

HENDERSON COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

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

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

HENDERSON COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2009

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

HENDERSON COUNTY, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

TABLE OF CONTENTS

		<u>Page</u>
	Introductory Section	
	Letter of Transmittal	i-viii
	Organizational Chart	ix
	List of Principal Officials	x
	2008 GFOA Certificate of Achievement for Excellence in Financial Reporting	xi
	Financial Section:	
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-15
<u>Exhibit</u>	Basic Financial Statements - Overview	
	Government-Wide Financial Statements:	
A	Statement of Net Assets	16
B	Statement of Activities	17-18
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	19
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	21
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	22
G	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Annually Budgeted Major Special Revenue Fund	23
H	Statement of Net Assets - Proprietary Funds	24

HENDERSON COUNTY, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Fund Financial Statements - continued:	
I	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	25
J	Statement of Cash Flows - Proprietary Funds	26
K	Statement of Fiduciary Net Assets - Fiduciary Funds	27
	Notes to the Financial Statements	28-66
<u>Schedule</u>		
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress	67
A-2	Other Post-Employment Benefits - Retiree Health Plan Required Supplementary Information - Schedule of Funding Progress	68
	Supplementary Information:	
	General Fund:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69-79
	Major Funds:	
B-2	General Capital Projects Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	80
B-3	School Capital Projects Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81
	Special Revenue Funds:	
C-1	Combining Balance Sheet - Nonmajor Governmental Funds	82-83
C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	84-85

HENDERSON COUNTY, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Supplementary Information - continued:	
C-3	Revaluation Reserve Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	86
C-4	Travel and Tourism Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	87
C-5	CDBG - Shuey Knolls: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	88
C-6	CDBG - Scattered Site Housing Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
C-7	Crisis Housing - Assistance Program Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
C-8	Mud Creek Watershed Restoration Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91
C-9	Sheriff E-911 Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
C-10	Public Transit Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
C-11	Immigration Customs Enforcement Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94
C-12	Capital Reserve Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95

HENDERSON COUNTY, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Debt Service Fund:	
D-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
	Enterprise Funds:	
E-1	Landfill Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	97
E-2	Cane Creek Water and Sewer District Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	98
E-3	Justice Academy Sewer Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	99
	Internal Service Fund:	
F-1	Nonmajor Self-Insurance Fund: Balance Sheet	100
F-2	Nonmajor Self-Insurance Fund: Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Financial Plan and Actual	101
F-3	Nonmajor Self-Insurance Fund: Schedule of Cash Flows	102
	Agency Funds:	
G-1	Combining Statement of Changes in Asset and Liabilities	103-104
	Additional Financial Data:	
H-1	Schedule of Ad Valorem Taxes Receivable - General Fund	105
H-2	Analysis of Current Tax Levy	106
H-3	Analysis of Current Tax Levy - County-Wide Levy	107
I-1	Discretely Presented Component Unit - Henderson County Hospital Corporation Schedule of Revenues and Expenditures - Budget and Actual	108

HENDERSON COUNTY, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Table</u>	Statistical Section:	<u>Page</u>
1	Net Assets by Components	109
2	Changes in Net Assets	110-111
3	Fund Balances, Governmental Funds	112-113
4	Changes in Fund Balances, Governmental Funds	114-115
5	Assessed Value and Estimated Actual Value of Taxable Property	116-117
6	Direct and Overlapping Property Tax Rates	118-119
7	Principal Property Taxpayers	120-121
8	Property Tax Levies and Collections	122-123
9	Ratio of Outstanding Debt by Type	124-125
10	Ratios of General Bonded Debt Outstanding	126
11	Legal Debt Margin Information	127-128
12	Direct and Overlapping Governmental Activities Debt	129
13	Demographic and Economic Statistics	130
14	Principal Employers	131
15	Full-Time Equivalent County Government Employees by Function/Program	132-133
16	Operating Indicators by Function	134-135
17	Capital Asset Statistics by Function	136-137

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INTRODUCTORY SECTION

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HENDERSON COUNTY
FINANCE DEPARTMENT

HISTORIC COURTHOUSE ANNEX
113 NORTH MAIN STREET
HENDERSONVILLE, NC 28792

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

November 3, 2009

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, 2009 is hereby submitted. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The goal of the independent audit was to provide reasonable assurance that the financial statements of Henderson County for the fiscal year ended June 30, 2009 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, 2009 are fairly presented in conformity with GAAP.

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

For financial reporting purposes, in accordance with Governmental Accounting Standard Board, the County includes all funds of the primary government, as well as any component units. Component units are legally separate entities for which the primary government is financially accountable. For the fiscal year ended June 30, 2009, there is one blended component unit, the Cane Creek Water and Sewer District, and one discretely presented component unit, the Henderson County Hospital Corporation, which are required to be presented in the County's combined financial statements. The water and sewer district exists to provide and maintain water and sewer systems for county residents within the district. The County's Board of Commissioners serves as the governing board for the district. The district is reported as an Enterprise Fund in the County's financial statements. Henderson County Hospital Corporation is reported in the financial statements in a manner similar to a proprietary fund. The Board of Commissioners appoints the members of the Hospital Board. The County retains title to the Hospital facilities and leases them back to the Hospital for its operations. The Hospital has title to all personal property.

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

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

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

DESCRIPTION OF THE COUNTY

Henderson County was established in 1838 and is located in the western portion of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. It has land area of 375 square miles and a population of 103,836. There are five municipalities within the County, the largest being the city of Hendersonville, which serves as the county seat. The County has a commissioner/manager form of government. The five members of the Board of Commissioners are elected from districts on a partisan basis and serve staggered four-year terms. Commissioners hold policy-making and legislative authority. They are responsible for adopting the annual budget ordinance and appointing the county manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.

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

ECONOMIC CONDITIONS AND OUTLOOK

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

A balanced economic base of agriculture, tourism and manufacturing contributes to growth in the local economy. There are currently 37,947 acres of farmland and 16,546 acres of harvested cropland in the County. The average farm size is 68 acres and the average age of farmers is 57.2 years. The main agricultural income in the County continues to be produced from greenhouses and nurseries at \$75.4 million and vegetables, fruit and berries at \$38.4 million.

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. Our local Travel and Tourism Department does an excellent job of promoting the County and surrounding areas. The County is home to the State Theater of North Carolina, the Flat Rock Playhouse and Carl Sandburg's Home, a national historic site. The world renowned Biltmore Estate is just a short drive in a neighboring County. There are a number of camps, hiking trails and waterfalls to view in and around the County. The most current value by the State of North Carolina of the economic impact of tourism to the County is estimated to be \$198.6 million.

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

<u>Fiscal Year</u>	<u>Permits</u>	<u>Dollar Value</u>	<u>Unemployment Rates</u>
2009	380	\$89,643,301	9.4%
2008	899	\$244,871,832	4.7%
2007	1,350	\$262,826,473	3.6%
2006	1,112	\$217,185,218	4.2%
2005	1,262	\$219,789,591	4.2%

Permits for new residential and commercial construction were down substantially as the economy took a significant downward turn in FY2009. The dollar value of new construction was down \$155 million from FY2008. The local unemployment rate doubled as employers laid off workers to cut costs in an effort to stay in business.

Manufacturing continues to rank first in employment with a current annual estimated value of \$272.8 million. In an effort to attract new industry and to help existing industry to expand, the County offers and provides economic incentive payments to companies based on the number of new hires and the total new taxable investment planned. The primary reasons and criteria for offering these incentives are to attract industry with higher paying jobs that have operations which will cause little or no environmental impact. The expansion of existing industry has been the primary focus and recipient of economic incentive payments provided by the Board of Commissioners. 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	678
General Electric Lighting	Outdoor lighting systems	420
Meritor Vehicle Systems	Truck axles	428
UPM Raflatac, Inc.	Paper products	325
Continental Teves, Inc.	Automotive brake systems	308
Borg-Warner	Automotive cooling systems	220
Manual Woodworkers	Wooden crafts and woven products	182
Kimberly-Clark	Health products	200
Kyocera Feldmuelhle, Inc.	Industrial ceramics	182
Printpack, Inc.	Paper products	137

MAJOR INITIATIVES

FOR THE YEAR. The Board of Commissioners adopted a balanced budget for the fiscal year with no change in the county-wide ad valorem property tax rate of 46.2 cents per \$100 dollars of valuation. Total General Fund revenues decreased by \$2.7 million or 2.3 percent over the previous fiscal year while total General Fund expenditures increased by \$6.1 million or 5.7 percent over FY2008. Total General Fund Balance increased by \$1.24 million to \$35,211,964 while Unreserved/Undesignated General Fund Balance increased by \$4.88 million to \$26,747,571. All other Governmental Funds ended the fiscal year in a positive financial position. The County's three Enterprise Funds continued to be self-supporting in FY2009 with each increasing net assets at year-end.

Due to the financial crisis of the major banking institutions, the economy experienced a major negative downturn in FY2009. The Board of Commissioners took pro-active steps immediately to reduce costs in the General Fund budget in anticipation of declining revenue sources and to preserve available General Fund Reserves. A year after the crisis, there are some signs of a slow recovery in certain areas, but unemployment remains high and is expected to lag behind economic recovery for some time.

Construction of the new Hillandale and Mills River Elementary Schools was substantially completed at fiscal year-end and both were ready for the opening of school in August 2009. Phase Two construction at Dana Elementary School was also completed in early FY2009.

The Board's Debt Capacity Policy states that total outstanding debt may not exceed 3 percent of the total assessed property value for the fiscal year and total debt service payments may not exceed 15 percent of total General Fund expenditures. Both of these debt capacity measures were met for FY2009.

FOR THE FUTURE. With a national economy that was in financial crisis for most of FY2009, higher local unemployment rates and declining capital investment, the Board has exercised caution in planning for the FY2010 budget until positive signs of recovery are more definitive. With future growth in sales tax proceeds uncertain and a slowdown in residential and commercial capital investment activity, increased pressure will be placed on the ad valorem property tax to continue providing the current level of services and provide for capital needs.

However, the economic slowdown is not without some benefit to the County. Lower construction costs and lower debt financing interest rates have offered a prime opportunity to save money and take care of some existing school and community college repair and renovation projects. Therefore, the Board included in the FY2010 approved budget debt service funding for a new school classroom building, repairs and renovations at various public schools and campus-wide repairs and renovations to facilities at Blue Ridge Community College. The Board also included funding to plan for renovations to the former County Health Department Building, the 1995 Courthouse, the King Street Building and the design and programming for a new Law Enforcement Center.

The General Assembly began providing Medicaid relief to counties in FY2007 to be phased out over three fiscal years. Counties were required to give up a half cent local option sales tax in return. The 3-year phase out period ended June 30, 2009 with the County no longer being responsible for Medicaid costs. Counties will continue to be required to hold cities/towns harmless for their loss of this half percent sales tax from its own sales tax proceeds. 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 in any given fiscal year.

FACTORS AFFECTING FINANCIAL CONDITION

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

FUND BALANCE. Fund balance should always be measured based on the portion that is available for appropriation at the end of the fiscal year. The Board's Fund Balance Policy is to have at least 12 percent in General Fund Unreserved/Undesignated Fund balance at fiscal year-end. Henderson County had \$26.7 million in Unreserved/Undesignated General Fund Balance or 23.73 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 Unreserved/Undesignated General Fund Balance available for appropriation. The current level of unreserved fund balance available places the County in a strong position financially to face an uncertain future economy.

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 \$109.3 million, general liability of \$2 million per occurrence and worker's compensation coverage up to the statutory limits of \$2 million. 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 N.C.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, Register of Deeds, Tax Collector and Delinquent Tax Collector are bonded for \$200,000, \$50,000, \$1,000,000 and \$250,000 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 \$100,000 per individual health

insurance claim with a lifetime maximum of \$5,000,000. Aggregate stop-loss is set at a level of 120 percent with a minimum aggregate attachment point of \$6,296,750 and a contract period maximum of \$1,000,000.

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, 2008. This was the twentieth 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.

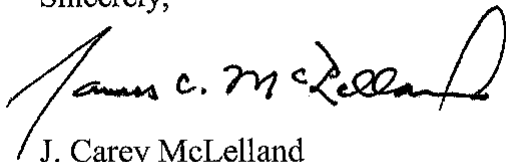
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

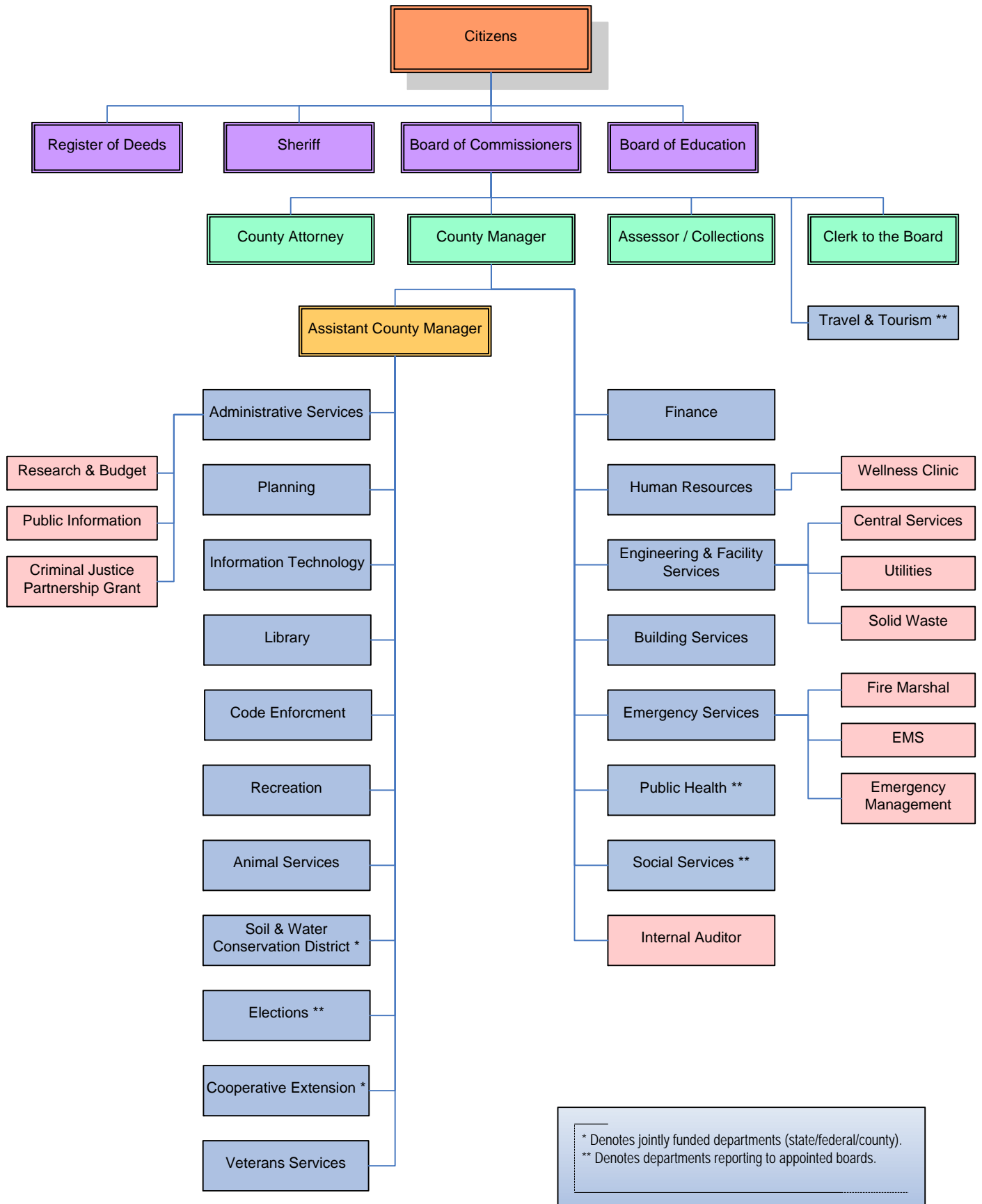
ACKNOWLEDGMENTS. A combined effort of Martin Starnes & Associates, CPAs, P.A., the Henderson County Finance Department Staff, the Internal Auditor and County Departments made preparation of this comprehensive annual financial report possible. Each has my sincere appreciation for their contributions made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

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

Sincerely,

A handwritten signature in black ink, appearing to read "James C. McLelland", written in a cursive style.

J. Carey McLelland
Finance Director



HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2009

Board of Commissioners

Chairman.....	William L. Moyer
Vice Chairman	Charlie Messer
Commissioner	Chuck McGrady
Commissioner	Larry R. Young
Commissioner	Mark Williams

County Officials

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Henderson County
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

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FINANCIAL SECTION

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

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Henderson County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2009, 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, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Henderson County Hospital Corporation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Hospital Corporation is based solely on the report of 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. The financial statements of the Henderson County Hospital Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Fire District Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009 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 performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 and other post-employment benefits schedules, 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.

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 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 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.
Hickory, NC
November 3, 2009

HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2009

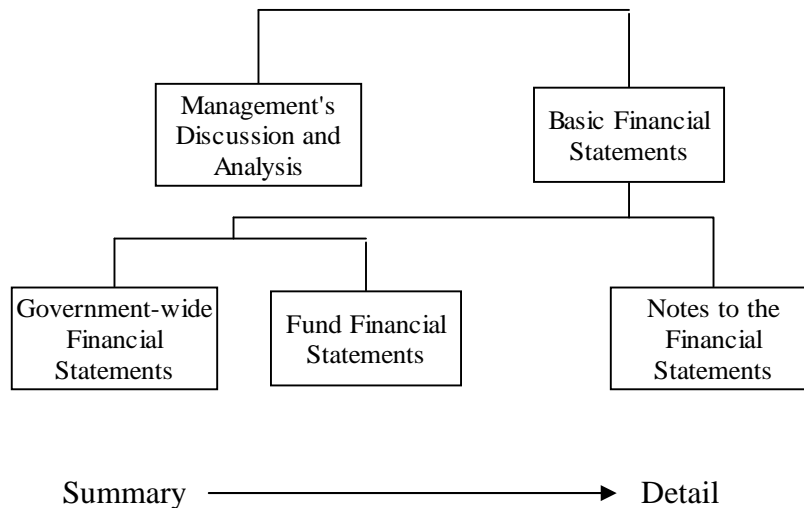
As management of Henderson County, we offer readers of Henderson County's financial statements this narrative overview and analysis of the financial activities of Henderson County for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with 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 \$21 million (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$76,091,253 and \$14,111,000 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.
- The County's total net assets decreased by \$15.7 million. Net assets in the governmental activities decreased by \$17 million due primarily from the significant net expense increase over the prior fiscal year in expenditures on capital projects in the School Capital Projects Fund. Net assets in the business-type activities increased by \$1.3 million as a result of a positive operating income and investment earnings in all three enterprise funds.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$45,901,695, a decrease of \$25,107,565, in comparison with the prior year. Approximately 82 percent of this total amount, or \$37,785,535, 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 \$26,747,571, or 23.73 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 \$8,932,088 (6.82) percent during the current fiscal year primarily from current year debt payments.

Overview of the Financial Statements

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

Figure 1**Required Components of Annual Financial Report****Basic Financial Statements**

The financial statements of the County for the fiscal year ended June 30, 2008 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 eight major agency funds and several smaller agency funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page28 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 page67 of this report.

Government-Wide Financial Analysis

Figure 2

Henderson County's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 56,977,573	\$ 81,299,713	\$ 9,657,372	\$ 9,224,191	\$ 66,634,945	\$ 90,523,904
Capital assets	76,192,346	75,886,397	17,300,793	17,033,972	93,493,139	92,920,369
Total assets	133,169,919	157,186,110	26,958,165	26,258,163	160,128,084	183,444,273
Liabilities:						
Long-term liabilities	123,976,380	131,634,448	4,786,247	5,221,898	128,762,627	136,856,346
Other liabilities	9,868,121	9,220,435	455,848	642,279	10,323,969	9,862,714
Total liabilities	133,844,501	140,854,883	5,242,095	5,864,177	139,086,596	146,719,060
Net Assets:						
Invested in capital assets, net of related debt	46,920,197	42,917,076	14,917,293	14,332,671	61,837,490	57,249,747
Restricted	-	346,809	-	-	-	346,809
Unrestricted	(47,594,779)	(26,932,658)	6,798,777	6,061,315	(40,796,002)	(20,871,343)
Total net assets	\$ (674,582)	\$ 16,331,227	\$ 21,716,070	\$ 20,393,986	\$ 21,041,488	\$ 36,725,213

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 \$21,041,488 as of June 30, 2009. The County's net assets decreased by \$15,683,725, for the fiscal year ended June 30, 2009. Net assets of the County are reported in two categories: invested in capital assets, net of related debt of \$61,837,490; and unrestricted net assets of (\$40,796,002).

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, 2009, the total net deficit of (\$40,737,614) is primarily attributable to the governmental activities unrestricted net deficit balance of (\$47,536,391).

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 \$90.2 million of outstanding debt on the County's financial statements was related to assets included in the school system and the community college's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

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

- Continued diligence in the collection of all revenue sources, both current and delinquent
- A strong property tax collection rate of 97.47 percent
- Board decision to reduce the General Fund budget by \$1.1 million in response to an economic slowdown stemming from the nationwide financial crisis
- Other budgetary control efforts, including the cutoff of departmental spending prior to fiscal year-end
- Actual expenditures, transfers and other financing uses in the General Fund were less than the budgeted amount by \$5.9 million
- Revenues and other financing sources in the General Fund exceeded expenditures, transfers and other financing uses by \$1.2 million

Governmental Activities: Governmental activities decreased the County's net assets by \$17,005,809, or 108.4 percent of the total decrease in the net assets of the Henderson County.

Business-Type Activities: Business-type activities increased the County's net assets by \$1,322,084, or an 8.4 percent increase in the net assets of the Henderson County. See figure 3.

Financial Analysis of the County's Funds

Figure 3

Henderson County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 9,366,480	\$ 9,911,697	\$ 5,616,874	\$ 6,026,980	\$ 14,983,354	\$ 15,938,677
Operating grants and contributions	24,142,225	21,113,997	201,061	534,877	24,343,286	21,648,874
Capital grants and contributions	-	-	228,096	721,353	228,096	721,353
General revenues:						
Property taxes	66,151,942	64,331,927	-	-	66,151,942	64,331,927
Other taxes	23,093,657	27,456,640	-	-	23,093,657	27,456,640
Other	1,220,152	2,807,166	446,576	317,517	1,666,728	3,124,683
Total revenues	<u>123,974,456</u>	<u>125,621,427</u>	<u>6,492,607</u>	<u>7,600,727</u>	<u>130,467,063</u>	<u>133,222,154</u>
Expenses:						
General government	17,377,905	20,573,746	-	-	17,377,905	20,573,746
Public safety	29,733,774	28,376,181	-	-	29,733,774	28,376,181
Environmental protection	819,015	715,577	-	-	819,015	715,577
Economic and physical development	3,131,673	2,939,542	-	-	3,131,673	2,939,542
Human services	32,525,413	32,116,159	-	-	32,525,413	32,116,159
Cultural and recreational	3,139,072	3,712,969	-	-	3,139,072	3,712,969
Education	48,916,897	29,547,701	-	-	48,916,897	29,547,701
Interest on long-term debt	5,502,008	4,847,599	-	-	5,502,008	4,847,599
Solid waste disposal	-	-	4,110,540	3,992,430	4,110,540	3,992,430
Other	-	-	894,491	807,675	894,491	807,675
Total expenses	<u>141,145,757</u>	<u>122,829,474</u>	<u>5,005,031</u>	<u>4,800,105</u>	<u>146,150,788</u>	<u>127,629,579</u>
Increase (decrease) in net assets before transfers	(17,171,301)	2,791,953	1,487,576	2,800,622	(15,683,725)	5,592,575
Transfers	<u>165,492</u>	<u>218,144</u>	<u>(165,492)</u>	<u>(218,144)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(17,005,809)	3,010,097	1,322,084	2,582,478	(15,683,725)	5,592,575
Net assets, beginning	<u>16,331,227</u>	<u>13,321,130</u>	<u>20,393,986</u>	<u>17,811,508</u>	<u>36,725,213</u>	<u>18,549,927</u>
Net assets, ending	<u>\$ (674,582)</u>	<u>\$ 16,331,227</u>	<u>\$ 21,716,070</u>	<u>\$ 20,393,986</u>	<u>\$ 21,041,488</u>	<u>\$ 36,725,213</u>

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

Governmental Funds. The focus of Henderson County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Henderson County's financing requirements. Specifically, 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 \$26,747,571, while total fund balance was \$35,211,964. 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 23.73 percent of total General Fund expenditures, while total fund balance represents 31.24 percent of that same amount.

At June 30, 2009, the governmental funds of the County reported a combined fund balance of \$45,901,695, a 35.36 percent decrease from last year. The primary reason for this decrease was the expenditure of loan proceeds on school, community college and County projects in the County Capital Projects Fund and the School Capital Projects Fund.

General Fund Budgetary Highlights: Even with a nationwide financial crisis at hand during the year, the County experienced a successful year financially in FY2009 due in large part to the Board's pro-active measures to reduce the total General Fund budget by \$1.1 million in anticipation of declining revenue sources and to preserve available General Fund Reserves. Total expenditures in the General Fund were held far below revised budgetary levels during the year. FY2009 was also the County's final year of Medicaid payments to the State of North Carolina. Actual Medicaid payments were \$641,000 less than budgeted for the fiscal year. On the revenue side, ad valorem property tax and sales tax revenues were a combined \$1.2 million over budget. However, this positive variance was offset by a total \$5.9 million in negative budget variances in most of the other General Fund revenue sources. This negative revenue variance was due in large part to the decline in fees and services for development due to the economy, the withholding of restricted intergovernmental revenues by the State due to its' budget difficulties and unrealized revenues in the miscellaneous category.

Total fiscal year 2009 revenues decreased by \$2.7 million or 2.3 percent over the prior fiscal year as compared to expenditures which increased by \$6.1 million or 5.7 percent over FY2008. The majority of the growth in expenditures is in the education and debt service categories. Total General Fund balance increased \$1.2 million and the amount of unreserved/undesignated fund balance that is available for appropriation increased by \$4.9 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 \$1,520,336 or less than 1.5 percent of the original budget. The Board decreased the total General Fund budget by \$1.1 million in early FY2009 in anticipation of declining revenues caused by the nationwide financial crisis. Declining revenues collections were realized in at least four revenue categories due to the economy: Local option sales taxes, Other taxes and licenses, Permits and fees, Sales and services. Even with the Board approved budget reduction, total General Fund budget amendments increased the budget by fiscal year end primarily due to \$2.1 million in new restricted intergovernmental grants funds awarded by the Federal Government and the State of North Carolina.

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 \$6,798,777. During the fiscal year 2009, proprietary fund net assets increased \$1,322,084. The increase in total net assets for the proprietary funds is primarily due to a positive operating income in the Landfill Fund and the Cane Creek Water and Sewer District Fund at the end of the fiscal year.

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, 2009 totals \$93,493,139 (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	
	2009	2008	2009	2008	2009	2008
Land	\$ 10,731,187	\$ 10,731,187	\$ 1,965,974	\$ 1,715,576	\$ 12,697,161	\$ 12,446,763
Buildings	60,497,757	46,768,842	-	-	60,497,757	46,768,842
Plant and distribution systems	-	-	14,667,330	14,978,812	14,667,330	14,978,812
Equipment	1,913,590	1,352,474	342,955	310,398	2,256,545	1,662,872
Vehicles and motor equipment	2,040,715	2,327,471	30,017	29,186	2,070,732	2,356,657
Construction in progress	1,009,097	14,706,423	294,517	-	1,303,614	14,706,423
Total	\$ 76,192,346	\$ 75,886,397	\$ 17,300,793	\$ 17,033,972	\$ 93,493,139	\$ 92,920,369

Additional information on the County's capital assets can be found on pages 42-45 of the Notes to the basic financial statements.

Long-term debt. As of June 30, 2009, Henderson County had total bonded debt outstanding of \$1,060,000 backed by the full faith, credit and taxing power of the County. The County also has multiple installment notes outstanding, of which the majority is related to debt issued for the construction and renovation of school, county and community college facilities. A summary of long-term debt is shown in Figure 5.

Figure 5

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 1,060,000	\$ 2,885,000	\$ -	\$ -	\$ 1,060,000	\$ 2,885,000
Installment notes payable	<u>118,563,334</u>	<u>125,412,622</u>	<u>2,383,500</u>	<u>2,701,300</u>	<u>120,946,834</u>	<u>128,113,922</u>
Total	<u>\$ 119,623,334</u>	<u>\$ 128,297,622</u>	<u>\$ 2,383,500</u>	<u>\$ 2,701,300</u>	<u>\$ 122,006,834</u>	<u>\$ 130,998,922</u>

Henderson County's total long-term debt decreased by \$8,932,088 (6.82 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 current 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 \$917,251,364.

Additional information regarding Henderson County's long-term debt can be found beginning on page 56 of this audited financial report.

Economic Factors and Next Year's Budget and Rates

The County of Henderson has approved a conservative \$109,545,323 General Fund budget for fiscal year 2010, which represents a 7.6 percent decrease from the final FY2009 budget. The ad valorem property tax rate remained unchanged from the previous fiscal year at 46.2 cents per \$100 of assessed valuation.

The following factors were considered when developing the FY2010 budget:

- Funding new debt service for new elementary school capital projects
- Requests for additional public schools and community college funding
- A slow economic recovery process from the nationwide financial crisis
- Less than one percent growth anticipated in ad valorem property tax base
- Lower sales tax revenue projections due to declining economic indicators
- Expected increases in the cost of utilities and fuel
- Maintaining an adequate unreserved fund balance meeting Board Policy requirements
- The continued rising cost of healthcare

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities: No growth was budgeted for current year property tax collections as the ad valorem property tax base is projected to grow less than one percent for FY2010. Downward adjustments were made in projected sales tax revenues as well due to the slowing economy and less consumer spending expected. FY2010 is also the year the State of North Carolina is taking the remaining portion of local option sales tax in return for Medicaid relief. The State is also withholding a major restricted revenue source, budgeted at \$900,000 in FY2009, which had been used entirely by the County to pay schools debt service. With no growth projected in the other remaining General Fund revenue sources, Unreserved General Fund balance of \$720,778 was appropriated to cover primarily increases in school and community college funding, both operational and capital. County departments were charged with holding the line on operational expenditures with no increases for cost of living or performance pay.

Business-Type Activities: The solid waste tipping fee of \$52 per ton for the Landfill Enterprise Fund will remain the same for FY2010. Growth in solid waste revenues is estimated to grow 2.4 percent in FY2010 and is expected to offset the projected operating costs for the facilities while adding reserves for future capital needs. A comprehensive study of solid waste operations will be completed in FY2010 and presented to the Board for their consideration. The study is focusing on increasing operational efficiencies in the disposal of waste including recycling efforts, the capital investment needed to accomplish these changes and the associated financial impact on the Landfill Enterprise Fund.

The Cane Creek Water and Sewer District and Justice Academy Sewer Fund rates for service remain unchanged for FY2010. Growth in the District has slowed considerable due to the loss of residential and commercial development from the current economic conditions. District user

fees were budgeted flat for FY2010 based on actual fee collections in FY2009. The budgeted revenues will cover operating expenses of the Fund while adding to reserves for future infrastructure needs. Operating revenues and expenses in the Justice Academy Sewer Fund are expected to remain constant in FY2010.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS – OVERVIEW

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HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation
Assets:				
Cash and cash equivalents	\$ 45,483,163	\$ 8,999,760	\$ 54,482,923	\$ 5,769,361
Investments	-	-	-	39,170,979
Investment in affiliate	-	-	-	85,288
Taxes receivable (net)	1,969,619	-	1,969,619	-
Receivables (net)	8,197,752	657,612	8,855,364	22,975,909
Pledges receivable	-	-	-	279,612
Inventories	25,843	-	25,843	2,248,459
Prepaid items	92,671	-	92,671	1,157,762
Restricted cash and cash equivalents	1,208,525	-	1,208,525	34,068
Restricted investments	-	-	-	2,932,870
Capital assets:				
Land and construction in progress	11,740,284	2,260,491	14,000,775	5,109,725
Other capital assets, net of depreciation	64,452,062	15,040,302	79,492,364	64,569,375
Net capital assets	76,192,346	17,300,793	93,493,139	69,679,100
Other assets	-	-	-	51,796
Total assets	133,169,919	26,958,165	160,128,084	144,385,204
Liabilities:				
Accounts payable and accrued expenses	9,369,290	455,848	9,825,138	14,199,194
Third-party payer settlements	-	-	-	3,874,164
Unearned revenue	498,831	-	498,831	-
Long-term liabilities:				
Due within one year	9,296,737	421,792	9,718,529	1,247,167
Due in more than one year	114,679,643	4,364,455	119,044,098	13,373,530
Total liabilities	133,844,501	5,242,095	139,086,596	32,694,055
Net Assets:				
Invested in capital assets, net of related debt	46,920,197	14,917,293	61,837,490	55,058,403
Restricted for:				
Debt service	-	-	-	312,702
By donor	-	-	-	3,715,490
Unrestricted	(47,594,779)	6,798,777	(40,796,002)	52,604,554
Total net assets	\$ (674,582)	\$ 21,716,070	\$ 21,041,488	\$ 111,691,149

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES JUNE 30, 2009

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 17,377,905	\$ 631,057	\$ 841,768	\$ -
Public safety	29,733,774	3,836,365	1,869,045	-
Environmental protection	819,015	-	681,813	-
Economic and physical development	3,131,673	1,818,025	1,350,792	-
Human services	32,525,413	2,837,931	18,171,953	-
Cultural and recreational	3,139,072	243,102	267,173	-
Education	48,916,897	-	959,681	-
Interest on long-term debt	5,502,008	-	-	-
Total governmental activities	<u>141,145,757</u>	<u>9,366,480</u>	<u>24,142,225</u>	<u>-</u>
Business-Type Activities:				
Landfill	4,110,540	4,457,415	201,061	-
Cane Creek Water and Sewer	852,213	1,093,459	-	228,096
Other business-type activities	42,278	66,000	-	-
Total business-type activities	<u>5,005,031</u>	<u>5,616,874</u>	<u>201,061</u>	<u>228,096</u>
Total primary government	<u>\$ 146,150,788</u>	<u>\$ 14,983,354</u>	<u>\$ 24,343,286</u>	<u>\$ 228,096</u>
Component Unit:				
Henderson County Hospital Corporation	<u>\$ 127,655,682</u>	<u>\$ 130,429,863</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

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
\$ (15,905,080)	\$ -	\$ (15,905,080)	
(24,028,364)	-	(24,028,364)	
(137,202)	-	(137,202)	
37,144	-	37,144	
(11,515,529)	-	(11,515,529)	
(2,628,797)	-	(2,628,797)	
(47,957,216)	-	(47,957,216)	
(5,502,008)	-	(5,502,008)	
(107,637,052)	-	(107,637,052)	
-	547,936	547,936	
-	469,342	469,342	
-	23,722	23,722	
-	1,041,000	1,041,000	
(107,637,052)	1,041,000	(106,596,052)	
			\$ 2,774,181
66,151,942	-	66,151,942	-
21,161,570	-	21,161,570	-
1,932,087	-	1,932,087	-
58,351	-	58,351	32,137
1,161,801	446,576	1,608,377	3,271,865
-	-	-	445,035
165,492	(165,492)	-	-
90,631,243	281,084	90,912,327	3,749,037
(17,005,809)	1,322,084	(15,683,725)	6,523,218
16,331,227	20,393,986	36,725,213	105,167,931
\$ (674,582)	\$ 21,716,070	\$ 21,041,488	\$ 111,691,149

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

HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General	General Capital Projects Fund	School Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 33,045,287	\$ 2,235,205	\$ 5,165,978	\$ 1,652,149	\$ 3,273,641	\$ 45,372,260
Taxes receivable, net	1,969,619	-	-	-	-	1,969,619
Other receivables, net	7,287,949	121,248	378,588	-	409,967	8,197,752
Due from other funds	105,694	-	-	-	-	105,694
Inventories	25,843	-	-	-	-	25,843
Prepaid items	92,671	-	-	-	-	92,671
Restricted assets:						
Cash and investments	57,981	-	-	-	1,150,544	1,208,525
Total assets	<u>\$ 42,585,044</u>	<u>\$ 2,356,453</u>	<u>\$ 5,544,566</u>	<u>\$ 1,652,149</u>	<u>\$ 4,834,152</u>	<u>\$ 56,972,364</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,946,128	\$ 610,383	\$ 1,176,233	\$ 1,625,475	\$ 149,130	\$ 5,507,349
Accrued payroll liabilities	2,828,038	-	-	-	-	2,828,038
Due to other funds	-	-	-	-	105,694	105,694
Deferred revenues	2,598,914	-	-	26,674	4,000	2,629,588
Total liabilities	<u>7,373,080</u>	<u>610,383</u>	<u>1,176,233</u>	<u>1,652,149</u>	<u>258,824</u>	<u>11,070,669</u>
Fund Balances:						
Reserved for:						
State statute	7,263,179	-	-	-	409,967	7,673,146
Inventories	25,843	-	-	-	-	25,843
Prepaid items	92,671	-	-	-	-	92,671
Register of Deeds	324,500	-	-	-	-	324,500
Unreserved, designated for:						
Subsequent year's budget	720,778	-	-	-	-	720,778
Drug enforcement	37,422	-	-	-	-	37,422
Unreserved, undesignated:	26,747,571	1,746,070	4,368,333	-	-	32,861,974
Unreserved, reported in nonmajor:						
Debt service funds	-	-	-	-	1,354,642	1,354,642
Special revenue funds	-	-	-	-	2,810,719	2,810,719
Total fund balances	<u>35,211,964</u>	<u>1,746,070</u>	<u>4,368,333</u>	<u>-</u>	<u>4,575,328</u>	<u>45,901,695</u>
Total liabilities and fund balances	<u>\$ 42,585,044</u>	<u>\$ 2,356,453</u>	<u>\$ 5,544,566</u>	<u>\$ 1,652,149</u>	<u>\$ 4,834,152</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	76,192,346
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	2,130,757
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(123,976,380)
Some liabilities, including accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	(923,000)
Net assets of governmental activities	<u>\$ (674,582)</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, 2009

	<u>General</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Fire Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Ad valorem taxes	\$ 59,517,515	\$ -	\$ -	\$ 6,501,069	\$ -	\$ 66,018,584
Local option sales taxes	20,674,811	-	-	-	-	20,674,811
Other taxes and licenses	893,475	-	-	-	960,402	1,853,877
Unrestricted intergovernmental revenues	58,351	-	-	-	-	58,351
Restricted intergovernmental revenues	21,224,684	458,301	-	-	1,315,635	22,998,620
Permits and fees	1,259,149	-	-	-	-	1,259,149
Sales and services	7,944,852	-	-	-	116,076	8,060,928
Investment earnings	740,623	104,979	170,365	63,183	82,651	1,161,801
Miscellaneous	691,916	78,210	378,588	-	559,878	1,708,592
Total revenues	<u>113,005,376</u>	<u>641,490</u>	<u>548,953</u>	<u>6,564,252</u>	<u>3,034,642</u>	<u>123,794,713</u>
Expenditures:						
Current:						
General government	10,668,457	3,352,893	-	-	593,213	14,614,563
Public safety	22,923,978	-	-	6,564,252	579,862	30,068,092
Environmental protection	585,788	-	-	-	235,337	821,125
Economic and physical development	1,606,450	-	-	-	1,809,128	3,415,578
Human services	32,376,144	-	-	-	-	32,376,144
Cultural and recreation	3,909,908	-	-	-	-	3,909,908
Intergovernmental:						
Education	24,866,394	-	24,810,670	-	-	49,677,064
Debt service:						
Principal retirement	9,264,288	-	-	-	5,060,300	14,324,588
Interest and other charges	5,339,185	-	-	-	166,523	5,505,708
Total expenditures	<u>111,540,592</u>	<u>3,352,893</u>	<u>24,810,670</u>	<u>6,564,252</u>	<u>8,444,363</u>	<u>154,712,770</u>
Revenues over (under) expenditures	<u>1,464,784</u>	<u>(2,711,403)</u>	<u>(24,261,717)</u>	<u>-</u>	<u>(5,409,721)</u>	<u>(30,918,057)</u>
Other Financing Sources (Uses):						
Transfers from other funds	399,422	-	-	-	978,876	1,378,298
From General Fund	-	142,377	-	-	-	142,377
From Capital Reserve Fund	-	300,000	-	-	-	300,000
From Travel and Tourism Fund	-	7,359	-	-	-	7,359
Issuance of debt	553,000	-	-	-	5,092,000	5,645,000
Transfers to other funds	(1,175,253)	-	-	-	(487,289)	(1,662,542)
Total other financing sources (uses)	<u>(222,831)</u>	<u>449,736</u>	<u>-</u>	<u>-</u>	<u>5,583,587</u>	<u>5,810,492</u>
Net change in fund balances	1,241,953	(2,261,667)	(24,261,717)	-	173,866	(25,107,565)
Fund Balances:						
Beginning of year - July 1	<u>33,970,011</u>	<u>4,007,737</u>	<u>28,630,050</u>	<u>-</u>	<u>4,401,462</u>	<u>71,009,260</u>
End of year - June 30	<u>\$ 35,211,964</u>	<u>\$ 1,746,070</u>	<u>\$ 4,368,333</u>	<u>\$ -</u>	<u>\$ 4,575,328</u>	<u>\$ 45,901,695</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, 2009**

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	\$ (25,107,565)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	133,358
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
EMS revenues and other revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(4,619)
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 funds statements.	(190,330)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	3,321,887
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(2,982,159)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(33,779)
Expenses that do not require current financial resources are not reported as expenditures in the governmental funds statement.	9,000
The issuance of long-term debt provides current financial resources to governmental funds but does not effect net assets.	(6,470,890)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>14,319,288</u>
Total changes in net assets of governmental activities	<u>\$ (17,005,809)</u>

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

HENDERSON COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 59,025,432	\$ 59,025,432	\$ 59,517,515	\$ 492,083
Local option sales taxes	19,917,491	19,917,491	20,674,811	757,320
Other taxes and licenses	1,840,050	1,840,050	893,475	(946,575)
Unrestricted intergovernmental revenues	27,000	27,000	58,351	31,351
Restricted intergovernmental revenues	20,161,055	22,277,818	21,224,684	(1,053,134)
Permits and fees	2,339,695	2,178,795	1,259,149	(919,646)
Sales and services	7,902,719	8,014,473	7,944,852	(69,621)
Investment earnings	750,000	750,000	740,623	(9,377)
Miscellaneous	4,721,293	3,621,012	691,916	(2,929,096)
Total revenues	<u>116,684,735</u>	<u>117,652,071</u>	<u>113,005,376</u>	<u>(4,646,695)</u>
Expenditures:				
Current:				
General government	12,887,626	12,085,226	10,668,457	1,416,769
Public safety	21,735,453	23,449,145	22,923,978	525,167
Environmental protection	519,110	631,610	585,788	45,822
Economic and physical development	1,694,319	1,946,969	1,606,450	340,519
Human services	33,331,557	34,704,586	32,376,144	2,328,442
Cultural and recreational	3,990,599	4,127,312	3,909,908	217,404
Intergovernmental:				
Education	24,866,394	24,866,394	24,866,394	-
Debt service:				
Principal retirement	9,726,881	9,644,881	9,264,288	380,593
Interest and other charges	<u>5,542,318</u>	<u>5,411,543</u>	<u>5,339,185</u>	<u>72,358</u>
Total expenditures	<u>114,294,257</u>	<u>116,867,666</u>	<u>111,540,592</u>	<u>5,327,074</u>
Revenues over (under) expenditures	<u>2,390,478</u>	<u>784,405</u>	<u>1,464,784</u>	<u>680,379</u>
Other Financing Sources (Uses):				
Proceeds from installment financing	-	553,000	553,000	-
Transfers from other funds	399,422	399,422	399,422	-
Transfers to other funds	<u>(2,789,900)</u>	<u>(1,736,827)</u>	<u>(1,175,253)</u>	<u>561,574</u>
Total other financing sources (uses)	<u>(2,390,478)</u>	<u>(784,405)</u>	<u>(222,831)</u>	<u>561,574</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,241,953	<u>\$ 1,241,953</u>
Fund Balance:				
Beginning of year - July 1			33,970,011	
End of year - June 30			<u>\$ 35,211,964</u>	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2009

	Fire Districts Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 6,382,186	\$ 6,582,186	\$ 6,501,069	\$ (81,117)
Investment earnings	32,400	32,400	63,183	30,783
Total revenues	6,414,586	6,614,586	6,564,252	(50,334)
Expenditures:				
Current:				
Public safety	6,414,586	6,614,586	6,564,252	50,334
Total expenditures	6,414,586	6,614,586	6,564,252	50,334
Revenues over (under) expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year - July 1			-	
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, 2009

	Business-Type Activities				Governmental Activities
	Major		Nonmajor		
	Landfill Fund	Cane Creek Water and Sewer District	Other Proprietary Funds	Total	Internal Service Fund
Assets:					
Current assets:					
Cash and cash equivalents	\$ 3,882,641	\$ 4,555,855	\$ 561,264	\$ 8,999,760	\$ 110,903
Accounts receivable, net	356,522	301,090	-	657,612	-
Total current assets	4,239,163	4,856,945	561,264	9,657,372	110,903
Non-current assets:					
Capital assets:					
Land and construction in progress	1,656,979	603,512	-	2,260,491	-
Other capital assets, net of depreciation	2,671,135	12,042,879	326,288	15,040,302	-
Total non-current assets	4,328,114	12,646,391	326,288	17,300,793	-
Total assets	8,567,277	17,503,336	887,552	26,958,165	110,903
Liabilities:					
Current liabilities:					
Accounts payable	90,186	363,839	1,823	455,848	110,903
Current portion of compensated absences	1,448	1,592	-	3,040	-
Current portion of long-term obligations	100,952	317,800	-	418,752	-
Total current liabilities	192,586	683,231	1,823	877,640	110,903
Non-current liabilities:					
Liabilities payable from restricted assets:					
Accrued landfill closure and post-closure care costs	2,255,576	-	-	2,255,576	-
Compensated absences	13,038	14,326	-	27,364	-
Other post-employment benefits	15,815	-	-	15,815	-
Installment purchase payable	-	2,065,700	-	2,065,700	-
Total non-current liabilities	2,284,429	2,080,026	-	4,364,455	-
Total liabilities	2,477,015	2,763,257	1,823	5,242,095	110,903
Net Assets:					
Invested in capital assets, net of related debt	4,328,114	10,262,891	326,288	14,917,293	-
Unrestricted	1,762,148	4,477,188	559,441	6,798,777	-
Total net assets	\$ 6,090,262	\$ 14,740,079	\$ 885,729	\$ 21,716,070	\$ -

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, 2009

	Business-Type Funds				Governmental Activities
	Major		Nonmajor		
	Landfill Fund	Cane Creek Water and Sewer District	Other Proprietary Funds	Total	Internal Service Fund
Operating Revenues:					
Charges for services	\$ 4,457,415	\$ 1,093,459	\$ 66,000	\$ 5,616,874	\$ 1,434,817
Total operating revenues	<u>4,457,415</u>	<u>1,093,459</u>	<u>66,000</u>	<u>5,616,874</u>	<u>1,434,817</u>
Operating Expenses:					
Salaries and employee benefits	787,360	-	-	787,360	194,699
Benefit payments	-	-	-	-	1,127,648
Other operating expenses	3,215,373	357,178	31,832	3,604,383	112,470
Depreciation	<u>107,807</u>	<u>398,668</u>	<u>10,446</u>	<u>516,921</u>	-
Total operating expenses	<u>4,110,540</u>	<u>755,846</u>	<u>42,278</u>	<u>4,908,664</u>	<u>1,434,817</u>
Operating income (loss)	<u>346,875</u>	<u>337,613</u>	<u>23,722</u>	<u>708,210</u>	-
Non-Operating Revenues (Expenses):					
Miscellaneous revenue	201,061	-	-	201,061	-
Interest income	197,588	222,284	26,704	446,576	-
Interest expense	-	(96,367)	-	(96,367)	-
Total non-operating revenues (expenses)	<u>398,649</u>	<u>125,917</u>	<u>26,704</u>	<u>551,270</u>	-
Income (loss) before capital contributions and transfers	<u>745,524</u>	<u>463,530</u>	<u>50,426</u>	<u>1,259,480</u>	-
Transfers:					
Transfers in	104,000	-	-	104,000	-
Transfers out	-	269,492	-	269,492	-
Net transfers	<u>104,000</u>	<u>(269,492)</u>	-	<u>(165,492)</u>	-
Capital contributions	-	228,096	-	228,096	-
Change in net assets	849,524	422,134	50,426	1,322,084	-
Net Assets:					
Beginning of year - July 1	<u>5,240,738</u>	<u>14,317,945</u>	<u>835,303</u>	<u>20,393,986</u>	-
End of year - June 30	<u>\$ 6,090,262</u>	<u>\$ 14,740,079</u>	<u>\$ 885,729</u>	<u>\$ 21,716,070</u>	<u>\$ -</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Funds				Governmental Activities
	Major	Nonmajor			
	Landfill Fund	Cane Creek Water and Sewer District	Other Proprietary Funds	Total	Internal Service Fund
Cash Flows From Operating Activities:					
Cash received from customers	\$ 4,433,743	\$ 1,112,458	\$ 71,500	\$ 5,617,701	\$ 1,434,817
Cash paid for goods and services	(3,511,023)	(310,432)	(31,254)	(3,852,709)	(196,266)
Cash paid to employees for services	(782,555)	137	-	(782,418)	-
Net cash provided (used) by operating activities	140,165	802,163	40,246	982,574	1,238,551
Cash Flows From Non-Capital Financing:					
Transfers in	104,000	-	-	104,000	-
Transfers out	-	(269,492)	-	(269,492)	-
Proceeds from operating grants	201,061	-	-	201,061	-
Net cash provided (used) by non-capital financing activities	305,061	(269,492)	-	35,569	-
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(297,054)	(319,490)	-	(616,544)	-
Principal paid on bond maturities and equipment contracts	-	(317,800)	-	(317,800)	-
Interest paid on bond maturities	-	(96,367)	-	(96,367)	-
Net cash provided (used) for capital and related financing activities	(297,054)	(733,657)	-	(1,030,711)	-
Cash Flows From Investing Activities:					
Interest on investments	197,588	222,283	26,704	446,575	-
Net increase (decrease) in cash and cash equivalents	345,760	21,297	66,950	434,007	1,238,551
Cash and Cash Equivalents - Beginning of Year	3,536,881	4,534,558	494,314	8,565,753	-
Cash and Cash Equivalents - End of Year	\$ 3,882,641	\$ 4,555,855	\$ 561,264	\$ 8,999,760	\$ 1,238,551
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 346,875	\$ 337,613	\$ 23,722	\$ 708,210	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	107,807	398,668	10,446	516,921	-
Landfill closure and post-closure care costs	(122,793)	-	-	(122,793)	-
Other post-employment benefits	15,815	-	-	15,815	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(23,672)	18,999	5,500	827	-
Increase (decrease) in accounts payable and accrued liabilities	(172,857)	46,746	578	(125,533)	110,903
Increase (decrease) in accrued vacation pay	(11,010)	137	-	(10,873)	-
Total adjustments	(206,710)	464,550	16,524	274,364	110,903
Net cash provided (used) by operating activities	\$ 140,165	\$ 802,163	\$ 40,246	\$ 982,574	\$ 110,903
Capital assets contributed by developers	\$ -	\$ 228,096	\$ -	\$ 228,096	\$ -

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

HENDERSON COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****JUNE 30, 2009**

	Agency Funds
	<hr/>
Assets:	
Cash and cash equivalents	\$ 535,723
	<hr/>
Liabilities:	
Intergovernmental payable	\$ 535,723
	<hr/>

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, 2009

1. Summary of Significant Accounting Policies

The accounting policies of Henderson County and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Blended Component Unit

Cane Creek Water and Sewer District

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

Discretely Presented Component Units

Henderson County Hospital Corporation

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Henderson County Industrial Facility and Pollution Control Financing Authority

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

Henderson County Governmental Financing Corporation

The Henderson County Governmental Financing Corporation (the "Corporation") is a non-profit corporation chartered in 2000 with the specific purpose of assisting 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. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government (the County) and its component 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, 2009

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

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise funds:

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

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

The County reports the following non major enterprise funds:

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, Community Development Block Grant-Shuey Knolls, Community Development Block Grant-Scattered Site Housing, Crisis Housing Assistance Program, Mud Creek Watershed Restoration, Sheriff E-911, Public Transit, Immigration Customs Enforcement, and Capital Reserve Fund.

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

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

Internal Service Fund - Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis. Henderson County has one Internal Service Fund: the Self-Insurance 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 to 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; the Motor Vehicle Tax Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the other agency funds, which account for miscellaneous funds held by the County for the benefit of others.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Measurement Focus, Basis of Accounting

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

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

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, 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 registered motor vehicles property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

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

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

C. Budgetary Data

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

D. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

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.

The restricted assets of governmental activities consist of the following:

- \$1,150,544 in the Debt Service Fund for the balance in the sinking fund required by a financing contract to construct schools.
- \$57,981 in the General Fund for the balance remaining in the project loan escrow account for expansion of the Sheriff Department's Emergency 911 Communications Center.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009. The County does not currently allow discounts that apply to taxes paid prior to the due date.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. General infrastructure 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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

Compensated Absences

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

Designated for Drug Enforcement – portion of fund balance available for appropriation that has been designated for drug enforcement.

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

2. Stewardship, Compliance and Accountability

For the fiscal year ended June 30, 2009, the expenditures made in the Cane Creek Water and Sewer District Fund exceeded the authorized appropriations made by the governing board by \$286,238. This over-expenditure occurred because a budget amendment was not processed to appropriate loan financing proceeds remaining in the Fund to cover expenditures for completion of Mud Creek – Phase II capital project. Management and the Board will more closely review the budget reports to ensure compliance in future years.

For the fiscal year ended June 30, 2009, the expenditures made in the General Capital Projects Fund exceeded the authorized appropriations made by the governing board by \$1,238,401. This over-expenditure occurred because a budget amendment was not processed to appropriate investment earnings on financing proceeds used for capital project expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

3. Detail Notes on All Funds

A. Assets

Deposits

All of the County and the Hospital's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County or the Hospital's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Hospital, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the Hospital, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Hospital under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, the County's deposits had a carrying amount of \$17,031,624 and a bank balance of \$17,272,808. Of the bank balance, \$742,380 was covered by federal depository insurance, and \$16,530,428 was covered by collateral held under the Pooling Method. At June 30, 2009, Henderson County had \$5,056 cash on hand.

At September 30, 2008, the Hospital's deposits had a carrying amount of approximately \$5,803,000 and a bank balance of approximately \$6,819,000. Of the bank balance, \$587,000 was covered by federal depository insurance and \$6,232,000 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2009, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
North Carolina Capital Management				
Trust-Cash Portfolio	\$ 13,676,282	\$ 13,676,282	\$ -	\$ -
Commercial Paper	1,356,579	1,356,579	-	-
Money Market Funds	24,157,630	24,157,630	-	-
Total	<u>\$ 39,190,491</u>	<u>\$ 39,190,491</u>	<u>\$ -</u>	<u>\$ -</u>

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, 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, 2009. The County has no formal policy on credit risk.

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

Concentration of Credit Risk. Concentration risk is the risk when one of the issuers is 5% or greater of the total investment portfolio, excluding deposits. More than 5 percent of the County's investments are in Citigroup, Inc. commercial paper. These investments are 100% of the County's total investment of \$1,356,579 in commercial paper. The County has no formal policy on the concentration of credit risk.

At September 30, 2008, the Hospital's investment consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than Year</u>	<u>2-3 Years</u>	<u>4-7 Years</u>	<u>No Maturity Date</u>
U.S. Government securities	\$ 2,600,924	\$ 2,066,235	\$ 534,689	\$ -	\$ -
U.S. Government agencies	11,838,437	4,997,740	3,506,565	3,334,132	-
North Carolina Capital Management Trust	17,429,899	-	-	-	17,429,899
Equity securities and funds	10,021,108	-	-	-	10,021,108
Certificate of deposit	<u>213,481</u>	<u>213,481</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 42,103,849</u>	<u>\$ 7,277,456</u>	<u>\$ 4,041,254</u>	<u>\$ 3,334,132</u>	<u>\$ 27,451,007</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, 2008. 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, 2009

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
2006	\$ 963,298	\$ 250,458	\$ 1,213,756
2007	1,775,627	301,857	2,077,484
2008	1,817,228	145,378	1,962,606
2009	<u>1,722,736</u>	<u>-</u>	<u>1,722,736</u>
Total	<u>\$ 6,278,889</u>	<u>\$ 697,693</u>	<u>\$ 6,976,582</u>

Receivables

Receivables at the government-wide level at June 30, 2009, were as follows:

	Accounts	Taxes and Accrued Interest	Due from other Governments	Other	Total
Governmental Activities:					
General	\$ 7,839,820	\$ 3,645,819	\$ 366,475	\$ 19,623	\$ 11,871,737
Other governmental	<u>439,967</u>	<u>-</u>	<u>248,621</u>	<u>-</u>	<u>688,588</u>
Total receivables	8,279,787	3,645,819	615,096	19,623	12,560,325
Allowance for doubtful accounts	<u>(716,754)</u>	<u>(1,676,200)</u>	<u>-</u>	<u>-</u>	<u>(2,392,954)</u>
Total governmental activities	<u>\$ 7,563,033</u>	<u>\$ 1,969,619</u>	<u>\$ 615,096</u>	<u>\$ 19,623</u>	<u>\$ 10,167,371</u>
Business-Type Activities:					
Landfill	\$ 369,291	\$ -	\$ -	\$ -	\$ 369,291
Water and sewer	<u>518,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,498</u>
Total receivables	887,789	-	-	-	887,789
Allowance for doubtful accounts	<u>(230,177)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,177)</u>
Total business-type activities	<u>\$ 657,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,612</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

Local option sales tax \$ 615,096

Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Transfers	Balance June 30, 2009
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 10,731,187	\$ -	\$ -	\$ -	\$ 10,731,187
Construction in progress	14,706,423	1,961,355	-	(15,658,681)	1,009,097
Total capital assets not being depreciated	<u>25,437,610</u>	<u>1,961,355</u>	<u>-</u>	<u>(15,658,681)</u>	<u>11,740,284</u>
Capital Assets Being Depreciated:					
Buildings	62,643,747	49,490	-	15,658,681	78,351,918
Equipment	3,229,978	880,086	(228,395)	-	3,881,669
Vehicles and motor equipment	4,152,215	430,956	(79,082)	(32,190)	4,471,899
Total capital assets being depreciated	<u>70,025,940</u>	<u>1,360,532</u>	<u>(307,477)</u>	<u>15,626,491</u>	<u>86,705,486</u>
Less Accumulated Depreciation:					
Buildings	15,874,905	1,979,256	-	-	17,854,161
Equipment	1,877,504	305,001	(214,426)	-	1,968,079
Vehicles and motor equipment	1,824,744	697,902	(59,272)	(32,190)	2,431,184
Total accumulated depreciation	<u>19,577,153</u>	<u>2,982,159</u>	<u>(273,698)</u>	<u>(32,190)</u>	<u>22,253,424</u>
Total capital assets being depreciated, net	<u>50,448,787</u>	<u>(1,621,627)</u>	<u>(33,779)</u>	<u>15,658,681</u>	<u>64,452,062</u>
Governmental activities capital assets, net	<u>\$ 75,886,397</u>	<u>\$ 339,728</u>	<u>\$ (33,779)</u>	<u>\$ -</u>	<u>\$ 76,192,346</u>

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

General government	\$ 1,334,225
Public safety	1,054,794
Economic and physical development	48,758
Human services	386,079
Cultural and recreational	158,303
Total	<u>\$ 2,982,159</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
Business-Type Activities:					
Landfill:					
Capital Assets Not Being Depreciated:					
Land	\$ 1,406,581	\$ 250,398	\$ -	\$ -	\$ 1,656,979
Total capital assets not being depreciated	<u>1,406,581</u>	<u>250,398</u>	<u>-</u>	<u>-</u>	<u>1,656,979</u>
Capital Assets Being Depreciated:					
Plant and distribution systems	2,846,108	-	-	-	2,846,108
Furniture and maintenance equipment	640,412	32,256	(22,653)	-	650,015
Vehicles	<u>1,090,436</u>	<u>14,400</u>	<u>(37,688)</u>	<u>32,190</u>	<u>1,099,338</u>
Total capital assets being depreciated	<u>4,576,956</u>	<u>46,656</u>	<u>(60,341)</u>	<u>32,190</u>	<u>4,595,461</u>
Less Accumulated Depreciation:					
Plant and distribution systems	350,427	68,100	-	39,130	457,657
Furniture and maintenance equipment	413,529	11,013	(22,653)	(73)	401,816
Vehicles	<u>1,080,714</u>	<u>28,694</u>	<u>(37,688)</u>	<u>(6,867)</u>	<u>1,064,853</u>
Total accumulated depreciation	<u>1,844,670</u>	<u>107,807</u>	<u>(60,341)</u>	<u>32,190</u>	<u>1,924,326</u>
Total capital assets being depreciated, net	<u>2,732,286</u>	<u>(61,151)</u>	<u>-</u>	<u>-</u>	<u>2,671,135</u>
Landfill capital assets, net	<u>\$ 4,138,867</u>	<u>\$ 189,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,328,114</u>
Cane Creek Water and Sewer District:					
Capital Assets Not Being Depreciated:					
Land	\$ 308,995	\$ -	\$ -	\$ -	\$ 308,995
Construction in progress	<u>-</u>	<u>294,517</u>	<u>-</u>	<u>-</u>	<u>294,517</u>
Total capital assets not being depreciated	<u>308,995</u>	<u>294,517</u>	<u>-</u>	<u>-</u>	<u>603,512</u>
Capital Assets Being Depreciated:					
Plant and distribution systems	14,587,056	228,096	-	13,357	14,828,509
Furniture and maintenance equipment	342,842	24,973	(5,431)	(51,784)	310,600
Vehicles	<u>50,363</u>	<u>-</u>	<u>-</u>	<u>38,427</u>	<u>88,790</u>
Total capital assets being depreciated	<u>14,980,261</u>	<u>253,069</u>	<u>(5,431)</u>	<u>-</u>	<u>15,227,899</u>
Less Accumulated Depreciation:					
Plant and distribution systems	2,501,557	362,388	-	11,973	2,875,918
Furniture and maintenance equipment	265,436	30,609	(5,431)	(68,661)	221,953
Vehicles	<u>24,790</u>	<u>5,671</u>	<u>-</u>	<u>56,688</u>	<u>87,149</u>
Total accumulated depreciation	<u>2,791,783</u>	<u>398,668</u>	<u>(5,431)</u>	<u>-</u>	<u>3,185,020</u>
Total capital assets being depreciated, net	<u>12,188,478</u>	<u>(145,599)</u>	<u>-</u>	<u>-</u>	<u>12,042,879</u>
Cane Creek Water and Sewer District capital assets, net	<u>\$ 12,497,473</u>	<u>\$ 148,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,646,391</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Justice Academy Water and Sewer District:				
Capital Assets Being Depreciated:				
Plant and distribution systems	\$ 441,187	\$ -	\$ -	\$ 441,187
Furniture and maintenance equipment	<u>17,234</u>	<u>-</u>	<u>-</u>	<u>17,234</u>
Total capital assets being depreciated	<u>458,421</u>	<u>-</u>	<u>-</u>	<u>458,421</u>
Less Accumulated Depreciation:				
Plant and distribution systems	104,453	10,446	-	114,899
Furniture and maintenance equipment	<u>17,234</u>	<u>-</u>	<u>-</u>	<u>17,234</u>
Total accumulated depreciation	<u>121,687</u>	<u>10,446</u>	<u>-</u>	<u>132,133</u>
Total capital assets being depreciated, net	<u>336,734</u>	<u>(10,446)</u>	<u>-</u>	<u>326,288</u>
Justice Academy Water and Sewer District capital assets, net	<u>\$ 336,734</u>	<u>\$ (10,446)</u>	<u>\$ -</u>	<u>\$ 326,288</u>
Business-type activities capital assets, net	<u>\$ 17,025,173</u>			<u>\$ 17,300,793</u>

Construction Commitments

The government has active construction projects as of June 30, 2009. The projects include school and community college construction projects. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining</u> <u>Commitment</u>
Hillandale Elementary School	1,083,705
Mills River Elementary School	793,247
BRCC Technology Building	<u>41,500</u>
Total	<u>\$ 1,918,452</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Activity for the Henderson County Hospital Corporation for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Increases	Decreases	Transfers	Balance September 30, 2008
Capital Assets Not Being Depreciated:					
Land	\$ 3,958,468	\$ -	\$ (49,606)	\$ -	\$ 3,908,862
Construction in progress	363,780	2,706,633	-	(1,869,550)	1,200,863
Capital Assets Being Depreciated:					
Land improvements	1,036,844	-	-	-	1,036,844
Buildings and fixed equipment	85,129,565	625,507	-	1,003,227	86,758,299
Moveable equipment	82,943,306	4,150,818	(2,037,926)	866,323	85,922,521
Totals at historical cost	<u>173,431,963</u>	<u>7,482,958</u>	<u>(2,087,532)</u>	<u>-</u>	<u>178,827,389</u>
Less Accumulated Depreciation:					
Land improvements					
Buildings	872,902	43,946	(12,622)	-	904,226
Equipment	36,543,924	3,561,248	(132,721)	-	39,972,451
Vehicles and motor equipment	62,635,545	7,569,995	(1,933,928)	-	68,271,612
Total accumulated depreciation	<u>100,052,371</u>	<u>11,175,189</u>	<u>(2,079,271)</u>	<u>-</u>	<u>109,148,289</u>
Total capital assets being depreciated, net	<u>\$ 73,379,592</u>	<u>\$ (3,692,231)</u>	<u>\$ (8,261)</u>	<u>\$ -</u>	<u>\$ 69,679,100</u>

B. Liabilities

Payables

Payables at government-wide level at June 30, 2009, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Insurance Claims Incurred But Not Reported	Total
Governmental Activities:					
General	\$ 1,946,128	\$ 2,533,675	\$ 923,000	\$ 294,363	\$ 5,697,166
Other governmental	3,672,124	-	-	-	3,672,124
Total governmental activities	<u>\$ 5,618,252</u>	<u>\$ 2,533,675</u>	<u>\$ 923,000</u>	<u>\$ 294,363</u>	<u>\$ 9,369,290</u>
Business-Type Activities:					
Landfill	\$ 70,487	\$ 14,062	\$ -	\$ 5,637	\$ 90,186
Water and Sewer Fund	363,839	-	-	-	363,839
Other	1,823	-	-	-	1,823
Total business-type activities	<u>\$ 436,149</u>	<u>\$ 14,062</u>	<u>\$ -</u>	<u>\$ 5,637</u>	<u>\$ 455,848</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, 2008, and 2007 were \$1,523,697, \$1,444,938, and \$1,305,057, 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, 2008, the Separation Allowance's membership consisted of 136 active plan members and 10 retired members receiving benefits.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2007, 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. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 23 years.

Annual Pension Cost and Net Pension Obligation

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

Employer annual required contribution	\$ 227,709
Interest on net pension obligation	101,264
Adjustment to annual required contribution	(88,274)
Annual pension cost	240,699
Employer contributions made	<u>108,712</u>
Increase (decrease) in net pension obligation	131,987
Net pension obligation, July 1	1,396,745
Net pension obligation, June 30	<u>\$ 1,528,732</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 188,891	27.78%	\$ 1,251,533
6/30/2008	212,801	31.76%	1,396,745
6/30/2009	240,699	45.17%	1,528,732

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,438,148, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,438,148.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,536,146 and the ratio of the UAAL to the covered payroll was 37.30 percent.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires that the County contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009, were \$532,444, which consisted of \$402,202 from the County and \$130,242 from the law enforcement officers.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Register of Deeds' Supplemental Pension Fund

Plan Description. Henderson County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2009, the County's required and actual contributions were \$7,929.

Post-Employment Benefits

Deferred Compensation Plan

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Other Post-Employment Benefits - Healthcare Benefits

Plan Description

In addition to providing pension benefits, the County has elected to provide healthcare benefits to retirees of the County who have at least thirty (30) years of service with the County or are at least 55, but not Medicare eligible, with a minimum of ten (10) years of service with Henderson County and have a combined age and years of service total of at least 70. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active County employees. Henderson County pays 100% of the payments for any retiree with thirty (30) or more years of service with the County or a combined age and years of service total of at least 80. Reduced contribution rates are made by the County for retirees with combined age and years of service that total 70 or 75 at retirement. Retirees can purchase coverage for their dependents at the County's group rates. Currently, 51 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2009, the County made payments for post-retirement health benefit premiums of \$345,897. The County is self-insured and contracts with a private carrier to administer the healthcare plan. A separate report was not issued for the plan.

Membership of the Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	51	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	547	109
Total	598	109

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The current ARC rate is 4.48% of annual covered payroll. For the current year, the County contributed \$345,897, or 1.31% of annual covered payroll. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 4.48% and 4.48% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$54,170. The County's obligation to contribute to the Plan is established and may be amended by the Board of County Commissioners.

Summary of Significant Accounting Policies

Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net Obligation

The County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 1,165,288	\$ 22,314	\$ 1,187,602
Interest on net OPEB obligation	-	-	-
Adjustments to annual required contribution	-	-	-
Annual OPEB cost (expense)	1,165,288	22,314	1,187,602
Contributions made	(339,398)	(6,499)	(345,897)
Increase (decrease) in net OPEB obligation	825,890	15,815	841,705
Net OPEB obligation, beginning of year	-	-	-
Net OPEB obligation, end of year	<u>\$ 825,890</u>	<u>\$ 15,815</u>	<u>\$ 841,705</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 1,187,602	29.1%	\$ 841,705

Fund Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$11,916,315. The covered payroll (annual payroll of active employees covered by the plan) was \$26,464,590, and the ratio of the UAAL to the covered payroll was 45.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was 30 years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

As of June 30, 2009, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Council.

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. Lump sum death benefits are provided to beneficiaries 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. This payment is equal to the employee's 12 highest months' salary in a row during the 24 months prior to his or her death. The death benefit payments to beneficiaries must be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the County made immaterial contributions to the State for death benefits. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively.

Landfill Closure and Post-Closure Care Costs

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

Due to a redetermination of post-closure costs being performed after the landfill stopped accepting waste, the estimated post-closure costs decreased significantly from the amount estimated in prior years. The \$2,356,528 reported as landfill post-closure care liability at June 30, 2009, represents the cumulative amount reported at that date for costs yet to be incurred. The County will recognize the remaining estimated cost of post-closure care as incurred. These amounts are based on what it would cost to perform all post-closure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Henderson County Hospital Corporation Pension Plan

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

Deferred / Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at June 30, 2009, is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid revenue not yet earned (General)	\$ 498,831	\$ 498,831
Taxes receivable, net (General)	1,969,619	-
Other receivable (General)	130,464	-
Taxes receivable, net (Special Revenue)	30,674	-
Total	<u>\$ 2,629,588</u>	<u>\$ 498,831</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two of the self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement value of real and personal owned property subject to a blanket limit of \$109.3 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.

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

The County provides employee health and dental benefits through a self-insured plan provided by Blue Cross/Blue Shield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC. Specific stop-loss is set at \$100,000 per individual health insurance claim with 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 \$6,296,750 and a contract period maximum of \$1,000,000.

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

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

	<u>2009</u>
Unpaid claims, beginning	\$ -
Incurred claims	5,533,989
Claim payments	<u>(5,233,989)</u>
Unpaid claims, ending	<u>\$ 300,000</u>

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

Claims and Judgments

At June 30, 2009, 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, 2009

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, 2009, are as follows:

\$16, 290, 000 School Projects Series 2001 due in annual principal payments of \$815,000 on March 1 through 2021. Interest is payable semi-annually at rates ranging from 4.25% to 5.00%, fluctuating throughout the life of the certificates.	\$ 9,770,000
\$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.	22,890,000
\$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.	<u>36,660,000</u>
Total installment contracts	<u>\$ 69,320,000</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

Year Ending		
June 30	Principal	Interest
2010	\$ 3,990,000	\$ 3,312,675
2011	4,435,000	3,137,388
2012	4,430,000	2,929,863
2013	4,430,000	2,732,250
2014	4,430,000	2,523,188
2015-2019	22,145,000	9,315,313
2020-2024	19,670,000	3,994,313
2025-2027	5,790,000	365,926
Total	<u>\$ 69,320,000</u>	<u>\$ 28,310,916</u>

Installment Purchases

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Other installment purchase contracts payable at June 30, 2009, 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 3.72%	\$ 3,712,500
\$9,100,000 Middle School Project financing contract due in semi-annual principal payments of \$322,292, including interest charged at an annual rate of 3.51%; payments will continue through April 10, 2017.	5,156,668
\$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.	1,453,571
\$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.	191,469
\$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.	120,431
\$32,000,000 Elementary Schools Project financing contract due in semi-annual principal payments of \$914,286 including interest charged at an annual rate of 3.72%; payments will continue through September 30, 2025.	30,171,429
\$273,000 Travel and Tourism Building Project financing contract due in quarterly installments of \$35,482 including interest at an annual rate of 3.5%; payments will continue through April 4, 2010.	138,878
5,092,000 Detention Center financing contract due in semi-annual payments including interest at an annual rate of 3.64%; payments will continue through June 30, 2019.	4,687,000
\$553,000 Emergency 911 Center Project financing contract due in annual payments of \$122,873 including interest charged at an annual rate of 3.63%; payments will continue through July 15, 2013.	553,000
\$3,000,000 Hendersonville Middle School Qualified Zone Academy Bonds requiring 12 annual deposits of \$164, 363 into a debt service fund; final payment of the bonds is April 5, 2015.	<u>3,000,000</u>
Total installment purchases indebtedness	<u>\$ 49,184,946</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

\$ 2,383,500

Long-Term Debt

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,017,702	\$ 1,675,873
2011	3,764,772	1,538,416
2012	3,770,593	1,405,447
2013	3,772,922	1,272,152
2014	5,960,227	1,138,429
2015-2019	15,673,489	3,785,849
2020-2024	9,480,357	1,454,902
2025-2028	<u>2,744,884</u>	<u>102,034</u>
Total	<u>\$ 49,184,946</u>	<u>\$ 12,373,102</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 317,800	\$ 84,507
2011	317,800	72,646
2012	317,800	60,786
2013	317,800	48,925
2014	317,800	37,064
2015-2019	<u>794,500</u>	<u>40,771</u>
Total	<u>\$ 2,383,500</u>	<u>\$ 344,699</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, are comprised of the following individual issues:

\$18,570,000 1998 County's General Obligation Refunding

Bonds due on June 1 in installments as follows:

2010- 1,060,000

Interest ranges from 3.25% to 4.25% throughout the life
of the bonds.

\$ 1,060,000

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>
2010	<u>\$ 1,060,000</u>	<u>\$ 45,050</u>

At June 30, 2009, Henderson County had no bonds authorized but unissued and a legal debt margin of \$917,251,364.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, 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 2010.	\$	24,000
\$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>34,388</u>
Total other long-term obligations	\$	<u>58,388</u>

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>
2010	\$ 29,193	\$ -
2011	<u>29,195</u>	<u>-</u>
Total	<u>\$ 58,388</u>	<u>\$ -</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:					
General obligation bonds	\$ 2,885,000	\$ -	\$ 1,825,000	\$ 1,060,000	\$ 1,060,000
Other long-term obligations	187,581	-	129,193	58,388	29,193
Installment purchases	47,445,041	5,645,000	3,905,095	49,184,946	4,017,702
Installment contracts	77,780,000	-	8,460,000	69,320,000	3,990,000
Compensated absences	1,940,081	880,732	822,389	1,998,424	199,842
Other post-employment benefits	-	825,890	-	825,890	-
Pension benefit obligations	1,396,745	131,987	-	1,528,732	-
Total governmental activities	<u>\$ 131,634,448</u>	<u>\$ 7,483,609</u>	<u>\$ 15,141,677</u>	<u>\$ 123,976,380</u>	<u>\$ 9,296,737</u>
Business-Type Activities:					
Installment purchase	\$ 2,701,300	\$ -	\$ 317,800	\$ 2,383,500	\$ 317,800
Accrued landfill closure and post-closure care cost	2,479,321	-	122,793	2,356,528	100,952
	-	15,815	-	15,815	-
Compensated absences	41,277	-	10,873	30,404	3,040
Total business-type activities	<u>\$ 5,221,898</u>	<u>\$ 15,815</u>	<u>\$ 451,466</u>	<u>\$ 4,786,247</u>	<u>\$ 421,792</u>
Discretely Presented Component Unit:					
Revenue bonds	\$ 12,745,000	\$ 12,155,000	\$ 12,745,000	\$ 12,155,000	\$ 620,000
Capitalized leases	1,655,358	2,071,951	1,101,248	2,626,061	627,167
Total	<u>14,400,358</u>	<u>14,226,951</u>	<u>13,846,248</u>	<u>14,781,061</u>	<u>1,247,167</u>
Less unamortized deferred loss on refunding	-	163,452	(3,088)	160,364	-
Total discretely presented component units and long-term liabilities	<u>\$ 14,400,358</u>	<u>\$ 14,063,499</u>	<u>\$ 13,843,160</u>	<u>\$ 14,620,697</u>	<u>\$ 1,247,167</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, 2009

Capital Leases

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

At September 30, 2008, the cost of assets held under capital leases was approximately \$5,046,000, less accumulated depreciation and amortization of approximately \$2,243,000. At September 30, 2008, the future minimum payments under the Hospital's capital leases consist of the following:

<u>Year Ending September 30</u>	<u>Principal</u>
2009	\$ 796,211
2010	796,211
2011	613,385
2012	497,333
2013	<u>331,556</u>
Total minimum lease payments	3,034,696
Less: amount representing interest	<u>(408,635)</u>
Present value of the minimum lease payments	<u>\$ 2,626,061</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, 2009

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

Year Ending September 30	Principal	Interest
2009	\$ 620,000	\$ 390,556
2010	650,000	458,489
2011	685,000	431,188
2012	720,000	402,456
2013	755,000	372,292
2014-2018	4,370,000	1,354,813
2019-2022	4,355,000	367,180
Total	<u>\$ 12,155,000</u>	<u>\$ 3,776,974</u>

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

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2009, consist of the following:

	Transfers		
	From	To	Purpose
General Fund	\$ 1,175,253	\$ 399,422	
Revaluation Reserve Fund	-	594,729	Revaluation of property
Public Transit Fund	-	89,009	Transportation services
Debt Service	-	295,138	School debt service
General Capital Projects Fund	-	449,736	County capital projects
Capital Reserve Fund	300,000	-	County capital projects
Travel and Tourism Fund	187,289	-	Administrative cost
Landfill Fund	-	104,000	Personnel costs
Cane Creek Water and Sewer District Fund	269,492	-	Personnel and billing operations
	<u>\$ 1,932,034</u>	<u>\$ 1,932,034</u>	

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The following is a summary of interfund receivables and payables.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	<u>\$ 105,694</u>	Temporary reimbursement of cash over drafts

3. Joint Ventures

The County, in conjunction with the State of North Carolina and Henderson County Board of Education, participates in a joint venture to operate Blue Ridge Community College. 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 \$2,314,409 to the community college for operational expenses and \$90,724 for capital expenditures during the fiscal year ending June 30, 2009. In addition, the County made debt service payments of \$1,698,689 including interest, during the year ended June 30, 2009, 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, 2009. 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, 2009. 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, 2009. Complete financial statements for the Authority may be obtained from the Authority's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

4. Jointly Governed Organization

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

5. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

6. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 966,292	\$ -
Medicaid	67,952,263	26,663,507
Food Stamp Program	9,632,854	-
WIC	1,807,056	-
Adoption Assistance	447,850	89,066
Low Income Energy Assistance	371,580	-
State/County Special Assistance for Adults	-	931,204
Total	<u>\$ 81,177,895</u>	<u>\$ 27,683,777</u>

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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HENDERSON COUNTY, NORTH CAROLINA**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION****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)
12/31/2008	\$ -	\$ 2,438,148	0.00%	\$ 2,438,148	\$ 6,536,146	37.30%
12/31/2007	-	2,045,918	0.00%	2,045,918	5,891,020	34.73%
12/31/2006	-	1,705,055	0.00%	1,705,055	5,625,074	30.31%
12/31/2005	-	1,426,389	0.00%	1,426,389	5,212,692	27.42%
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%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
2009	\$ 227,709	0.00%
2008	198,970	0.00%
2007	174,778	0.00%
2006	158,440	0.00%
2005	150,619	0.00%
2004	144,257	0.00%
2003	125,471	0.00%
2002	79,691	0.00%
2001	75,160	0.00%
2000	80,528	0.00%
1999	72,872	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, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 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

HENDERSON COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS -
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS**

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)
12/31/2008	\$ -	\$ 11,916,315	0.00%	\$ 11,916,315	\$ 26,464,590	45.0%

Schedule of Employer Contributions		
Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
2009	\$ 1,187,602	0.0%

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, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions	
Investment rate of return*	4.00%
Medical trend rate	10.50% - 5.00%
Year of Ultimate trend rate	2016

* Includes inflation at 3.75%

SUPPLEMENTARY INFORMATION

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

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The General Fund

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

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HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes - current		\$ 59,032,369	
Penalties, interest and advertising		485,146	
Total	<u>\$ 59,025,432</u>	<u>59,517,515</u>	<u>\$ 492,083</u>
Local Option Sales Taxes:			
Article 39 one percent		8,300,649	
Article 40 one-half of one percent		5,040,632	
Article 42 one-half of one percent		4,990,682	
Article 44 one-half of one percent		2,460,398	
Medicaid hold harmless		(117,550)	
Total	<u>19,917,491</u>	<u>20,674,811</u>	<u>757,320</u>
Other Taxes and Licenses:			
Deed stamp excise tax		859,977	
Gross receipts rental tax		33,468	
Privilege licenses		30	
Total	<u>1,840,050</u>	<u>893,475</u>	<u>(946,575)</u>
Unrestricted Intergovernmental Revenues:			
Payment in lieu of taxes	<u>27,000</u>	<u>58,351</u>	<u>31,351</u>
Total	<u>27,000</u>	<u>58,351</u>	<u>31,351</u>
Restricted Intergovernmental Revenues:			
Federal and State grants		20,838,400	
Controlled substance tax		55,633	
Court facility fee		209,643	
ABC net revenues		92,269	
ABC bottles taxes		28,739	
Total	<u>22,277,818</u>	<u>21,224,684</u>	<u>(1,053,134)</u>
Permits and Fees:			
Inspection fees		682,364	
Register of Deeds		529,240	
Enforcement fees		47,545	
Total	<u>2,178,795</u>	<u>1,259,149</u>	<u>(919,646)</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sales and Services:			
Rents, concessions and fees		5,205,803	
Jail fees		403,336	
Ambulance fees		2,092,611	
Recreation fees		243,102	
Total	<u>8,014,473</u>	<u>7,944,852</u>	<u>(69,621)</u>
Investment Earnings	<u>750,000</u>	<u>740,623</u>	<u>(9,377)</u>
Miscellaneous:			
Sale of materials		51,594	
Other		640,322	
Total	<u>3,621,012</u>	<u>691,916</u>	<u>(2,929,096)</u>
Total revenues	<u>117,652,071</u>	<u>113,005,376</u>	<u>(4,646,695)</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits		221,555	
Operating expenditures		134,645	
Donations and dues		391,020	
Total	<u>768,216</u>	<u>747,220</u>	<u>20,996</u>
Administration:			
Salaries and employee benefits		813,833	
Operating expenditures		183,596	
Total	<u>1,091,530</u>	<u>997,429</u>	<u>94,101</u>
Elections:			
Salaries and employee benefits		363,889	
Operating expenditures		120,109	
Total	<u>683,816</u>	<u>483,998</u>	<u>199,818</u>
Finance:			
Salaries and employee benefits		527,752	
Operating expenditures		81,344	
Total	<u>614,642</u>	<u>609,096</u>	<u>5,546</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Taxes:			
Salaries and employee benefits		1,473,295	
Operating expenditures		656,003	
Total	<u>2,209,455</u>	<u>2,129,298</u>	<u>80,157</u>
Legal:			
Salaries and employee benefits		497,462	
Contracted services		48,995	
Total	<u>589,688</u>	<u>546,457</u>	<u>43,231</u>
Register of Deeds:			
Salaries and employee benefits		811,518	
Operating expenditures		169,961	
Capital outlay		15,412	
Total	<u>1,443,214</u>	<u>996,891</u>	<u>446,323</u>
Public Buildings:			
Salaries and employee benefits		607,383	
Operating expenditures		1,492,626	
Capital outlay		49,490	
Total	<u>2,237,659</u>	<u>2,149,499</u>	<u>88,160</u>
Garage and Grounds:			
Salaries and employee benefits		320,896	
Operating expenditures		485,850	
Total	<u>1,197,000</u>	<u>806,746</u>	<u>390,254</u>
Court Facilities:			
Operating expenditures		191,024	
Total	<u>192,000</u>	<u>191,024</u>	<u>976</u>
Data Processing:			
Salaries and employee benefits		492,131	
Operating expenditures		518,668	
Total	<u>1,058,006</u>	<u>1,010,799</u>	<u>47,207</u>
Total general government	<u>12,085,226</u>	<u>10,668,457</u>	<u>1,416,769</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Safety:			
Sheriff and Communications:			
Salaries and employee benefits		9,001,791	
Operating expenditures		2,105,950	
Capital outlay		933,743	
Total	<u>12,252,566</u>	<u>12,041,484</u>	<u>211,082</u>
Jail:			
Salaries and employee benefits		2,953,646	
Operating expenditures		1,143,762	
Capital outlay		96,337	
Total	<u>4,286,224</u>	<u>4,193,745</u>	<u>92,479</u>
Emergency Management:			
Salaries and employee benefits		159,349	
Operating expenditures		338,429	
Capital outlay		10,188	
Total	<u>518,364</u>	<u>507,966</u>	<u>10,398</u>
Fire Services:			
Salaries and employee benefits		148,706	
Operating expenditures		106,003	
Total	<u>274,709</u>	<u>254,709</u>	<u>20,000</u>
Inspections:			
Salaries and employee benefits		702,273	
Operating expenditures		169,842	
Total	<u>992,866</u>	<u>872,115</u>	<u>120,751</u>
Code Enforcement Services:			
Salaries and employee benefits		272,347	
Operating expenditures		21,502	
Total	<u>299,044</u>	<u>293,849</u>	<u>5,195</u>
Erosion Control:			
Salaries and employee benefits		156,034	
Operating expenditures		12,645	
Total	<u>172,464</u>	<u>168,679</u>	<u>3,785</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Emergency Medical Services:			
Salaries and employee benefits		3,101,783	
Operating expenditures		554,741	
Capital outlay		161,103	
Total	<u>3,830,072</u>	<u>3,817,627</u>	<u>12,445</u>
Animal Control:			
Salaries and employee benefits		298,486	
Operating expenditures		152,790	
Total	<u>490,414</u>	<u>451,276</u>	<u>39,138</u>
Day Reporting Center:			
Salaries and employee benefits		48,357	
Operating expenditures		51,457	
Total	<u>101,055</u>	<u>99,814</u>	<u>1,241</u>
Rescue Squad:			
Operating expenditures	<u>95,450</u>	<u>95,450</u>	<u>-</u>
Property Addressing:			
Salaries and employee benefits		115,303	
Operating expenditures		11,961	
Total	<u>135,917</u>	<u>127,264</u>	<u>8,653</u>
Total public safety	<u>23,449,145</u>	<u>22,923,978</u>	<u>525,167</u>
Environmental Protection:			
Soil and water conservation:			
Salaries and employee benefits		217,564	
Operating expenditures		130,016	
Total	<u>382,078</u>	<u>347,580</u>	<u>34,498</u>
Forestry service	<u>49,872</u>	<u>41,663</u>	<u>8,209</u>
Utilities:			
Salaries and employee benefits		192,073	
Operating expenditures		4,472	
Total	<u>199,660</u>	<u>196,545</u>	<u>3,115</u>
Total environmental protection	<u>631,610</u>	<u>585,788</u>	<u>45,822</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic and Physical Development:			
Planning:			
Salaries and employee benefits		469,397	
Operating expenditures		129,866	
Total	<u>664,716</u>	<u>599,263</u>	<u>65,453</u>
Agricultural Extension:			
Salaries and employee benefits		264,094	
Operating expenditures		78,667	
Total	<u>381,803</u>	<u>342,761</u>	<u>39,042</u>
Other Transfers:			
Economic development contracts	<u>900,450</u>	<u>664,426</u>	<u>236,024</u>
Total	<u>900,450</u>	<u>664,426</u>	<u>236,024</u>
Total economic and physical development	<u>1,946,969</u>	<u>1,606,450</u>	<u>340,519</u>
Human Services:			
Health:			
General and Administration:			
Salaries and employee benefits		1,488,308	
Operating expenditures		737,496	
Capital outlay		23,152	
Total	<u>2,302,099</u>	<u>2,248,956</u>	<u>53,143</u>
Public Health:			
Bio-terrorism program			
Salaries and employee benefits		30,785	
Operating expenditures		20,754	
Total	<u>53,378</u>	<u>51,539</u>	<u>1,839</u>
AIDS Grant:			
Salaries and employee benefits		8,450	
Operating expenditures		462	
Total	<u>12,500</u>	<u>8,912</u>	<u>3,588</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Tuberculosis Clinic:			
Salaries and employee benefits		12,330	
Operating expenditures		6,218	
Total	<u>19,080</u>	<u>18,548</u>	<u>532</u>
Maternal Health:			
Salaries and employee benefits		550,905	
Operating expenditures		118,829	
Total	<u>771,129</u>	<u>669,734</u>	<u>101,395</u>
Family Planning:			
Salaries and employee benefits		142,853	
Operating expenditures		108,205	
Total	<u>268,692</u>	<u>251,058</u>	<u>17,634</u>
Childhood Obesity Prevention:			
Salaries and employee benefits		41,570	
Operating expenditures		338,431	
Total	<u>380,001</u>	<u>380,001</u>	<u>-</u>
Child Health:			
Salaries and employee benefits		584,683	
Operating expenditures		102,354	
Total	<u>786,627</u>	<u>687,037</u>	<u>99,590</u>
WIC:			
Salaries and employee benefits		401,560	
Operating expenditures		15,954	
Total	<u>457,191</u>	<u>417,514</u>	<u>39,677</u>
B&C Cancer Control:			
Salaries and employee benefits		6,443	
Operating expenditures		33,476	
Total	<u>39,982</u>	<u>39,919</u>	<u>63</u>
Risk Reduction:			
Salaries and employee benefits		25,027	
Operating expenditures		1,129	
Total	<u>26,468</u>	<u>26,156</u>	<u>312</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
IAP Program:			
Salaries and employee benefits		18,616	
Operating expenditures		6,989	
Total	<u>25,658</u>	<u>25,605</u>	<u>53</u>
N.C. Cardiovascular Health:			
Operating expenditures	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Smart Start- Child Care:			
Salaries and employee benefits		75,792	
Operating expenditures		6,515	
Total	<u>84,669</u>	<u>82,307</u>	<u>2,362</u>
Smart Start - Preventive Dental:			
Salaries and employee benefits		63,351	
Operating expenditures		38,602	
Total	<u>110,600</u>	<u>101,953</u>	<u>8,647</u>
Behavioral Health Program:			
Salaries and employee benefits		52,793	
Operating expenditures		2,012	
Total	<u>83,603</u>	<u>54,805</u>	<u>28,798</u>
School Health Nurse Program:			
Salaries and employee benefits		523,845	
Operating expenditures		18,536	
Total	<u>592,870</u>	<u>542,381</u>	<u>50,489</u>
Total public health	<u>6,164,547</u>	<u>5,756,425</u>	<u>408,122</u>
Environmental Health:			
Salaries and employee benefits		894,643	
Operating expenditures		66,495	
Total	<u>1,064,473</u>	<u>961,138</u>	<u>103,335</u>
Home and Community Block Grant:			
Operating expenditures	<u>701,233</u>	<u>701,169</u>	<u>64</u>
Total	<u>701,233</u>	<u>701,169</u>	<u>64</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Youth Services:			
Salaries and employee benefits		386,757	
Operating expenditures		62,746	
Total	<u>530,906</u>	<u>449,503</u>	<u>81,403</u>
Social Services:			
Mental Health:			
Operating expenditures		528,612	
Total	<u>528,612</u>	<u>528,612</u>	<u>-</u>
Administration:			
Salaries and employee benefits		9,343,861	
Operating expenditures		3,628,766	
Capital outlay		44,012	
Total	<u>13,263,026</u>	<u>13,016,639</u>	<u>246,387</u>
Smart Start:			
Salaries and employee benefits		38,961	
Operating expenditures		473,990	
Total	<u>535,260</u>	<u>512,951</u>	<u>22,309</u>
TANF Program :			
County participation only	<u>284,515</u>	<u>260,264</u>	<u>24,251</u>
Medicaid:			
County participation only	<u>2,797,128</u>	<u>2,156,091</u>	<u>641,037</u>
Income Maintenance Program:			
Supplemental aid to the aged		416,452	
Supplemental aid to the disabled		518,812	
Crisis intervention payments		311,085	
Total	<u>1,256,978</u>	<u>1,246,349</u>	<u>10,629</u>
Daycare Operations:			
Day care for children	<u>3,913,252</u>	<u>3,882,156</u>	<u>31,096</u>
Foster Care:			
State boarding home		287,874	
Foster care - children		748,372	
Adoption assistance		264,885	
Total	<u>1,821,636</u>	<u>1,301,131</u>	<u>520,505</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
NC Fast Program:			
Operating expenditures		58,194	
Total	<u>67,229</u>	<u>58,194</u>	<u>9,035</u>
Other Assistance:			
Social work contracts	62,880	60,200	2,680
Medicaid transportation	965,000	788,879	176,121
Aid to the blind	5,500	4,416	1,084
Adult day care	13,983	12,331	1,652
General assistance	57,000	50,585	6,415
JOBS Program	50,000	49,993	7
EDTAP program	249,440	247,871	1,569
Emergency assistance	25,000	7,953	17,047
Other assistance	<u>104,828</u>	<u>93,151</u>	<u>11,677</u>
Total	<u>1,533,631</u>	<u>1,315,379</u>	<u>218,252</u>
Total social services	<u>26,001,267</u>	<u>24,277,766</u>	<u>1,723,501</u>
Veteran Services:			
Salaries and employee benefits		21,673	
Operating expenditures		<u>2,548</u>	
Total	<u>27,463</u>	<u>24,221</u>	<u>3,242</u>
Juvenile Justice Grant:			
Operating expenditures	<u>214,697</u>	<u>205,922</u>	<u>8,775</u>
Total human services	<u>34,704,586</u>	<u>32,376,144</u>	<u>2,328,442</u>
Cultural and Recreation:			
Library:			
Salaries and employee benefits		2,021,652	
Operating expenditures		<u>770,894</u>	
Total	<u>2,881,688</u>	<u>2,792,546</u>	<u>89,142</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Parks and Recreation:			
Salaries and employee benefits		801,892	
Operating expenditures		315,470	
Total	<u>1,245,624</u>	<u>1,117,362</u>	<u>128,262</u>
 Total cultural and recreation	 <u>4,127,312</u>	 <u>3,909,908</u>	 <u>217,404</u>
Intergovernmental:			
Education:			
Public schools - current expense		20,205,922	
Public schools - capital expense		2,255,339	
Community colleges - current expense		2,405,133	
Total education	<u>24,866,394</u>	<u>24,866,394</u>	<u>-</u>
Debt Service:			
Principal	9,644,881	9,264,288	380,593
Interest	<u>5,411,543</u>	<u>5,339,185</u>	<u>72,358</u>
Total debt service	<u>15,056,424</u>	<u>14,603,473</u>	<u>452,951</u>
 Total expenditures	 <u>116,867,666</u>	 <u>111,540,592</u>	 <u>5,327,074</u>
 Revenues over expenditures	 <u>784,405</u>	 <u>1,464,784</u>	 <u>680,379</u>
Other Financing Sources (Uses):			
Installment financing issued	553,000	553,000	-
Transfers in	399,422	399,422	-
Transfers out	<u>(1,736,827)</u>	<u>(1,175,253)</u>	<u>561,574</u>
Total other financing sources (uses)	<u>(784,405)</u>	<u>(222,831)</u>	<u>561,574</u>
 Net changes in fund balance	 <u>\$ -</u>	 1,241,953	 <u>\$ 1,241,953</u>
Fund Balance:			
Beginning of year - July 1		<u>33,970,011</u>	
 End of year - June 30		 <u>\$ 35,211,964</u>	

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Other Major Governmental Funds

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

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

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HENDERSON COUNTY, NORTH CAROLINA
GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues	\$ 500,000	\$ 1,213	\$ 458,301	\$ 457,088
Investment earnings	-	1,899,173	104,979	2,004,152
Miscellaneous	330,000	840,116	78,210	918,326
Total	830,000	2,740,502	641,490	3,379,566
Expenditures:				
Capital outlay:				
General government	45,314,180	43,199,688	3,352,893	46,552,581
Total	45,314,180	43,199,688	3,352,893	46,552,581
Revenues over (under) expenditures	(44,484,180)	(40,459,186)	(2,711,403)	(43,170,589)
Other Financing Sources (Uses):				
Installment financing issued	40,508,910	40,769,536	-	40,769,536
Transfers in:				
From General Fund	2,280,000	2,302,117	142,377	2,444,494
From Capital Reserve Fund	300,000	-	300,000	300,000
From Travel and Tourism Fund	125,000	125,000	7,359	132,359
From Sewer District Fund	449,185	449,185	-	449,185
From Solid Waste Fund	800,000	800,000	-	800,000
From Trust and Agency Fund	21,085	21,085	-	21,085
Total other financing sources (uses)	44,484,180	44,466,923	449,736	44,916,659
Net change in fund balance	\$ -	\$ 4,007,737	(2,261,667)	\$ 1,746,070
Fund Balance:				
Beginning of year - July 1			4,007,737	
End of year - June 30			\$ 1,746,070	

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, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,459,455	170,365	1,629,820
Miscellaneous	-	634,373	378,588	1,012,961
Total	<u>456,629</u>	<u>2,550,457</u>	<u>548,953</u>	<u>3,099,410</u>
Expenditures:				
Capital outlay:				
General education	<u>61,439,512</u>	<u>33,971,081</u>	<u>24,810,670</u>	<u>58,781,751</u>
Total	<u>61,439,512</u>	<u>33,971,081</u>	<u>24,810,670</u>	<u>58,781,751</u>
Revenues under expenditures	<u>(60,982,883)</u>	<u>(31,420,624)</u>	<u>(24,261,717)</u>	<u>(55,682,341)</u>
Other Financing Sources (Uses):				
Installment financing issued	60,680,674	60,680,674	-	60,680,674
Transfers in:				
From General Fund	795,000	795,000	-	795,000
Transfers out:				
To General Fund	(1,425,000)	(1,425,000)	-	(1,425,000)
Appropriated fund balance	<u>932,209</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>60,982,883</u>	<u>60,050,674</u>	<u>-</u>	<u>60,050,674</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 28,630,050</u>	<u>(24,261,717)</u>	<u>\$ 4,368,333</u>
Fund Balance:				
Beginning of year - July 1			<u>28,630,050</u>	
End of year - June 30			<u>\$ 4,368,333</u>	

Nonmajor Governmental Funds

HENDERSON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2009

	Revaluation Reserve Fund	Travel and Tourism Fund	Community Development Block Grant Scattered Site Housing Fund	Mud Creek Watershed Restoration Fund	Sheriff E-911 Fund
Assets:					
Cash and investments	\$ 19,959	\$ -	\$ 1,117	\$ -	\$ 452,901
Accounts receivable, net	-	117,006	-	19,143	46,657
Restricted cash	-	-	-	-	-
Total assets	<u>\$ 19,959</u>	<u>\$ 117,006</u>	<u>\$ 1,117</u>	<u>\$ 19,143</u>	<u>\$ 499,558</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 11,410	\$ 20,704	\$ -	\$ 1,474	\$ 40,765
Due to other funds	-	96,302	-	6,458	-
Deferred tax revenues	-	-	-	4,000	-
Total liabilities	<u>11,410</u>	<u>117,006</u>	<u>-</u>	<u>11,932</u>	<u>40,765</u>
Fund Balances:					
Reserved by State statute	-	117,006	-	19,143	46,657
Unreserved:					
Undesignated	<u>8,549</u>	<u>(117,006)</u>	<u>1,117</u>	<u>(11,932)</u>	<u>412,136</u>
Total fund balances	<u>8,549</u>	<u>-</u>	<u>1,117</u>	<u>7,211</u>	<u>458,793</u>
Total liabilities and fund balances	<u>\$ 19,959</u>	<u>\$ 117,006</u>	<u>\$ 1,117</u>	<u>\$ 19,143</u>	<u>\$ 499,558</u>

Schedule C-1

Public Transit Fund	Immigration Customs Enforcement Fund	Capital Reserve Fund	Totals June 30, 2009	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 15,011	\$ 140,426	\$ 2,437,195	\$ 3,066,609	\$ 207,032	\$ 3,273,641
176,458	50,703	-	409,967	-	409,967
-	-	-	-	1,150,544	1,150,544
<u>\$ 191,469</u>	<u>\$ 191,129</u>	<u>\$ 2,437,195</u>	<u>\$ 3,476,576</u>	<u>\$ 1,357,576</u>	<u>\$ 4,834,152</u>
\$ 67,988	6,789	\$ -	\$ 149,130	\$ -	\$ 149,130
-	-	-	102,760	2,934	105,694
-	-	-	4,000	-	4,000
<u>67,988</u>	<u>6,789</u>	<u>-</u>	<u>255,890</u>	<u>2,934</u>	<u>258,824</u>
176,458	50,703	-	409,967	-	409,967
(52,977)	133,637	2,437,195	2,810,719	1,354,642	4,165,361
<u>123,481</u>	<u>184,340</u>	<u>2,437,195</u>	<u>3,220,686</u>	<u>1,354,642</u>	<u>4,575,328</u>
<u>\$ 191,469</u>	<u>\$ 191,129</u>	<u>\$ 2,437,195</u>	<u>\$ 3,476,576</u>	<u>\$ 1,357,576</u>	<u>\$ 4,834,152</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2009

	Revaluation Reserve Fund	Travel and Tourism Fund	Community Development Block Grant Shuey Knolls	Community Development Block Grant Scattered Site Housing Fund	Crisis Housing Assistance Fund
Revenues:					
Other taxes and licenses	\$ -	\$ 960,402	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-	228,385	20,550	19,125
Sales and services	-	116,076	-	-	-
Investment earnings	2,176	4,356	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,176</u>	<u>1,080,834</u>	<u>228,385</u>	<u>20,550</u>	<u>19,125</u>
Expenditures:					
Current:					
General government	593,213	-	-	-	-
Public safety	-	-	-	-	-
Environmental protection	-	-	-	-	-
Economic and physical development	-	1,068,196	228,385	20,550	19,125
Debt service:					
Principal repayments	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>593,213</u>	<u>1,068,196</u>	<u>228,385</u>	<u>20,550</u>	<u>19,125</u>
Revenues over (under) expenditures	<u>(591,037)</u>	<u>12,638</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Installment financing issued	-	-	-	-	-
Transfers from:					
General Fund	594,729	-	-	-	-
Transfers to:					
General Capital Projects Fund	-	-	-	-	-
Self Insurance Fund	-	-	-	-	-
General Fund	<u>-</u>	<u>(187,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>594,729</u>	<u>(187,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,692	(174,651)	-	-	-
Fund Balances:					
Beginning of year - July 1	<u>4,857</u>	<u>174,651</u>	<u>-</u>	<u>1,117</u>	<u>-</u>
End of year - June 30	<u>\$ 8,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117</u>	<u>\$ -</u>

Schedule C-2

Mud Creek Watershed Restoration Fund	Sheriff E-911 Fund	Public Transit Fund	Immigration Customs Enforcement Fund	Capital Reserve Fund	Totals June 30, 2009	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 960,402	\$ -	\$ 960,402
234,102	-	429,471	384,002	-	1,315,635	-	1,315,635
-	-	-	-	-	116,076	-	116,076
-	13,272	-	-	-	19,804	62,847	82,651
-	559,878	-	-	-	559,878	-	559,878
<u>234,102</u>	<u>573,150</u>	<u>429,471</u>	<u>384,002</u>	<u>-</u>	<u>2,971,795</u>	<u>62,847</u>	<u>3,034,642</u>
-	-	-	-	-	593,213	-	593,213
-	380,200	-	199,662	-	579,862	-	579,862
235,337	-	-	-	-	235,337	-	235,337
-	-	472,872	-	-	1,809,128	-	1,809,128
-	-	-	-	-	-	5,060,300	5,060,300
-	-	-	-	-	-	166,523	166,523
<u>235,337</u>	<u>380,200</u>	<u>472,872</u>	<u>199,662</u>	<u>-</u>	<u>3,217,540</u>	<u>5,226,823</u>	<u>8,444,363</u>
<u>(1,235)</u>	<u>192,950</u>	<u>(43,401)</u>	<u>184,340</u>	<u>-</u>	<u>(245,745)</u>	<u>(5,163,976)</u>	<u>(5,409,721)</u>
-	-	-	-	-	-	5,092,000	5,092,000
-	-	89,009	-	-	683,738	295,138	978,876
-	-	-	-	(300,000)	(300,000)	-	(300,000)
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,289)</u>	<u>-</u>	<u>(187,289)</u>
<u>-</u>	<u>-</u>	<u>89,009</u>	<u>-</u>	<u>(300,000)</u>	<u>196,449</u>	<u>5,387,138</u>	<u>5,583,587</u>
(1,235)	192,950	45,608	184,340	(300,000)	(49,296)	223,162	173,866
<u>8,446</u>	<u>265,843</u>	<u>77,873</u>	<u>-</u>	<u>2,737,195</u>	<u>3,269,982</u>	<u>1,131,480</u>	<u>4,401,462</u>
<u>\$ 7,211</u>	<u>\$ 458,793</u>	<u>\$ 123,481</u>	<u>\$ 184,340</u>	<u>\$ 2,437,195</u>	<u>\$ 3,220,686</u>	<u>\$ 1,354,642</u>	<u>\$ 4,575,328</u>

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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 – Shuey Knolls – accounts for a federal grant for construction of low income housing infrastructure in the Shuey Knolls Housing Development.

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.

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 Center.

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

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

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

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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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 2,176	\$ 2,176
Expenditures:			
Current:			
General government	620,170	593,213	26,957
Revenues over (under) expenditures	(620,170)	(591,037)	29,133
Other Financing Sources (Uses):			
Transfers in:			
From General Fund	620,170	594,729	(25,441)
Net change in fund balance	\$ -	3,692	\$ 3,692
Fund Balance:			
Beginning of year - July 1		4,857	
End of year - June 30		\$ 8,549	

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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses	\$ 984,896	\$ 960,402	\$ (24,494)
Sales and services	145,000	116,076	(28,924)
Investment earnings	<u>2,000</u>	<u>4,356</u>	<u>2,356</u>
Total revenues	<u>1,131,896</u>	<u>1,080,834</u>	<u>(51,062)</u>
Expenditures:			
Current:			
Economic and physical development	<u>1,113,381</u>	<u>1,068,196</u>	<u>45,185</u>
Revenues over (under) expenditures	<u>18,515</u>	<u>12,638</u>	<u>(5,877)</u>
Other Financing Sources (Uses):			
Transfers out:			
To General Fund	(192,472)	(187,289)	5,183
Appropriated fund balance	<u>173,957</u>	<u>-</u>	<u>(173,957)</u>
Total other financing sources (uses)	<u>(18,515)</u>	<u>(187,289)</u>	<u>(168,774)</u>
Net change in fund balance	<u>\$ -</u>	(174,651)	<u>\$ (174,651)</u>
Fund Balance:			
Beginning of year - July 1		<u>174,651</u>	
End of year - June 30		<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT -SHUEY KNOLLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 250,000	\$ 13,693	\$ 228,385	\$ 242,078
Expenditures:				
Current:				
Economic and physical development	250,000	13,693	228,385	242,078
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year, July 1			-	
End of year, June 30			\$ -	

HENDERSON COUNTY, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT - SCATTERED SITE HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Closed Projects</u>	<u>Total to Date</u>
Revenues:					
Restricted intergovernmental	\$ 400,000	\$ 417,818	\$ 20,550	\$ (417,818)	\$ 20,550
Expenditures:					
Current:					
Economic and physical development	400,000	416,701	20,550	(417,818)	19,433
Revenues over (under) expenditures	-	1,117	-	-	1,117
Net change in fund balance	\$ -	\$ 1,117	-	\$ -	\$ 1,117
Fund Balance:					
Beginning of year - July 1			1,117		
End of year - June 30			\$ 1,117		

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, 2009

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 300,000	\$ 58,147	\$ 19,125	\$ 77,272
Expenditures:				
Current:				
Economic and physical development	300,000	58,147	19,125	77,272
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ 497,860	\$ 234,102	\$ (263,758)
Expenditures:			
Current:			
Environmental protection	497,860	235,337	262,523
Net change in fund balance	<u>\$ -</u>	(1,235)	<u>\$ (1,235)</u>
Fund Balance:			
Beginning of year - July 1		<u>8,446</u>	
End of year - June 30		<u>\$ 7,211</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 13,272	\$ 13,272
Miscellaneous	<u>411,430</u>	<u>559,878</u>	<u>148,448</u>
Total revenues	<u>411,430</u>	<u>573,150</u>	<u>161,720</u>
Expenditures:			
Current:			
Public safety	<u>411,430</u>	<u>380,200</u>	<u>31,230</u>
Net change in fund balance	<u>\$ -</u>	<u>192,950</u>	<u>\$ 192,950</u>
Fund Balance:			
Beginning of year - July 1		<u>265,843</u>	
End of year - June 30		<u>\$ 458,793</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 457,531	\$ 429,471	\$ (28,060)
Expenditures:			
Current:			
Economic and physical development	570,482	472,872	97,610
Revenues over (under) expenditures	(112,951)	(43,401)	69,550
Other Financing Sources (Uses):			
Transfers in:			
General Fund	89,009	89,009	-
Appropriated fund balance	23,942	-	(23,942)
Total other financing sources (uses)	112,951	89,009	(23,942)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	45,608	\$ 45,608
Fund Balance:			
Beginning of year - July 1		77,873	
End of year - June 30		\$ 123,481	

HENDERSON COUNTY, NORTH CAROLINA

IMMIGRATION CUSTOMS ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental revenues	\$ <u>754,691</u>	\$ <u>384,002</u>	\$ <u>(370,689)</u>
Expenditures:			
Current:			
Public safety	<u>779,691</u>	<u>199,662</u>	<u>580,029</u>
Other Financing Sources (Uses):			
Transfers in:			
From General Fund	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>184,340</u>	<u>\$ 184,340</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ 184,340</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers out:			
To General Capital Projects Fund	\$ (300,000)	\$ (300,000)	\$ -
Transfers in:			
Appropriated fund balance	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Total other financing sources and (uses)	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(300,000)</u>	<u>\$ (300,000)</u>
Fund Balance:			
Beginning of year - July 1		<u>2,737,195</u>	
End of year - June 30		<u>\$ 2,437,195</u>	

Debt Service Fund

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

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HENDERSON COUNTY, NORTH CAROLINA**DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 62,847	\$ 62,847
Expenditures:			
Debt Service:			
Principal repayments	5,224,664	5,060,300	164,364
Interest	163,345	166,523	(3,178)
Total expenditures	<u>5,388,009</u>	<u>5,226,823</u>	<u>161,186</u>
Revenues over (under) expenditures	<u>(5,388,009)</u>	<u>(5,163,976)</u>	<u>224,033</u>
Other Financing Sources (Uses):			
Installment financing issued	5,092,870	5,092,000	(870)
Transfers in:			
From General Fund	295,139	295,138	(1)
Total other financing sources (uses)	<u>5,388,009</u>	<u>5,387,138</u>	<u>(871)</u>
Net change in fund balance	<u>\$ -</u>	223,162	<u>\$ 223,162</u>
Fund Balance:			
Beginning of year - July 1		<u>1,131,480</u>	
End of year - June 30		<u>\$ 1,354,642</u>	

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Enterprise Fund

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

Individual Fund Descriptions:

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

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

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

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HENDERSON COUNTY, NORTH CAROLINA**LANDFILL FUND****SCHEDULE OF REVENUES AND EXPENDITURES****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 4,749,050	\$ 4,658,476	\$ (90,574)
Non-operating revenues:			
Interest income	48,182	197,588	149,406
Total revenues	4,797,232	4,856,064	58,832
Expenditures:			
Salaries and employee benefits	735,191	771,545	36,354
Other operating expenditures	4,002,840	3,215,373	(787,467)
Capital outlay	141,352	297,054	155,702
Total expenditures	4,879,383	4,283,972	595,411
Revenue over (under) expenditures	(82,151)	572,092	(536,579)
Other Financing Sources (Uses):			
Transfers in:			
From General Fund	54,000	54,000	-
From Sewer Fund	50,000	50,000	-
Transfers out:			
To Self Insurance Fund	(21,849)	-	21,849
Total other financing sources (uses)	82,151	104,000	21,849
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	676,092	\$ 676,092
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Reconciling items:			
Other post-employment benefits		(15,815)	
Capital outlay		297,054	
Depreciation		(107,807)	
Total reconciling items		173,432	
Change in net assets		\$ 849,524	

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 1,074,090	\$ 1,093,459	\$ 19,369
Non-operating revenues:			
Interest income	-	222,284	222,284
Total revenues	<u>1,074,090</u>	<u>1,315,743</u>	<u>241,653</u>
Expenditures:			
Water and sewer administration:			
Operating expenditures	323,975	357,178	-
Capital outlay	<u>66,455</u>	<u>319,490</u>	<u>-</u>
Total expenditures	<u>390,430</u>	<u>676,668</u>	<u>(286,238)</u>
Debt Service:			
Interest paid	96,368	96,367	-
Principal retirement	<u>317,800</u>	<u>317,800</u>	<u>-</u>
Total debt service	<u>414,168</u>	<u>414,167</u>	<u>1</u>
Revenues over (under) expenditures	<u>269,492</u>	<u>224,908</u>	<u>527,890</u>
Other Financing Sources (Uses):			
Transfers out:			
To General Fund	269,492	269,492	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(44,584)</u>	<u>\$ (44,584)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Reconciling items:			
Capital contribution		228,096	
Capital outlay		319,490	
Payment of debt principal		317,800	
Depreciation		<u>(398,668)</u>	
Total reconciling items		<u>466,718</u>	
Change in net assets		<u>\$ 422,134</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, 2009**

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues	\$ 36,225	\$ 66,000	\$ 29,775
Non-operating revenues:			
Interest income	-	26,704	26,704
Total revenues	36,225	92,704	56,479
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits			
Operating expenditures	31,225	31,832	(607)
Capital outlay	5,000	-	5,000
Total expenditures	36,225	31,832	4,393
Revenues over (under) expenditures	\$ -	60,872	\$ 60,872
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Reconciling items:			
Depreciation		(10,446)	
Change in net assets		\$ 50,426	

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Internal Service Fund

Internal Service Funds are used to account for the County's activities which are similar to those often found in the private sector. The measurement focus is on the flow of economic resources.

Individual Fund Description:

Self-Insurance Fund - accounts for risk management operations of the County and the financing of property and liability and workers compensation self-insurance costs incurred.

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HENDERSON COUNTY, NORTH CAROLINA**NONMAJOR SELF-INSURANCE FUND
BALANCE SHEET
JUNE 30, 2009**

	<u>2009</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ <u>110,903</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ <u>110,903</u>
Net Assets:	
Unrestricted net assets	\$ <u>-</u>

HENDERSON COUNTY, NORTH CAROLINA

NONMAJOR SELF-INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - FINANCIAL PLAN AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services:			
Employee and employer contributions	\$ 1,504,136	\$ 1,434,817	\$ (69,319)
Operating Expenses:			
Salaries and related expenses	192,752	194,699	(1,947)
Benefit payments	1,190,262	1,127,648	62,614
Operating expenses	<u>121,122</u>	<u>112,470</u>	<u>8,652</u>
Total operating expenses	<u>1,504,136</u>	<u>1,434,817</u>	<u>69,319</u>
Operating income (loss)	<u>\$ -</u>	-	<u>\$ -</u>
Net Assets:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA**NONMAJOR SELF-INSURANCE FUND
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2009</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,434,817
Cash paid for goods and services	<u>(196,266)</u>
Net cash provided (used) by operating activities	<u>1,238,551</u>
Net Increase in Cash and Cash Equivalents	1,238,551
Cash and Cash Equivalents, July 1	<u>-</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 1,238,551</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in accounts payable and accrued liabilities	<u>110,903</u>
Net cash provided (used) by operating activities	<u><u>\$ 110,903</u></u>

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Agency Funds

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

Individual Fund Descriptions:

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

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

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

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

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

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

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

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

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

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HENDERSON COUNTY, NORTH CAROLINA

AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 30,915	\$ 258,124	\$ 233,612	\$ 55,427
Liabilities:				
Accounts payable	\$ 30,915	\$ 258,124	\$ 233,612	\$ 55,427
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ 23,108	\$ 26,778	\$ 20,623	\$ 29,263
Liabilities:				
Intergovernmental payable	\$ 23,108	\$ 26,778	\$ 20,623	\$ 29,263
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ 10,867	\$ 309,087	\$ 319,954	\$ -
Liabilities:				
Intergovernmental payable	\$ 10,867	\$ 309,087	\$ 319,954	\$ -
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ 120,279	\$ 62,560	\$ 40,842	\$ 141,997
Liabilities:				
Intergovernmental payable	\$ 120,279	\$ 62,560	\$ 40,842	\$ 141,997
Recreation Sponsorship Fund:				
Assets:				
Cash and cash equivalents	\$ 37,196	\$ -	\$ -	\$ 37,196
Liabilities:				
Intergovernmental payable	\$ 37,196	\$ -	\$ -	\$ 37,196
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ 207,134	\$ 17,087	\$ 160,172	\$ 64,049
Liabilities:				
Intergovernmental payable	\$ 207,134	\$ 17,087	\$ 160,172	\$ 64,049

HENDERSON COUNTY, NORTH CAROLINA

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
School Fines & Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 774,339	\$ 774,339	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 774,339	\$ 774,339	\$ -
Motor Vehicle Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 3,508	\$ 34,613	\$ 35,499	\$ 2,622
Liabilities:				
Intergovernmental payable	\$ 3,508	\$ 34,613	\$ 35,499	\$ 2,622
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 242,313	\$ 2,210,207	\$ 2,247,351	\$ 205,169
Liabilities:				
Intergovernmental payable	\$ 242,313	\$ 2,210,207	\$ 2,247,351	\$ 205,169
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ 675,320	\$ 3,692,795	\$ 3,832,392	\$ 535,723
Liabilities:				
Intergovernmental payable	\$ 675,320	\$ 3,692,795	\$ 3,832,392	\$ 535,723

Additional Financial Data

This section contains additional information on taxes receivable, the tax levy, and schedule of revenues and expenditures for Henderson County Hospital Corporation, as of June 30, 2009.

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HENDERSON COUNTY, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

Fiscal Year	Uncollected Balance July 1, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008-2009		\$ 59,993,328	\$ 58,473,336	\$ 1,519,992
2007-2008	1,364,105	-	903,291	460,814
2006-2007	566,929	-	166,883	400,046
2005-2006	272,463	-	48,421	224,042
2004-2005	188,982	-	27,306	161,676
2003-2004	224,555	-	25,831	198,724
2002-2003	211,317	-	14,027	197,290
2001-2002	166,572	-	11,686	154,886
2000-2001	176,075	-	9,153	166,922
1999-2000	171,195	-	9,768	161,427
1998-1999	<u>172,847</u>	<u>-</u>	<u>172,847</u>	<u>-</u>
Totals	<u>\$ 3,515,040</u>	<u>\$ 59,993,328</u>	<u>\$ 59,862,549</u>	3,645,819
Less: allowance for uncollectible accounts: General Fund				<u>(1,676,200)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 1,969,619</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 59,517,515
Reconciling items:				
Interest				(339,749)
Tax refunds				512,231
Taxes written off and other				<u>172,552</u>
Total collections and credits				<u>\$ 59,862,549</u>

HENDERSON COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY FOR THE YEAR ENDED JUNE 30, 2009

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 12,713,925,541	0.4620	\$ 58,738,336	\$ 56,058,740	\$ 2,679,596
Motor vehicles taxed at prior year's rate	324,650,217	0.4620	1,499,884	-	1,499,884
Total	13,038,575,758		60,238,220	56,058,740	4,179,480
Discoveries:					
Current year taxes	33,077,489	0.4620	152,818	83,059	69,759
Prior year taxes	7,445,197		38,813	34,886	3,927
Penalties	-		109,398	109,398	-
Total	40,522,686		301,029	227,343	73,686
Abatements	(118,164,719)	0.4620	(545,921)	(434,828)	(111,093)
Total property valuation	<u>\$ 12,960,933,725</u>				
Net Levy			59,993,328	55,851,255	4,142,073
Uncollected taxes at June 30, 2009			1,519,992	1,110,546	409,446
Current Year's Taxes Collected			<u>\$ 58,473,336</u>	<u>\$ 54,740,709</u>	<u>\$ 3,732,627</u>
Current Levy Collection Percentage			<u>97.47%</u>	<u>98.01%</u>	<u>90.11%</u>

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2009****Secondary Market Disclosures:**

Assessed Valuation:

Assessment ratio (1) 87.19%

Real Property \$ 11,046,921,673

Personal Property 1,715,327,765

Public Service Companies (2) 198,684,287Total assessed valuation \$ 12,960,933,725

Tax rate per \$100 0.462

Levy (includes discoveries, releases and abatements) (3) \$ 59,993,328

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2009.

Fire Protection Districts 6,501,069Total \$ 66,494,397

(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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues	\$ 133,414,105	\$ 130,429,863	\$ (2,984,242)
Non-operating revenues:			
Interest income	1,022,960	(1,059,579)	(2,082,539)
Miscellaneous income (expense)	(650,000)	4,776,479	5,426,479
	<u>372,960</u>	<u>3,716,900</u>	<u>3,343,940</u>
Total revenues	<u>133,787,065</u>	<u>134,146,763</u>	<u>359,698</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	67,906,437	67,230,104	676,333
Operating expenditures	49,242,195	49,250,389	(8,194)
Depreciation and amortization	<u>11,378,879</u>	<u>11,175,189</u>	<u>203,690</u>
Total expenditures	<u>128,527,511</u>	<u>127,655,682</u>	<u>871,829</u>
Revenues over (under) expenditures	<u>5,259,554</u>	<u>6,491,081</u>	<u>1,231,527</u>
Individuals and others	<u>70,501</u>	<u>32,137</u>	<u>(38,364)</u>
Net change in fund balance	<u>\$ 5,330,055</u>	<u>\$ 6,523,218</u>	<u>\$ 1,193,163</u>

Statistical Section

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

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities					
Invested in capital assets, net of related debt	\$ 15,631,980	\$ 17,886,041	\$ 25,994,918	\$ 42,917,076	\$ 46,920,197
Restricted	160,729	248,699	318,524	346,809	-
Unrestricted	(10,545,164)	(13,350,654)	(12,992,312)	(26,932,658)	(47,594,779)
Total governmental activities net assets	<u>\$ 5,247,545</u>	<u>\$ 4,784,086</u>	<u>\$ 13,321,130</u>	<u>\$ 16,331,227</u>	<u>\$ (674,582)</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 9,435,656	\$ 10,125,836	\$ 13,452,142	\$ 14,332,671	\$ 14,917,293
Unrestricted	2,283,998	3,640,005	4,359,366	6,061,315	6,798,777
Total business-type activities	<u>\$ 11,719,654</u>	<u>\$ 13,765,841</u>	<u>\$ 17,811,508</u>	<u>\$ 20,393,986</u>	<u>\$ 21,716,070</u>
Primary government					
Invested in capital assets, net of related debt	\$ 25,067,636	\$ 28,011,877	\$ 39,447,060	\$ 57,249,747	\$ 61,837,490
Restricted	160,729	248,699	318,524	346,809	-
Unrestricted	(8,261,166)	(9,710,649)	(8,632,946)	(20,871,343)	(40,796,002)
Total primary government net assets	<u>\$ 16,967,199</u>	<u>\$ 18,549,927</u>	<u>\$ 31,132,638</u>	<u>\$ 36,725,213</u>	<u>\$ 21,041,488</u>

Note: 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 significant increase in total net assets from FY2006 to FY2008 is primarily due to the investment in capital assets net of any related debt. The decrease in total net assets of the County from FY2008 to FY2009 is primarily due to the significant deficit increase in unrestricted net assets from school and community college capital project expenditures incurred in FY2009 for new facilities that are not reported as assets of the County.

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

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

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

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				
	2000	2001	2002	2003	2004
General Fund					
Reserved for:					
State statute	\$ 7,013,754	\$ 5,434,612	\$ 4,952,611	\$ 4,809,834	\$ 7,118,014
Inventories	16,267	13,272	17,904	16,191	11,649
Prepaid items	30,800	29,950	47,545	46,190	46,310
Register of Deeds	-	-	38,384	129,243	111,956
Total reserved	<u>7,060,821</u>	<u>5,477,834</u>	<u>5,056,444</u>	<u>5,001,458</u>	<u>7,287,929</u>
Unreserved, designated for:					
Subsequent year's budget	-	780,000	709,882	486,606	400,000
Drug enforcement	-	-	-	-	-
Unreserved (deficit), undesignated:	<u>6,673,143</u>	<u>8,333,421</u>	<u>9,079,518</u>	<u>7,121,581</u>	<u>7,284,036</u>
Total General Fund	<u>\$ 13,733,964</u>	<u>\$ 14,591,255</u>	<u>\$ 14,845,844</u>	<u>\$ 12,609,645</u>	<u>\$ 14,971,965</u>
All Other Governmental Funds					
Reserved for:					
State statute	\$ 176,275	\$ 203,242	\$ 110,951	\$ 78,814	\$ 64,047
Prepaid items	-	-	-	-	-
Unreserved (deficit), undesignated:					
Unreserved, reported in nonmajor:					
Special revenue and debt service funds	1,213,075	2,090,881	1,201,339	363,424	590,310
Capital projects funds	<u>12,081,287</u>	<u>14,543,896</u>	<u>12,568,693</u>	<u>3,985,305</u>	<u>660,117</u>
Total all other governmental funds	<u>\$ 13,470,637</u>	<u>\$ 16,838,019</u>	<u>\$ 13,880,983</u>	<u>\$ 4,427,543</u>	<u>\$ 1,314,474</u>

Fiscal Year					
2005	2006	2007	2008	2009	
\$ 6,085,013	\$ 7,542,377	\$ 8,972,465	\$ 9,257,898	\$ 7,263,179	
18,295	14,998	16,333	14,386	25,843	
67,145	56,110	53,335	98,803	92,671	
160,729	248,699	318,524	346,809	324,500	
6,331,182	7,862,184	9,360,657	9,717,896	7,706,193	
-	515,000	1,841,778	2,352,740	720,778	
-	-	99,126	26,996	37,422	
9,932,388	12,902,473	15,381,495	21,872,379	26,747,571	
\$ 16,263,570	\$ 21,279,657	\$ 26,683,056	\$ 33,970,011	\$ 35,211,964	
\$ 159,701	\$ 401,060	\$ 153,693	\$ 273,611	\$ 409,967	
-	-	5,986	-	-	
781,540	942,744	2,663,109	4,127,851	4,165,361	
23,357,918	42,402,936	26,184,220	32,637,787	6,114,403	
\$ 24,299,159	\$ 43,746,740	\$ 29,007,008	\$ 37,039,249	\$ 10,689,731	

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

	Fiscal Year				
	2000	2001	2002	2003	2004
Revenues					
Taxes:					
Property	\$ 36,782,190	\$ 38,768,924	\$ 41,249,794	\$ 42,631,095	\$ 46,232,977
Sales	13,631,076	14,090,618	14,716,365	14,836,112	18,851,961
Other	1,443,615	1,470,718	1,520,027	1,608,439	1,876,023
Total taxes	<u>51,856,881</u>	<u>54,330,260</u>	<u>57,486,186</u>	<u>59,075,646</u>	<u>66,960,961</u>
Intergovernmental	16,708,073	13,804,992	15,198,997	12,052,413	13,899,560
Permits and Fees	1,146,335	1,505,143	1,543,488	1,819,856	1,810,064
Sales and Services	2,545,073	3,084,165	3,542,269	3,773,924	3,966,080
Investment Earnings	1,070,633	1,662,326	622,764	339,493	147,743
Miscellaneous	926,138	817,928	939,081	948,094	1,448,034
Total Revenues	<u>74,253,133</u>	<u>75,204,814</u>	<u>79,332,785</u>	<u>78,009,426</u>	<u>88,232,442</u>
Expenditures					
General Government	6,280,986	6,898,418	6,909,525	8,114,877	8,710,370
Public Safety	14,913,621	16,415,826	18,364,897	14,392,284	15,629,184
Environmental Protection	181,201	229,879	231,064	251,016	368,585
Economic Development	2,111,060	2,547,010	2,298,912	2,378,287	2,799,098
Human Services	18,077,620	19,975,574	21,023,485	22,581,034	23,452,151
Culture and Recreation	2,419,121	2,681,466	2,720,848	2,841,095	3,047,538
Education	16,113,222	16,840,663	18,438,926	18,393,390	19,191,870
Capital Outlay	9,994,226	19,304,291	17,710,331	13,379,967	9,211,337
Debt Service:					
Principal	3,789,040	3,432,490	4,123,986	4,873,216	4,498,477
Interest	1,248,471	1,722,206	2,462,018	2,691,125	2,442,078
Total Expenditures	<u>75,128,568</u>	<u>90,047,823</u>	<u>94,283,992</u>	<u>89,896,291</u>	<u>89,350,688</u>
Excess of revenues over (under) expenditures	<u>(875,435)</u>	<u>(14,843,009)</u>	<u>(14,951,207)</u>	<u>(11,886,865)</u>	<u>(1,118,246)</u>
Other Financing Sources (Uses)					
Transfers in	3,671,327	1,797,338	2,530,116	3,339,914	1,946,650
Transfers out	(4,123,915)	(1,666,662)	(3,385,988)	(3,142,688)	(1,785,558)
Proceeds from certificates of participation	9,065,000	16,290,000	-	-	-
Bond Proceeds	-	-	-	-	205,949
Refunding bonds issued	-	-	-	-	-
Sale of capital assets	-	-	1,000,000	-	5,000
Proceeds from installment note	6,899,850	2,650,000	12,100,000	-	-
Total other financing sources (uses)	<u>15,512,262</u>	<u>19,070,676</u>	<u>12,244,128</u>	<u>197,226</u>	<u>372,041</u>
Net change in fund balances	<u>\$ 14,636,827</u>	<u>\$ 4,227,667</u>	<u>\$ (2,707,079)</u>	<u>\$ (11,689,639)</u>	<u>\$ (746,205)</u>
Debt service as a percentage of noncapital expenditures	<u>7.73%</u>	<u>7.29%</u>	<u>8.60%</u>	<u>9.89%</u>	<u>8.66%</u>

		Fiscal Year							
<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>	
\$	47,851,376	\$	52,074,680	\$	58,637,892	\$	64,439,584	\$	66,018,584
	19,730,435		20,540,587		22,661,455		23,380,137		20,674,811
	2,210,814		2,892,255		2,752,039		2,646,547		1,853,877
	<u>69,792,625</u>		<u>75,507,522</u>		<u>84,051,386</u>		<u>90,466,268</u>		<u>88,547,272</u>
	16,307,844		18,472,353		18,113,945		19,838,087		23,056,971
	1,945,291		2,081,006		2,295,267		2,555,970		1,259,149
	3,899,319		5,909,591		7,500,403		7,395,847		8,060,928
	558,999		1,463,391		3,602,951		2,780,131		1,161,801
	1,566,357		2,945,274		3,925,450		2,732,901		1,708,592
	<u>94,070,435</u>		<u>106,379,137</u>		<u>119,489,402</u>		<u>125,769,204</u>		<u>123,794,713</u>
	9,569,567		10,166,052		11,479,942		13,046,727		14,533,347
	22,169,007		23,090,778		23,989,110		27,503,940		28,865,600
	744,817		2,777,434		725,323		715,577		821,125
	3,250,597		2,901,890		3,235,715		2,900,510		3,096,497
	25,769,902		27,968,583		31,276,781		31,776,627		32,308,980
	3,308,167		3,529,766		3,561,998		3,618,956		3,018,141
	19,770,627		20,418,061		22,038,249		36,524,184		48,916,897
	6,069,945		24,539,541		23,222,119		14,678,560		3,321,887
	4,888,061		5,587,776		7,680,164		7,535,472		14,324,588
	1,746,726		2,808,404		4,702,820		4,640,599		5,505,708
	<u>97,287,416</u>		<u>123,788,285</u>		<u>131,912,221</u>		<u>142,941,152</u>		<u>154,712,770</u>
	<u>(3,216,981)</u>		<u>(17,409,148)</u>		<u>(12,422,819)</u>		<u>(17,171,948)</u>		<u>(30,918,057)</u>
	3,742,448		1,060,357		1,077,587		2,540,801		1,828,034
	(2,086,473)		(797,541)		(866,099)		(2,322,657)		(1,662,542)
	25,837,296		41,610,000		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	<u>-</u>		<u>-</u>		<u>2,875,000</u>		<u>32,273,000</u>		<u>5,645,000</u>
	<u>27,493,271</u>		<u>41,872,816</u>		<u>3,086,488</u>		<u>32,491,144</u>		<u>5,810,492</u>
\$	<u>24,276,290</u>	\$	<u>24,463,668</u>	\$	<u>(9,336,331)</u>	\$	<u>15,319,196</u>	\$	<u>(25,107,565)</u>
	7.27%		8.46%		11.39%		9.49%		13.10%

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		
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
2008	9,117,452,386	1,287,653,289	*	153,220,366	1,769,324,843
2009	8,934,833,585	1,748,314,967	220,892,345	142,880,776	1,715,327,765

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

Notes:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable is a lien on the property and is deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.
 - (2) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
 - (3) Per \$100 of value.
 - (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the N.C. Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not yet available.
 - (5) Property in Henderson County is reassessed every four years. The last reassessment was on January 1, 2007 and was the basis for FY2008 taxes.
- * Indicates valuation was included in Commercial Property Valuation

Public Service Companies (2)		Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$	161,639,387	\$ 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	9,813,911,230
	198,266,344	12,525,917,228	0.462	13,802,663,612
	198,684,287	12,960,933,725	0.462	14,865,160,827

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

	Fiscal Year				
	2000	2001	2002	2003	2004
Henderson County	\$ 0.500	\$ 0.500	\$ 0.500	\$ 0.500	\$ 0.475
<u>Municipality Rates:</u>					
Hendersonville	0.450	0.450	0.450	0.450	0.430
Laurel Park	0.310	0.310	0.310	0.310	0.300
Fletcher	0.250	0.250	0.250	0.270	0.250
Mills River	0.000	0.000	0.000	0.075	0.070
Flat Rock	0.000	0.000	0.000	0.000	0.000
Saluda	0.520	0.520	0.500	0.500	0.500
Downtown - Main Street	0.250	0.250	0.300	0.300	0.300
Downtown - Seventh Ave.	0.100	0.100	0.100	0.100	0.100
<u>Fire Districts:</u>					
Bat Cave	0.080	0.080	0.090	0.090	0.090
Blue Ridge	0.080	0.090	0.090	0.090	0.080
Dana	0.075	0.100	0.100	0.100	0.090
Edneyville	0.090	0.095	0.095	0.095	0.090
Etowah-Horse Shoe	0.073	0.073	0.073	0.080	0.075
Fletcher	0.080	0.105	0.095	0.095	0.095
Gerton	0.120	0.120	0.120	0.120	0.120
Green River	0.065	0.070	0.085	0.085	0.075
Mills River	0.060	0.065	0.065	0.065	0.060
Mountain Home	0.085	0.085	0.095	0.095	0.095
Saluda	0.070	0.070	0.090	0.090	0.090
Valley Hill	0.070	0.080	0.090	0.090	0.080
Valley Hill II	0.060	0.060	0.080	0.080	0.080

Source: Henderson County Tax Collector

Fiscal Year				
2005	2006	2007	2008	2009
\$ 0.475	\$ 0.515	\$ 0.565	\$ 0.462	\$ 0.462
0.430	0.430	0.430	0.380	0.380
0.310	0.310	0.335	0.270	0.270
0.270	0.270	0.220	0.270	0.270
0.075	0.075	0.075	0.075	0.075
0.000	0.085	0.085	0.075	0.075
0.500	0.500	0.540	0.605	0.605
0.300	0.300	0.300	0.250	0.250
0.100	0.100	0.100	0.100	0.080
0.090	0.090	0.090	0.080	0.009
0.095	0.095	0.095	0.085	0.085
0.090	0.090	0.100	0.100	0.100
0.090	0.093	0.095	0.085	0.085
0.075	0.085	0.085	0.080	0.085
0.095	0.095	0.095	0.095	0.095
0.115	0.115	0.115	0.115	0.115
0.075	0.075	0.075	0.060	0.060
0.065	0.065	0.065	0.065	0.065
0.105	0.105	0.105	0.095	0.095
0.090	0.090	0.090	0.075	0.075
0.080	0.080	0.080	0.070	0.070
0.080	0.080	0.080	0.070	0.070

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

Taxpayer	Type of Business	Fiscal Year 2009		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy	Electric utility	\$ 113,378,733	1	0.87%
Meritor Heavy Vehicle Systems	Truck axles	84,534,498	2	0.65%
Continental Teves, Inc.	Automobile brake systems	73,850,375	3	0.57%
UPM Raflatac, Inc.	Paper products	65,731,051	4	0.51%
Berkley Mills	Textiles	60,870,605	5	0.47%
BellSouth	Telephone utility	34,023,316	6	0.26%
Wilsonart International, Inc.	Laminate products	33,664,017	7	0.26%
General Electric Lighting Systems	Lighting systems	32,571,845	8	0.25%
Public Service Company of NC	Natural gas utility	29,577,628	9	0.23%
Borg-Warner Automotive Cooling	Automobile cooling systems	<u>27,815,015</u>	10	<u>0.21%</u>
Totals		\$ <u>556,017,083</u>		<u>4.29%</u>

Source: Henderson County Assessor

* Company was not a taxpayer in fiscal year 2000

** Taxpayer not in the top ten for fiscal year 2000

Fiscal Year 2000		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$ 85,098,600	1	1.29%
76,112,000	4	1.15%
78,501,600	3	1.19%
*		
82,154,800	2	1.24%
48,057,800	5	0.73%
45,035,000	6	0.68%
44,662,000	7	0.68%
24,454,600	10	0.37%
**		0.00%
\$ <u>484,076,400</u>		<u>7.33%</u>

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

Fiscal Year	Taxes Levied for the		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
	Fiscal Year (Original Levy)				Amount	Percentage of Original Levy	
2000	\$ 33,244,364	\$ (71,691)	\$	33,172,673	\$ 31,937,101	96.28%	\$ 1,074,144
2001	34,612,864	(138,710)		34,474,154	33,234,919	96.41%	1,072,313
2002	36,307,004	(222,388)		36,084,616	34,972,030	96.92%	957,700
2003	37,683,586	(89,150)		37,594,436	36,389,317	96.79%	1,007,829
2004	41,378,068	210,365		41,588,433	40,302,593	96.91%	1,087,116
2005	42,241,452	51,043		42,292,495	41,166,934	97.34%	963,885
2006	46,981,907	229,493		47,211,400	45,835,220	97.09%	1,152,138
2007	54,697,004	(357,661)		54,339,343	52,721,515	97.02%	1,217,782
2008	58,186,499	64,973		58,251,472	56,887,367	97.66%	903,291
2009	60,238,220	(244,892)		59,993,328	58,473,336	97.47%	-

Source: Henderson County Tax Collector

Total Collections to Date		
Amount	Percentage of Adjusted Levy	Uncollected
\$ 33,011,245	99.51%	\$ 161,428
34,307,232	99.52%	166,922
35,929,730	99.57%	154,886
37,397,146	99.48%	197,290
41,389,709	99.52%	198,724
42,130,819	99.62%	161,676
46,987,358	99.53%	224,042
53,939,297	99.26%	400,046
57,790,658	99.21%	460,814
58,473,336	97.47%	1,519,992
		<u>\$ 3,645,820</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
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
2008	2,885,000	77,780,000	47,445,041	187,581		-	2,701,300
2009	1,060,000	69,320,000	49,184,096	58,388		-	2,383,500

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 2008 personal income not available to calculate FY2009.

	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
\$	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	2.65%
	108,814,628	1,113	3.70%
	106,571,133	1,065	3.33%
	130,998,922	1,283	3.89%
	122,005,984	1,175	*

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			
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	0.29%	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	0.09%	0.03%	29
2008	2,885,000	1,825,000	1,060,000	0.03%	0.01%	10
2009	1,060,000	1,060,000	-	*	0.00%	-

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 2008 personal income not available to calculate fiscal year 2009.

(2) See Schedule 5 for property valuation data.

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

	Fiscal Year				
	2000	2001	2002	2003	2004
Assessed Value of Property	\$ 6,600,209	\$ 6,880,131	\$ 7,206,444	\$ 7,508,015	\$ 8,751,418
Debt Limit, 8% of Assessed Value (Statutory Limitation)	528,017	550,410	576,516	600,641	700,113
Amount of Debt Applicable to Limit:					
Gross debt	38,249	53,267	60,854	56,811	52,359
Less: Debt outstanding for water and sewer purposes	1,342	1,318	1,293	1,266	1,238
Total net debt applicable to limit	36,907	51,949	59,561	55,545	51,121
Legal Debt Margin	\$ <u>491,110</u>	\$ <u>498,461</u>	\$ <u>516,955</u>	\$ <u>545,096</u>	\$ <u>648,992</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>6.99%</u>	<u>9.44%</u>	<u>10.33%</u>	<u>9.25%</u>	<u>7.30%</u>

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

Fiscal Year				
2005	2006	2007	2008	2009
\$ 8,868,466	\$ 9,155,805	\$ 9,611,745	\$ 12,525,917	\$ 12,960,934
709,477	732,464	768,940	1,002,073	1,036,874
72,894	108,815	106,571	130,998	122,006
1,209	1,178	3,019	2,701	2,384
71,685	107,637	103,552	128,297	119,622
\$ <u>637,792</u>	\$ <u>624,827</u>	\$ <u>665,388</u>	\$ <u>873,776</u>	\$ <u>917,252</u>
<u>10.10%</u>	<u>14.70%</u>	<u>13.47%</u>	<u>12.80%</u>	<u>11.54%</u>

Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009
(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	\$ 1,060,000	100.00%	\$ 1,060,000
Overlapping:			
City of Hendersonville	2,910,000	100.00%	<u>2,910,000</u>
Total direct and overlapping debt			<u>\$ 3,970,000</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

Year	Population(1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Public School Enrollment(3)	Unemployment Rate(4)	Number of Building Inspections Performed(5)
2000	87,621	\$ 2,325,154	\$ 26,475	11,215	2.40%	29,067
2001	89,680	2,487,683	27,752	11,257	3.00%	29,858
2002	91,416	2,540,130	27,923	11,610	4.40%	31,433
2003	92,856	2,536,341	27,469	11,574	5.20%	29,223
2004	94,538	2,592,505	27,689	11,918	4.90%	33,554
2005	96,158	2,751,038	28,958	12,292	4.20%	35,835
2006	97,792	2,939,450	30,440	12,578	4.20%	34,795
2007	100,107	3,197,591	32,431	12,792	3.60%	36,680
2008	102,142	3,364,943	33,500	12,887	4.70%	39,544
2009	103,836	*	*	13,069	9.40%	25,123

Notes:

- (1) N.C. State Data Center. Estimates are as of the beginning of the fiscal year.
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year
- (3) N.C. Department of Public Instruction, Final Average Daily Membership for fiscal year
- (4) N. C. Employment Security Commission, 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	2009			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1,825	1	3.90%	1,450	1	3.77%
Margaret R. Pardee Hospital	1,260	2	2.70%	1,080	2	2.81%
Park Ridge Hospital	1,050	3	2.25%	500	8	1.30%
Henderson County	759	4	1.62%	569	6	1.48%
Wilsonart International, Inc.	378	5	0.81%	850	4	2.21%
Ingles	755	6	1.62%	300	9	0.78%
General Electric Lighting Systems	420	7	0.90%	1,000	3	2.60%
Wal-Mart Associates Inc.	425	8	0.91%	460	7	1.20%
Meritor Heavy Vehicle Systems	428	9	0.92%	650	5	1.69%
UPM Raflatac, Inc.	325	10	0.70%	*		

* Information not available for employer

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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				
	2000	2001	2002	2003	2004
General government	77	83	87	88	89
Public safety	193	210	220	223	228
Environmental protection	21	22	22	22	22
Economic and physical development	20	21	18	19	20
Human Services	218	233	232	236	239
Cultural and recreation	40	47	47	46	49
Total	<u>569</u>	<u>616</u>	<u>626</u>	<u>634</u>	<u>647</u>

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 has been divided by 2.5 to arrive at the full time equivalents.

Full-time Equivalent Employees as of June 30

2005	2006	2007	2008	2009
93	97	103	104	106
236	258	271	265	271
22	23	23	21	23
21	21	21	22	22
251	263	273	272	281
48	50	50	54	56
671	712	741	738	759

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

Function	Fiscal Year				
	2000	2001	2002	2003	2004
<u>General Government</u>					
# of Registered Voters	62,204	66,292	66,670	66,815	70,558
<u>Public Safety</u>					
# of building permits issued	4,309	4,496	4,219	4,112	4,040
# of calls dispatched	61,882	64,931	68,494	72,343	84,727
<u>Human Services</u>					
# of food & lodging sites inspected	1,513	1,556	1,586	1,605	1,686
# of Health clients served	9,944	9,056	8,763	9,187	9,477
<u>Economic and Physical Development</u>					
Number of major subdivision plan reviews	23	22	21	20	22
<u>Cultural and Recreation</u>					
Library book circulation	834,198	892,773	953,250	796,843	785,999
<u>Education</u>					
Total \$ spent per ADM	\$ 1,512	\$ 1,610	\$ 1,788	\$ 1,860	\$ 1,850
<u>Enterprise Fund - Landfill</u>					
Solid waste generated # tons/day	149	175	237	230	310

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

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

Fiscal Year				
2005	2006	2007	2008	2009
67,992	70,510	71,431	74,823	74,581
4,158	4,433	4,014	4,990	4,471
87,875	88,884	103,320	133,644	120,202
1,654	1,701	1,745	1,461	1,431
9,503	9,317	9,038	9,580	10,250
36	44	50	29	11
818,842	916,649	929,304	955,670	952,439
\$ 1,820	\$ 1,920	\$ 2,151	\$ 2,286	\$ 2,426
280	343	314	255	272

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

Function	Fiscal Year				
	2000	2001	2002	2003	2004
<u>Public Safety</u>					
Sheriff's Department:					
Stations	1	1	1	1	1
Patrol vehicles	115	113	117	117	121
<u>Cultural and Recreation</u>					
Park Acreage	305	305	305	305	305
Parks	7	7	7	7	7
Ballfields and courts	27	27	27	27	27
Libraries	5	5	5	5	5

Sources: Various County Departments

Fiscal Year				
2005	2006	2007	2008	2009
1	1	1	1	1
124	130	130	136	159
305	320	320	320	323
7	7	7	7	8
27	31	31	31	31
6	6	6	6	6

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**HENDERSON COUNTY
NORTH CAROLINA**

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2009

HENDERSON COUNTY, NORTH CAROLINA

COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
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	3-4
Report On Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	5-6
Schedule of Findings, Responses, and Questioned Costs	7-10
Summary Schedule of Prior Years' Audit Findings	11
Schedule of Expenditures of Federal and State Awards	12-18

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*

Board of Commissioners
Henderson County, North Carolina

We have audited the basic 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, 2009, not presented here, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 3, 2009. We did not audit the financial statements of the Henderson County Hospital Corporation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Hospital Corporation, is based solely on the report of the other auditors. The financial statements of the Henderson County Hospital Corporation were not audited in accordance with *Government Auditing Standards*. 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 County'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 County's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the County'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 with certain provisions of laws, regulations, contracts, and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the Board of Commissioners, 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 3, 2009

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

Board of 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, 2009. Henderson County, North Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2009.

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 non-compliance 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 County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance 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 non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County'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 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.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 3, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Henderson County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information has 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.

This report is intended solely for the information and use of 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 3, 2009

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

Board of 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, 2009. Henderson County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2009.

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 non-compliance 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 County's ability to administer a State program such that there is more than a remote likelihood that non-compliance 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 non-compliance with a type of compliance requirement of a State program will not be prevented or detected by the County'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 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.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 3, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Henderson County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information has 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.

This report is intended solely for the information and use of 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 3, 2009

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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 are not considered to be a material weakness	None reported
Non-compliance material to financial statements noted	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified	No
• Significant deficiency identified that are not considered to be material weaknesses	None reported
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, 2009

1. Summary of Auditors' Results (Continued)

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Title XIX Medicaid Cluster	93.778
Food Stamp Cluster:	
Food Stamp Program	10.551
Food Stamp Administration	10.561
Special Supplemental Nutrition Program For Women, Infants and Children	10.557
Subsidized Child Care Cluster:	
Child Care Development Block Grant	93.575
Child Care - SSBG	93.667
Child Care Development Fund	93.596
Foster Care and Adoption	93.659
TANF	93.558

Dollar threshold used to distinguish between
Type A and Type B Programs

\$2,804,877

Auditee qualified as low-risk auditee?

No

State Awards

Internal control over major State programs:

- | | |
|--|---------------|
| • Material weakness identified | No |
| • Significant deficiency identified that are not
considered to be material weaknesses | None reported |

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, 2009

Identification of major State programs:

Program Name

Title XIX Medicaid Cluster
Subsidized Child Care Cluster
Special Assistance for Adults
Aging Title IIIB-1
Public School Building Capital Fund
Including NC Lottery Proceeds
Statewide Health Promotions/ Childhood Obesity
NC Parks and Recreation Trust Fund Grant
NCADFP Trust Fund Grant
Foster and Adoption Care

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

2. Financial Statements Findings

None reported

3. Federal Award Findings and Questioned Costs

None Reported

4. State Award Findings and Questioned Costs

None reported

HENDERSON COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

2008-01: Corrected

2008-02: Corrected

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Federal Awards:				
<u>U. S. Dept. of Agriculture</u>				
<u>Food and Nutrition Service</u>				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
Administration:				
<u>Food Stamp Cluster:</u>				
Food Stamp Program - Direct Benefit Payment	10.551		\$ 9,632,854	\$ -
State Administrative Matching Grants for the				
Food Stamp Program	10.561		576,182	-
Total Food Stamp Cluster			10,209,036	-
Passed-through N.C. Department of Health and Human Services:				
Division of Public Health				
Administration:				
Special Supplemental Food Program for Women,				
Infants, and Children	10.557		360,687	-
Breastfeeding Contract	10.557		20,535	-
Direct Benefit Payments:				
Special Supplemental Food Program for Women,				
Infants, and Children	10.557		1,807,056	-
Total U.S. Department of Agriculture			12,397,314	-
<u>U.S. Department of Housing & Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant	14.228	06-C-1600	228,385	-
Community Development Block Grant	14.228	08-C-1826	20,550	-
Passed-through the City of Asheville:				
HOME Investment Partnership Programs	14.239		62,176	-
Total U.S. Department of Housing & Urban Development			311,111	-
<u>U.S. Environmental Protection Agency</u>				
Passed through the N.C. Department of Environmental and Natural Resources:				
Non-Point Source Pollution Control Grant	66.460		226,102	-
Total Environmental Protection Agency			226,102	-
<u>U.S. Department of Justice</u>				
Passed-Through N.C. Department of Crime Control and Public Safety:				
SCAAP Grant	16.606		30,039	-
Total U.S. Department of Justice			30,039	-
<u>U. S. Election Assistance Commission</u>				
Passed-through N.C. State Board of Elections				
HAVA One Stop Voting Grant	90.401		53,771	-
Total U. S. Department of Labor			53,771	-

Continued on next page

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<u>U.S. Dept. of Transportation</u>				
<u>Federal Transit Administration</u>				
Passed-through N.C. Department of Transportation:				
Public Transportation for Urbanized Areas:				
Administration	20.507		172,513	-
Governor's Highway Safety Program:				
State and Community Highway Safety	20.604		104,060	-
Total U.S. Department of Transportation			<u>276,573</u>	<u>-</u>
<u>Tennessee Valley Authority</u>				
Mud Creek Watershed Grant	66.419		8,000	-
Total Tennessee Valley Authority			<u>8,000</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Department of Crime Control and Public Safety:				
Homeland Security Grant Program	97.073		291,004	-
Bulletproof Vest Partnership Program	16.607		20,170	-
Emergency Management Performance Grants	97.042		48,797	-
Passed-through N.C. Division of Facility Services:				
Office of EMS/ASPR Grant	93.889		13,590	-
Total U.S. Department of Homeland Security			<u>373,561</u>	<u>-</u>
<u>U. S. Department of Health and Human Services</u>				
<u>Administration for Children and Families</u>				
Passed-through N.C. Department of Health and Human Services:				
Division of Aging and Adult Services:				
SSBG - In-Home Services	93.667		46,563	-
SSBG - Adult Day Care	93.667		5,968	5,032
Total Division of Aging			<u>52,531</u>	<u>5,032</u>
Division of Social Services:				
Family Preservation Services Program	93.556		1,684	-
Work First/Temporary Assistance for Needy Families (TANF)	93.558		1,328,889	964
Work First/TANF- Direct Benefit Payments	93.558		1,008,484	(14)
Direct Benefit Payments - AFDC	93.560		(465)	(63)
Crisis Intervention Program	93.568		311,883	-
Energy Assistance Payments - Direct Benefit Payments	93.568		371,580	-
Low Income Home Energy Assistance Block Grant - Administration	93.568		34,334	-
N.C. Child Support Enforcement Section	93.563		284,781	(15)
Child Welfare Services - State Grants				
- Permanency Planning Grant - Families for Kids	93.645		29,025	7,460
Child Welfare Services - State Grants				
- Adoption Subsidy - Direct Benefit Payments	93.645		-	218,764
SSBG - Other Services	93.667		215,811	22,369
Independent Living Grant - LINKS	93.674		25,108	4,729
Total Division of Social Services			<u>3,611,114</u>	<u>254,194</u>

Continued on next page

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<u>Foster Care and Adoption³:</u>				
Title IV-E Foster Care- Administration	93.658		432,322	-
Foster Care- Direct Benefits Payments	93.658		516,880	56,875
Foster Care - Adoption	93.658		242,458	28,000
Foster Care IV-E-CPS	93.658		442,919	140,409
Adoption Assistance	93.659		19,079	-
Adoption Assistance-Direct Benefit Payments	93.659		447,850	86,066
Total Foster Care and Adoption ³			2,101,507	311,350
Division of Child Development:				
<u>Subsidized Child Care³</u>				
<u>Child Care Development Cluster:</u>				
Division of Social Services:				
Childcare Development Fund - Administration	93.596		159,206	-
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575		1,752,069	-
Child Care and Development Fund - Mandatory	93.596		259,868	-
Child Care and Development Fund - Match	93.596		668,697	367,755
Total Child Care Development Fund Cluster			2,839,840	367,755
Social Service Block Grant	93.667		62,738	-
Temporary Assistance for Needy Families	93.558		535,695	-
Smart Start			-	93,776
State Appropriations			-	516,463
TANF - Maintenance of Effort			-	80,550
Total Subsidized Child Care ³			598,433	690,789
Total Administration for Children and Families			9,203,425	1,629,120
<u>Centers for Medicare and Medicaid Services</u>				
Passed-through N. C. Department of Health and Human Services:				
Division of Medical Assistance:				
Medical Assistance Program - Administration	93.778		1,599,581	70,850
Medical Assistance Program - Direct Benefit Payments	93.778		67,952,263	26,663,509
State Children's Insurance Program - N.C. Health Choice	93.767		67,849	3,998
<u>Centers for Disease Control</u>				
Passed-through N. C. Department of Health and Human Services:				
Division of Public Health:				
HIV State Funds - Sexually Trans. Diseases Comm.	93.940		-	12,500
Immunization Program/Aid to County Funding	93.268		20,938	-
Division of Community Health:				
Preventive Health and Health Services Block Grant	93.991		13,957	6,453
Administration - Preventive Health			-	140,330
Women's Preventive Health	93.994		19,996	-
Women's Preventive Health - TANF	93.558		6,127	-
Bioterrorism/Bioterrorism Regional Response Team	93.283		13,000	30,997
CDC Chronic Disease	93.283		153,413	-
CDC Breast and Cervical Cancer	93.283		25,125	11,220

Continued on next page

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<u>Health Resources and Services Administration</u>				
Passed-through N. C. Department of Health and Human Services:				
Division of Public Health:				
Child Care Coordination	93.994		34,909	-
Child Health	93.994		100,949	-
Maternal and Child Health Services Block Grant	93.994		75,000	10,481
School Nursing Funding Initiative	93.994		50,000	-
Adolescent Parenting	93.778		47,980	-
Maternity Care Coordination			-	35,160
Statewide Health Promotions/Childhood Obesity			-	380,000
Passed-through Health Partners				
Healthy Carolinians Partnership Support			-	5,727
<u>Office of the Population Affairs</u>				
Passed-through N. C. Department of Health and Human Services:				
Division of Public Health:				
Family Planning Services Title X	93.217		39,165	-
<u>Administration on Aging</u>				
Division of Aging and Adult Services				
Passed-through Land of the Sky Regional Council:				
Food Distribution	10.570	NC-77	33,339	-
Aging Cluster:				
Special Program for the Aging Title IIIB - Support Services				
Grants for Supportive Services and Senior Centers	93.044	NC-77	215,471	270,639
Special Program for the Aging Title IIIC -Nutrition Services				
Title III C1 - Congregate	93.045	NC-77	17,407	4,876
Title III C2 - Home-Delivered Meals	93.045	NC-77	129,518	100,650
Total Aging Cluster			395,735	376,165
Total U. S. Department of Health and Human Services			79,819,412	29,376,511
State Awards:				
<u>N.C. Department of Corrections</u>				
Criminal Justice Partnership Program:				
Implementation Grant		45-0705-1-A	-	97,588
Total N.C. Department of Corrections			-	97,588
<u>N.C. Department of Commerce</u>				
One NC Fund - Industrial Recruitment			-	31,250
Total N. C. Department of Commerce			-	31,250
<u>N.C. Department of Cultural Resources</u>				
Division of State Library:				
State Aid to Public Libraries			-	143,986
Total N. C. Department of Cultural Resources			-	143,986

Continued on next page

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<u>N.C. Department of Environment & Natural Resources</u>				
Orthophotography Grant			-	24,332
NC Parks and Recreation Trust Fund Grant			-	451,444
NC Clean Water Management Trust Fund Grant			-	45,000
Water Resources Development Grant			-	91,891
Environmental Health			-	31,254
Scrap Tire Disposal Grant			-	36,527
Total N. C. Department of Environment and Natural Resources			-	680,448
<u>N.C. Dept. of Agricultural and Consumer Services</u>				
NCADFP Trust Fund Grant			-	314,228
Total N.C. Department of Agricultural and Consumer Services			-	314,228
<u>N.C. Dept. of Health and Human Services</u>				
Division of Public Health:				
Communicable Disease Control		9945100011	-	2,586
Tuberculosis			-	12,262
Total Division of Public Health			-	14,848
Division of Social Services:				
State/County Special Assistance-Administration			-	32,727
State/County Special Assistance for Adults - Direct Benefit Payments			-	931,204
State Foster Care Benefits Program			-	115,722
Energy Assistance - Private Grants			-	4,139
CPS Expansion Program			-	168,822
DCD Smart Start			-	75,040
State Aid to Counties			-	47,640
Total Division of Social Services			-	1,375,294
Division of Veterans Affairs:				
Veteran Services		GS 165-6(9)	-	2,000
Total N.C. Department of Health and Human Services			-	1,392,142
<u>Office of the Governor</u>				
Department of Juvenile Justice and Delinquency Prevention				
Gang Violence Prevention Program				74,033
Juvenile Crime Prevention Council Programs			-	206,135
Total Office of the Governor			-	280,168
<u>N.C. Department of Crime Control and Public Safety</u>				
Division of Emergency Management				
Crisis Housing Assistance Fund			-	19,125
Total N.C. Department of Crime Control and Public Safety			-	19,125
<u>N.C. Department of Public Instruction</u>				
Public School Building Capital Fund:				
Corporate Tax Revenues			-	502,142
NC Education Lottery Proceeds			-	959,681
Total Public School Building Capital Fund			-	1,461,823
Total N.C. Department of Public Instruction			-	1,461,823

Continued on next page

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<u>N.C. Department of Transportation</u>				
Rural Operating Assistance Program (ROAP)				
Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	114,527
Rural General Public Transportation		DOT-16CL	-	109,252
Work First/Employment		DOT-16CL	-	25,661
Public Transportation Division				
State Maintenance Assistance Program			-	143,185
Total N.C. Department of Transportation			-	392,625
Total Federal and State Awards			\$ 93,495,884	\$ 34,189,894

Continued on next page

HENDERSON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act*. Therefore, some amounts presented in 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 on this schedule.

2. Subrecipients

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

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>State Grant Number/Name</u>	<u>Federal</u>	<u>State</u>
Dispute Settlement Center	Youth Mediation Services	N/A	Juv. Crime Prev	\$ -	\$ 68,640
Boys & Girls Club	Educational and Social Development	N/A	Juv. Crime Prev	-	21,664
Project Challenge Inc.	Project Challenge	N/A	Juv. Crime Prev	-	67,216
NC Dept. of Juv. Justice & Delinquency	Psychological Services	N/A	Juv. Crime Prev	-	6,124
	Non-Secure Detention	N/A	Juv. Crime Prev	-	5,025
	Emergency Temporary Shelter	N/A	Juv. Crime Prev	-	9,175
	Administration	N/A	Juv. Crime Prev	-	3,445
Juvenile Crime Prevention Council	Horse Sense	N/A	Juv. Crime Prev	-	4,632
Horse Sense	Horse Sense	N/A	Juv. Crime Prev	-	20,214
Henderson County Public Schools	Short Term Opportunity Program (C-Stop)	N/A	Juv. Crime Prev	-	
				<u>\$ -</u>	<u>\$ 206,135</u>

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.