7.80%	7.10%	7.57%	10.68%

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

Fiscal Year	Real Property			Present-use Value (1)	Personal Property
	Residential Property	Commercial Property	Industrial Property		
1998	\$ 3,436,036,970	\$ 311,200,500	\$ *	\$ 78,666,600	\$ 997,952,779
1999	3,342,220,520	542,463,690	*	86,555,500	1,136,804,150
2000	4,123,166,820	939,191,400	*	95,958,510	1,280,253,281
2001	4,155,601,400	1,125,136,100	*	96,471,000	1,340,312,075
2002	4,312,158,328	956,913,679	199,250,268	102,544,235	1,468,210,940
2003	4,866,476,349	827,146,680	168,707,200	135,732,300	1,347,359,271
2004	5,938,575,453	984,707,640	186,990,000	175,533,400	1,304,635,023
2005	6,116,732,717	1,042,055,875	*	175,077,500	1,373,596,646
2006	6,300,234,699	1,103,108,886	*	176,733,520	1,406,919,730
2007 (5)	6,202,171,841	1,201,065,700	177,020,530	115,788,123	1,722,357,586

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 are a lien on the property and are 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 State 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, 2007 and was the basis for FY2008 taxes.
- * Indicates valuation was included in Commercial Property Valuation

<u>Public Service Companies (2)</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate (3)</u>	<u>Estimated Actual Taxable Value (4)</u>
\$ 154,463,151	\$ 4,978,320,000	\$ 0.545	\$ 5,873,430,864
157,856,140	5,265,900,000	0.585	5,265,900,000
161,639,387	6,600,209,398	0.500	6,878,083,991
162,610,825	6,880,131,400	0.500	7,778,554,438
167,366,750	7,206,444,200	0.500	8,391,295,063
162,593,200	7,508,015,000	0.500	7,548,019,503
160,976,534	8,751,418,050	0.475	9,470,206,742
161,003,632	8,868,466,370	0.475	10,257,305,540
168,808,340	9,155,805,175	0.515	10,921,871,854
193,340,879	9,611,744,659	0.565	11,465,757,675

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

	Fiscal Year					
	1998	1999	2000	2001	2002	2003
Henderson County	\$ 0.545	\$ 0.585	\$ 0.500	\$ 0.500	\$ 0.500	\$ 0.500
<u>Municipality Rates:</u>						
Hendersonville	0.550	0.550	0.450	0.450	0.450	0.450
Laurel Park	0.360	0.360	0.310	0.310	0.310	0.310
Fletcher	0.250	0.250	0.250	0.250	0.250	0.270
Mills River	0.000	0.000	0.000	0.000	0.000	0.075
Flat Rock	0.000	0.000	0.000	0.000	0.000	0.000
Saluda	0.450	0.450	0.520	0.520	0.500	0.500
Downtown - Main Street	0.250	0.250	0.250	0.250	0.300	0.300
Downtown - Seventh Ave.	-	0.100	0.100	0.100	0.100	0.100
<u>Fire Districts:</u>						
Bat Cave	0.090	0.090	0.080	0.080	0.090	0.090
Blue Ridge	0.090	0.090	0.080	0.090	0.090	0.090
Dana	0.090	0.090	0.075	0.100	0.100	0.100
Edneyville	0.090	0.100	0.090	0.095	0.095	0.095
Etowah-Horse Shoe	0.070	0.070	0.073	0.073	0.073	0.080
Fletcher	0.085	0.085	0.080	0.105	0.095	0.095
Gerton	0.120	0.120	0.120	0.120	0.120	0.120
Green River	0.080	0.080	0.065	0.070	0.085	0.085
Mills River	0.070	0.070	0.060	0.065	0.065	0.065
Mountain Home	0.075	0.090	0.085	0.085	0.095	0.095
Saluda	0.070	0.070	0.070	0.070	0.090	0.090
Valley Hill	0.080	0.080	0.070	0.080	0.090	0.090
Valley Hill II	0.080	0.080	0.060	0.060	0.080	0.080

Source: Henderson County Tax Collector

Fiscal Year			
2004	2005	2006	2007
\$ 0.475	\$ 0.475	\$ 0.515	\$ 0.565

0.430	0.430	0.043	0.043
0.300	0.310	0.310	0.335
0.250	0.270	0.270	0.220
0.070	0.075	0.075	0.075
0.000	0.000	0.085	0.085
0.500	0.500	0.500	0.540
0.300	0.300	0.300	0.300
0.100	0.100	0.100	0.100

0.090	0.090	0.090	0.090
0.080	0.095	0.095	0.095
0.090	0.090	0.090	0.100
0.090	0.090	0.093	0.095
0.075	0.075	0.085	0.085
0.095	0.095	0.095	0.095
0.120	0.115	0.115	0.115
0.075	0.075	0.075	0.075
0.060	0.065	0.065	0.065
0.095	0.105	0.105	0.105
0.090	0.090	0.090	0.090
0.080	0.080	0.080	0.080
0.080	0.080	0.080	0.080

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

Taxpayer	Type of Business	Fiscal Year 2007		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy	Electric utility	\$ 109,781,640	1	1.14%
Meritor Heavy Vehicle Systems	Truck axles	90,085,943	2	0.94%
Continental Teves, Inc.	Automobile brake systems	76,165,750	3	0.79%
UPM Raflatac, Inc.	Paper products	76,121,219	4	0.79%
Berkley Mills	Textiles	62,947,566	5	0.65%
BellSouth	Telephone utility	37,796,194	6	0.39%
General Electric Lighting Systems	Lighting systems	34,381,017	7	0.36%
Public Service Company of NC	Natural gas utility	27,390,778	8	0.28%
Wilsonart International, Inc.	Laminate products	23,345,585	9	0.24%
Borg-Warner Automotive Cooling	Automobile cooling systems	20,380,293	10	0.21%
Totals		\$ <u>558,395,985</u>		5.81%

Source: Henderson County Tax Collector

Fiscal Year 1998

<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
\$ 79,240,734	2	1.59%
98,375,596	1	1.98%
55,159,083	3	1.11%
47,980,000	4	0.96%
44,889,358	5	0.90%
22,593,945	8	0.45%
24,922,018	7	0.50%
\$ <u>373,160,734</u>		7.50%

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years				
					Amount	Percentage of Original Levy					
1998	\$	27,665,000	\$	(155,740)	\$	27,509,260	\$	27,151,000	98.70%	\$	231,775
1999		30,856,156		(35,782)		30,820,374		29,816,129	96.74%		829,530
2000		33,244,364		(71,691)		33,172,673		31,937,101	96.28%		1,061,546
2001		34,612,864		(138,710)		34,474,154		33,234,919	96.41%		1,059,110
2002		36,307,004		(222,388)		36,084,616		34,972,030	96.92%		939,551
2003		37,683,586		(89,150)		37,594,436		36,389,317	96.79%		984,915
2004		41,378,068		210,365		41,588,433		40,302,593	96.91%		1,038,008
2005		42,241,452		51,043		42,292,495		41,166,934	97.34%		897,565
2006		46,981,907		229,493		47,211,400		45,835,220	97.09%		951,571
2007		54,697,004		(357,661)		54,339,343		52,721,515	97.02%		-

Source: Henderson County Tax Collector

<u>Total Collections to Date</u>		
<u>Amount</u>	<u>Percentage of Adjusted Levy</u>	<u>Uncollected</u>
\$ 27,382,775	99.54%	\$ 126,485
30,645,659	99.43%	174,715
32,998,647	99.48%	174,026
34,294,029	99.48%	180,125
35,911,581	99.52%	173,035
37,374,232	99.41%	220,204
41,340,601	99.40%	247,832
42,064,499	99.46%	227,996
46,786,791	99.10%	424,609
52,721,515	97.02%	1,617,828
		<u>\$ 3,566,855</u>

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

Fiscal Year	Governmental Activities				Business-Type Activities	
	General Obligation Bonds	Certificates of Participation	Installment Loans	Other	General Obligation Bonds	Installment Loans
1998	\$ 21,765,000	\$ -	\$ 3,346,547	\$ 1,669,526	\$ 1,387,000	\$ 113,961
1999	21,115,000	-	2,051,871	1,803,453	1,365,000	69,941
2000	19,015,000	8,610,000	7,645,121	1,613,133	1,342,000	23,851
2001	16,895,000	24,445,000	9,441,189	1,167,635	1,318,000	-
2002	14,775,000	23,175,000	20,814,486	796,680	1,293,000	-
2003	12,690,000	21,905,000	19,598,121	1,352,317	1,266,000	-
2004	10,645,000	20,635,000	18,415,037	1,425,550	1,238,000	-
2005	8,640,000	45,240,000	16,751,301	1,054,197	1,209,000	-
2006	6,680,000	84,950,000	15,473,676	532,952	1,178,000	-
2007	4,760,000	81,485,000	16,983,567	323,466	-	3,019,100

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

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar year 2006 personal income not available to calculate FY2007.

	<u>Total Primary Government</u>	<u>Per Capita (1)</u>	<u>Percentage of Personal Income (1)</u>
\$	28,282,034	\$ 338	1.35%
	26,405,265	307	1.18%
	38,249,105	437	1.65%
	53,266,824	594	2.14%
	60,854,166	666	2.40%
	56,811,438	612	2.24%
	52,358,587	554	2.02%
	72,894,498	758	2.62%
	108,814,628	1,113	3.66%
	106,571,133	1,065	-

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
1998	\$ 23,152,000	\$ 1,902,000	\$ 21,250,000	1.01%	0.43%	\$ 254
1999	22,480,000	2,123,000	20,357,000	0.91%	0.39%	237
2000	20,357,000	2,044,000	18,313,000	0.79%	0.28%	209
2001	18,213,000	2,145,000	16,068,000	0.65%	0.23%	179
2002	16,068,000	2,112,000	13,956,000	0.55%	0.19%	153
2003	13,956,000	2,073,000	11,883,000	0.47%	0.16%	128
2004	11,883,000	2,034,000	9,849,000	0.38%	0.11%	104
2005	9,849,000	1,991,000	7,858,000	0.28%	0.09%	82
2006	7,858,000	1,952,000	5,906,000	0.20%	0.06%	60
2007	4,760,000	1,875,000	2,885,000	*	0.03%	29

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

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2006 personal income not available to calculate fiscal year 2007.

(2) See schedule 5 for property value data.

* Information not yet available



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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Assessed Value of Property	\$ 4,978,320	\$ 5,265,900	\$ 6,600,209	\$ 6,880,131
Debt Limit, 8% of Assessed Value (Statutory Limitation)	398,266	421,272	528,017	550,410
Amount of Debt Applicable to Limit				
Gross debt	28,282	26,405	38,249	53,267
Less: Amount available for repayment				
of general obligation bonds	1,902	2,123	2,044	2,145
Debt outstanding for water and sewer purposes	1,387	1,365	1,342	1,318
Total net debt applicable to limit	<u>24,993</u>	<u>22,917</u>	<u>34,863</u>	<u>49,804</u>
Legal Debt Margin	<u>\$ 373,273</u>	<u>\$ 398,355</u>	<u>\$ 493,154</u>	<u>\$ 500,606</u>
Total net debt applicable to the limit as a percentage of debt lin	6.28%	5.44%	6.60%	9.05%

Note: N.C. Statute GS159-55 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 a net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas or electric power purposes; uncollected special assessments, refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the county's net debt outstanding applicable to the limit, and represents the county's legal borrowing authority.

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 7,206,444	\$ 7,508,015	\$ 8,751,418	\$ 8,868,466	\$ 9,155,805	\$ 9,611,745
576,516	600,641	700,113	709,477	732,464	768,940
60,854	56,811	52,359	72,894	108,815	106,571
2,112	2,073	2,034	1,991	1,952	1,875
1,293	1,266	1,238	1,209	1,178	3,019
57,449	53,472	49,087	69,694	105,685	101,677
\$ <u>519,067</u>	\$ <u>547,169</u>	\$ <u>651,026</u>	\$ <u>639,783</u>	\$ <u>626,779</u>	\$ <u>667,263</u>
9.96%	8.90%	7.01%	9.82%	14.43%	13.22%

Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007
(dollars in thousands)

<u>Governmental Unit</u>	<u>Net General Bonded Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct			
Debt repaid with property taxes: County	\$ 4,760,000	100.00%	\$ 4,760,000
Overlapping:			
City of Hendersonville	990,000	100.00%	<u>990,000</u>
Total direct and overlapping debt			<u>\$ 5,750,000</u>

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

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

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (2) (thousands of dollars)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>	<u>Number of Building Inspections Performed(5)</u>
1998	83,785	\$ 2,094,369	\$ 24,907	11,020	2.30%	26,448
1999	85,933	2,230,756	25,934	11,251	2.60%	29,016
2000	87,621	2,325,154	26,475	11,215	2.40%	29,067
2001	89,680	2,487,683	27,754	11,257	3.00%	29,858
2002	91,416	2,540,130	27,915	11,610	4.40%	31,433
2003	92,856	2,536,341	27,438	11,574	5.20%	29,223
2004	94,538	2,592,505	27,645	11,918	4.90%	33,554
2005	96,158	2,784,736	29,186	12,292	4.20%	35,835
2006	97,792	2,973,878	30,603	12,578	4.20%	34,795
2007	100,107	*	*	12,792	3.60%	36,680

Notes:

(1) N.C. State Data Center. Estimates are as of beginning of 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, Annual Average for prior calendar 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 and Nine Years Ago

Employer	2007			1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1668	1	3.62%	1483	1	4.11%
Margaret R. Pardee Hospital	1360	2	2.95%	1050	2	2.91%
Park Ridge Hospital	766	3	1.66%	660	8	1.83%
Henderson County	744	4	1.62%	553	10	1.53%
Wilsonart International, Inc.	740	5	1.61%	850	4	2.36%
General Electric Lighting Systems	724	6	1.57%	1000	3	2.77%
Wal-Mart Associates Inc.	675	7	1.47%	295		0.82%
Ingles	653	8	1.42%	255		0.71%
Meritor Heavy Vehicle Systems	501	9	1.09%	670	7	1.86%
UPM Raflatac, Inc.	352	10	0.76%	*		

* Information not available from employer



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

Function/Program	Full-time Equivalent Employees as of June 30				
	1998	1999	2000	2001	2002
General government	76	77	77	83	87
Public safety	180	188	193	210	220
Environmental protection	23	23	21	22	22
Economic and physical development	28	29	20	21	18
Human Services	202	200	218	233	232
Cultural and recreation	44	46	40	47	47
Total	553	563	569	616	626

Source: Human Resources Department

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

Full-time Equivalent Employees as of June 30

2003	2004	2005	2006	2007
88	89	93	97	103
223	228	236	258	271
22	22	22	23	23
19	20	21	21	21
236	239	251	263	273
46	49	48	50	50
634	647	671	712	741

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

Function	Fiscal Year					
	1998	1999	2000	2001	2002	2003
<u>General Government</u>						
# of Registered Voters	59,019	59,204	62,204	66,292	66,670	66,815
<u>Public Safety</u>						
# of building permits issued	4,405	4,561	4,309	4,496	4,219	4,112
# of calls dispatched	52,611	59,611	61,882	64,931	68,494	72,343
<u>Human Services</u>						
# of food & lodging sites inspected	1,332	1,452	1,513	1,556	1,586	1,605
# of Health clients served	9,612	8,895	9,944	9,056	8,763	9,187
<u>Economic and Physical Development</u>						
Number of subdivision plan reviews	28	20	23	22	21	20
<u>Cultural and Recreation</u>						
Library book circulation	726,904	797,459	834,198	892,773	953,250	796,843
<u>Education</u>						
Total \$ spent per ADM	\$ 1,549	\$ 1,509	\$ 1,512	\$ 1,610	\$ 1,788	\$ 1,860
<u>Enterprise Fund - Landfill</u>						
Solid waste generated # tons/day	N/A	125	149	175	237	230

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

Note: There is not 10 years of data for all the indicators. The maximum number of data years available is presented here. During fiscal year 2003 a change was made in the methodology of counting circulations in the public library. Health client totals do not include Foreign Travel services.

Fiscal Year			
2004	2005	2006	2007
70,558	67,992	70,510	71,431
4,040	4,158	4,433	4,014
84,727	87,875	88,884	103,320
1,686	1,654	1,701	1,745
9,477	9,503	9,317	9,038
22	36	44	50
785,999	818,842	916,649	845,793
\$ 1,850	\$ 1,820	\$ 1,920	\$ 2,151
310	280	343	314

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

Function	Fiscal Year					
	1998	1999	2000	2001	2002	2003
<u>Public Safety</u>						
Sheriff's Department:						
Stations	1	1	1	1	1	1
Patrol Vehicles	N/A	N/A	115	113	117	117
<u>Cultural and Recreation</u>						
Park Acreage	305	305	305	305	305	305
Parks	7	7	7	7	7	7
Ballfields and Courts	27	27	27	27	27	27
Libraries	5	5	5	5	5	5

Sources: Various County Departments

Fiscal Year			
2004	2005	2006	2007
1	1	1	1
121	124	130	130
305	305	320	320
7	7	7	7
27	27	31	31
5	6	6	6



COMPLIANCE SECTION





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***

To the County Commissioners
Henderson County, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 14, 2007. We did not audit the financial statements of the Henderson County Hospital Corporation. Those financial statements were audited by other auditors whose reports thereon have 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 reports 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Henderson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, County Commissioners, members of management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 14, 2007



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

Report On Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the County Commissioners
Henderson County, North Carolina

Compliance

We have audited the compliance of Henderson County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2007. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Henderson County's management. Our responsibility is to express an opinion on Henderson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Henderson County's compliance with those requirements.

In our opinion, Henderson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Henderson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, County Commissioners, federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 14, 2007



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

Report On Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the County Commissioners
Henderson County, North Carolina

Compliance

We have audited the compliance of Henderson County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2007. Henderson County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Henderson County's management. Our responsibility is to express an opinion on Henderson County, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Henderson County's compliance with those requirements.

In our opinion, Henderson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2007.

Internal Control over Compliance

The management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Henderson County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, members of the Board of Commissioners, federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
November 14, 2007

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness identified No
- Significant deficiency identified that is not considered to be a material weakness No

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified No
- Significant deficiency identified that is not considered to be a material weakness No

Type of auditors' report issued on compliance for major federal programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 No

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditors' Results (Continued)

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Subsidized Child Care Cluster:	
Child Care Development Block Grant	93.575
Child Care - SSBG	93.667
Child Care Development Fund	93.596
Medicaid	93.778
Food Stamp Cluster:	
Food Stamp Program - non-cash	10.551
Food Stamp Administration	10.561
Food Stamp Employment and Training	10.561
Food Stamp Fraud Administration	10.561
Temporary Assistance for Needy Families	93.558

Dollar threshold used to distinguish between
Type A and Type B Programs \$2,136,033

Auditee qualified as low-risk auditee? No

State Awards

Internal control over major State programs:

- Material weakness identified No
- Significant deficiency identified that is not
considered to be a material weakness No

Type of auditors' report issued on compliance for major
State programs Unqualified

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act No

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Identification of major State programs:

Program Name

Medicaid
Subsidized Child Care Cluster
Public School Building Capital Fund
Special Assistance for Adults

Section II- Financial Statement Findings

None reported

Section III- Federal Award Findings and Questioned Costs

None reported

Section IV- State Awards Findings and Questioned Costs

None reported

HENDERSON COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

No prior year findings.

Henderson County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2007

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass- Through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL GRANTS:				
<i>Cash Programs</i>				
<u>US Department of Agriculture</u>				
Passed through the NC Department of Health and Human Services: Division of Public Health: Administration:				
Special Supplemental Food Program for Women, Infants and Children	10.557		\$ 372,746	\$ -
Direct benefit payments: Special Supplemental Food Program for Women, Infants and Children	10.557		1,439,935	-
Passed through the NC Department of Health and Human Services: Division of Social Services: Food Stamp Cluster:				
Food Stamp Administration	10.561		467,304	-
Food Stamp Employment and Training	10.561		1,213	-
Food Stamp Fraud Administration	10.561		2,364	-
Food Stamp Program non-cash	10.561		5,681,443	-
Total Food Stamp Cluster	10.551		6,152,324	-
Passed through the Natural Resources Conservation Service:				
Emergency Watershed Protection Program	10.923		57,751	-
Passed through the Land of Sky Regional Council:				
Housing Preservation Grant	10.447		12,900	-
Total US Department of Agriculture			8,035,656	-
<u>Environmental Protection Agency</u>				
Division of Water Quality				
Nonpoint Source Implementation - Section 319	66.202		238,162	-
Nonpoint Source Pollution Control Grant	66.460		246,640	-
Total Environmental Protection Agency			484,802	-
<u>U.S. Department of Homeland Security</u>				
Passed through NC Dept of Crime Control & Public Safety:				
Homeland Security Grant Program	97.067		170,321	-
Bulletproof Vest Partnership Program	16.607		4,521	-
Emergency Operations Planning Grant	83.562		29,109	-
Total US Department of Homeland Security			203,951	-

Henderson County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2007

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass- Through) Expenditures</u>	<u>State Expenditures</u>
<u>US Department of Health and Human Services</u>				
Administration for Children and Families				
Passed through NC Department of Health and Human Services:				
Division of Public Health:				
Immunization Action Plan	93.268		18,947	-
Maternal and Child Health Services Block Grant:				
Maternal Health	93.994		75,000	-
Child Health	93.994		135,894	-
Women's Preventive Health	93.994		19,996	-
Women's Preventive Health-TANF	93.558		6,127	-
Cardiovascular Health	93.945		87,353	-
NC Heart Disease and Stroke Prevention	93.283		21,000	-
Health Promotion	93.991		12,142	-
Bio-terrorism Grant	93.283		85,809	-
Family Planning Services	93.217		45,822	-
Passed through the NC Department of Health and Human Services:				
Division of Social Services:				
Administration:				
TANF	93.558		1,219,777	-
Low-Income Home Energy Assistance				
Block Grant	93.568		116,829	-
Low-Income Home Energy Assistance				
Direct Benefit payments	93.568		231,658	-
Direct Benefit Payments:				
TANF	93.558		687,279	-
Child Support Enforcement	93.563		286,853	-
Social Services Block Grant	93.667		275,834	27,078
Links	93.674		10,832	2,708
AFDC- Trans Child Care	93.560		(235)	(64)
Permanency Planning--Child Welfare Services	93.645		64,260	26,894
Foster Care and Adoption Cluster: (Note 3)				
Foster Care Administration	93.658		1,139,082	198,905
Title IV-Adoption	93.659		283,702	73,042
Adoption/Foster Care	93.659		235,377	27,991
Total Foster Care and Adoption (Note 3)			<u>1,658,161</u>	<u>299,938</u>
Passed through the NC Department of Health and Human Services, Continued:				
Division of Medical Assistance:				
Administration:				
Title XIX—Medicaid	93.778		1,289,918	67,290
Direct Benefit Payments:				
Title XIX—Medicaid	93.778		52,047,098	25,184,836
N.C. Health Choice	93.767		66,315	4,288
Subsidized Child Care				

Henderson County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2007

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<u>Child Care Development Fund Cluster</u>				
Division of Social Services				
Child Care Development Fund-Administration	93.596		144,508	-
Division of Child Development:				
Child Care Development Fund – Discretionary	93.575		1,184,740	-
Child Care Development Fund - Mandatory	93.596		474,541	-
Child Care Development Fund - Match	93.596		441,317	244,826
Total Child Care Fund Cluster			2,100,598	244,826
Social Services Block Grant	93.667		79,569	-
Temporary Assistance for Needy Families	93.558		434,801	-
Smart Start			-	132,325
State Appropriations			-	516,618
TANF-MOE			-	440,043
Total Subsidized Child Care Cluster			2,759,476	1,333,812
<u>Administration on Aging</u>				
In-Home Services:				
Title IIIB-1	93.044		427,725	-
Home Delivered Meals:				
Title III	93.045		250,912	-
SSBG – Respite	93.667		15,916	-
Food Distribution	10.570		36,700	-
Total Aging Cluster			731,253	-
Total US Department of Health and Human Services			61,953,398	26,946,780
<u>US Department of Transportation</u>				
Federal Transit Administration				
Passed through NC Dept of Transportation:				
Public Transportation for Urbanized Areas:				
Administration	20.507		89,416	-
Passed through the NC Department of Transportation				
Governor's Highway Safety Program	20.604		45,687	-
Total US Department of Transportation			135,103	-
<u>US Department of Housing and Urban Development</u>				
Passed through the North Carolina Department of Commerce:				
Community Development Block Grant	14.228	05-C-1365	346,731	-
Total US Department of Housing and Urban Development			346,731	-

Henderson County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2007

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass- Through) Expenditures</u>	<u>State Expenditures</u>
<u>US Department of Justice</u>				
Bureau of Justice Assistance				
SCAAP Grant	16.606		28,453	-
Total US Department of Justice			28,453	-
<u>Tennessee Valley Authority</u>				
Mud Creek Watershed Grant	66.419		12,000	-
Total Tennessee Valley Authority			12,000	-
STATE ASSISTANCE				
<u>NC Department of Health and Human Services</u>				
Division of Child Development:				
Passed through Henderson County Smart Start				
Smart Start Nurturing Parent Program			-	36,704
Division of Public Health:				
General Aid to Counties			-	28,732
Communicable Disease			-	2,586
Tuberculosis Control			-	11,722
AIDS			-	12,500
Risk Reduction			-	8,263
Public Health Nurse Training			-	2,000
Maternal Health			-	35,160
TB Medical Service			-	540
Women's Preventative Health			-	8,895
Division of Social Services:				
Direct Benefit Payments:				
State/County Special Assistance for Adults			-	869,963
State Aid to Counties			-	47,640
State Foster Home			-	75,303
Foster Children at Risk			-	23,515
Energy Private Grants			-	2,680
AFDC Incentive			-	31
TANF Incentive			-	1,590
State Adult Protective Service			-	32,770
CWS Adopt Subsidy & Vender			-	126,158
CPS Expansion			-	168,796
DCD SMART START			-	74,713
Division of Mental Health:				
Developmental Disabilities and Substance Abuse			-	206,942
Total NC Department of Health and Human Services			-	1,777,203

Henderson County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2007

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass- Through) Expenditures</u>	<u>State Expenditures</u>
<u>NC Department of Environmental And Natural Resources</u>				
Division of Waste Management:				
NC Clean Water Management Trust Fund Grant			-	63,090
Scrap Tire Disposal Program			-	54,377
Environmental Health			-	21,901
Total NC Dept Environment and Natural Resources			-	139,368
<u>NC Department of Juvenile Justice and Delinquency</u>				
Juvenile Crime Prevention Council Programs			-	205,952
<u>NC Department of Administration</u>				
Division of Veteran Affairs:				
Veteran's Administration			-	2,000
<u>NC Department of Cultural Resources</u>				
Division of State Library:				
State Aid to Public Libraries			-	157,617
<u>NC Department of Transportation</u>				
Public Transportation Division:				
ROAP Elderly & Disabled Transportation		DOT-16CL	-	68,143
ROAP Rural General Public Program		DOT-16CL	-	63,119
ROAP Work First Employment		DOT-16CL	-	10,831
State Maintenance Assistance Program			-	99,675
Passed through Apple Country Transportation:				
Intercity Grant			-	70,306
Total NC Department of Transportation			-	312,074
<u>NC Department of Correction</u>				
Criminal Justice Partnership Program:				
Implementation		45-0705-1-A	-	106,536
<u>NC Department of Crime Control & Public Safety</u>				
Crisis Housing Assistance		045-0-04	-	10,267
Gang Violence Prevention Grant		45-1-06-1-BN	-	31,647
Total NC Dept of Crime Control & Public Safety			-	41,914

Henderson County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2007

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
NC Department of Public Instruction				
School Planning-Division of School Support				
Public School Building Capital Fund			-	1,096,629
NC Lottery Proceeds			-	617,412
Total NC Dept of Public Instruction			-	1,714,041
Total Federal and State Awards			\$ 71,200,094	\$ 31,403,485

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

1. Basis of Presentation

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

2. Subrecipients

Of the federal and State expenditures presented in the schedule, Henderson County provided federal and State awards to sub-recipients as follows:

<u>Program Title</u>	<u>CDFA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Juvenile Crime Prevention Council Program			\$ -	\$ 205,952

3. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption.