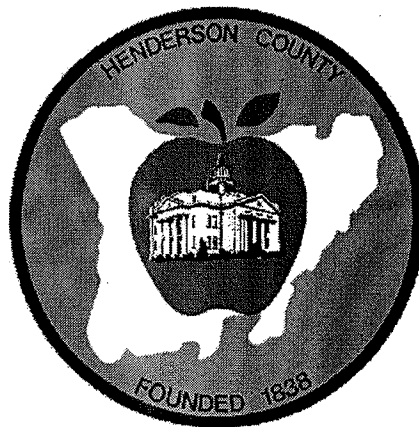


Comprehensive Annual Financial Report
of
Henderson County
North Carolina

Hendersonville, North Carolina
For the Fiscal Year Ended June 30, 2006



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

HENDERSON COUNTY, NORTH CAROLINA

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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

September 30, 2006

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, 2006 is hereby submitted. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. However, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Henderson County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operation of the various funds of Henderson County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The goal of the independent audit was to provide reasonable assurance that the financial statements of Henderson County for the fiscal year ended June 30, 2006 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, 2006 are fairly presented in conformity with GAAP.

This Comprehensive Annual Financial Report is presented in four primary sections: introductory, financial, statistical, and compliance. The introductory section introduces the reader to the report and the County. Along with this transmittal letter, it includes the County's organizational chart, a list of principal officials and the County's certificate of achievement award. The financial section includes Management's Discussion and Analysis, the Basic Financial Statements, notes to the basic financial statements, required supplementary pension information and the associated independent auditors' report. The Basic Financial Statements provide an overview for users who

require less detailed information about the County's finances than is contained in the balance of this report. The Basic Financial Statements include both entity-wide statements and fund financial statements. A full explanation of the basis of accounting for these two sections is included in the notes to the basic financial statements.

The remainder of the financial section includes the combining and individual fund financial statements, schedules and supplementary financial information including statistical information required for continuing disclosure requirements.

The Governmental Accounting Standards Board issued Statement 44 which is the first time the Board has issued authoritative guidance for the statistical section in the report. The statistical section has been virtually unchanged since 1979. Statement 44 has changed the statistical section almost completely and focuses on the following information: Financial trends, revenue capacity, debt capacity, demographic and economic information and operating information.

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

For financial reporting purposes, in accordance with Governmental Accounting Standard Board, the County includes all funds of the primary government, as well as any component units. Component units are legally separate entities for which the primary government is financially accountable. It has been determined that for the fiscal year ended June 30, 2006, there is one blended component unit, the Cane Creek Water and Sewer District, and one discretely presented component unit, the Henderson County Hospital Corporation, which are required to be presented in the County's combined financial statements. The water and sewer district exists to provide and maintain water and sewer systems for county residents within the district. The County's Board of Commissioners serves as the governing board for the district. The district is reported as an Enterprise Fund in the County's financial statements. Henderson County Hospital Corporation is reported in the financial statements in a manner similar to a proprietary fund. The Board of Commissioners appoints the members of the Hospital Board. The County retains title to the Hospital facilities and leases them back to the Hospital for its operations. The Hospital has title to all personal property.

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

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

financing arrangements with the County have been disclosed in the accompanying notes to the combined financial statements.

DESCRIPTION OF THE COUNTY

Henderson County was established in 1838 and is located in the western portion of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. It has land area of 375 square miles and a population of 97,792. 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 general government, administration, economic and physical development, environmental protection, cultural and recreational activities, and others. However, public safety, human services and education represent a vast majority of the annual budget. This report includes all the County activities in maintaining these services. The County also extends financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. Among these are the Henderson County Board of Public Education, Blue Ridge Community College, and the Land-of-Sky Regional Council of Governments.

ECONOMIC CONDITIONS AND OUTLOOK

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

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

| <u>Fiscal Year</u> | <u>Permits</u> | <u>Dollar Value</u> | <u>Unemployment Rates</u> |
|---------------------------|-----------------------|----------------------------|----------------------------------|
| 2006 | 1,828 | \$217,185,218 | 3.4% |
| 2005 | 2,393 | \$219,789,581 | 4.5% |
| 2004 | 1,956 | \$189,475,928 | 3.1% |
| 2003 | 1,788 | \$191,582,465 | 3.8% |
| 2002 | 1,773 | \$175,316,794 | 4.0% |

A balanced economic base of agriculture, tourism and manufacturing contributes to growth in the local economy. There are currently over 44,000 acres of farmland and 21,000 acres of harvested cropland in the County. The main agricultural income in the County continues to be produced from greenhouses and nurseries at \$70 million and vegetables and fruit at \$25 million. Dairy production is third at \$6.9 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. 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 current value by the State of North Carolina of tourism to the County is estimated to be \$182 million.

Manufacturing ranks first in employment with a current estimated value of \$277 million. The County continues to offer and provide economic incentive payments to potential new industry and existing industry planning to expand. Some of the main reasons and criteria for offering these incentives are to attract industry with higher paying jobs and have operations that will cause little or no environmental impact. The following table lists the major manufacturing employers in the County:

| <u>Company Name</u> | <u>Product</u> | <u>Approximate Number of Employees</u> |
|---------------------------|----------------------------------|--|
| General Electric Lighting | Outdoor lighting systems | 725 |
| Wilsonart International | Laminated plastics | 700 |
| ArvinMeritor | Truck axles | 600 |
| Continental Teves | Automotive brake systems | 522 |
| Borg-Warner | Automotive cooling systems | 386 |
| Kimberly-Clark | Health products | 351 |
| Manual Woodworkers | Wooden crafts and woven products | 276 |
| UPM Raflatac, Inc. | Paper products | 250 |
| Kyocera Feldmuelhle, Inc. | Industrial ceramics | 200 |
| Printpack, Inc. | Paper products | 165 |

MAJOR INITIATIVES

FOR THE YEAR. The Board of Commissioners adopted a balanced budget for fiscal year 2005-2006 which included an increase of 4 cents in the county-wide ad valorem property tax rate to 51.5 cents per \$100 dollars of valuation primarily to fund annual debt service payments on new school and County capital projects. Total General Fund Balance increased by \$5.0 million to \$21,279,657 while Unreserved/Undesignated General Fund Balance increased by \$2.97 million to \$12,902,473. All governmental funds ended up in a positive financial position at

fiscal year-end as well as the County's three enterprise funds which continued to grow and be self-supporting during FY2006.

During fiscal year 2006, construction continued on a new Human Services Building, which will house the Department of Social Services, the Public Health Department including Environmental Health and Veteran's Services. These departments have outgrown their current homes and the new facility will provide new space for expansion in the future. New construction and renovation of existing facilities at Dana Elementary continued during FY2006. This school is beyond capacity and is being expanded due to continued growth in the southeastern part of the County. Both of these projects were completed in the fall of 2006. The County also completed construction on a new Animal Services Facility in FY2006. Completion of this project was greatly anticipated by the Board, County staff and the community at large to be able to provide better, quality animal services.

Phase I of the completed Compensation and Classification Study was budgeted for and implemented in FY2006. The second phase of this study is scheduled to be implemented at the beginning of FY2007.

FOR THE FUTURE. The replacement and improvement of school facilities and funding to pay for the school projects will continue to be a major issue the Board of Commissioners will be faced with in the future. The ad valorem property tax rate was increased in the FY2007 budget by 5 cents to pay for the new debt service required to borrow the necessary capital funds to build a new elementary school in the eastern part of the County, a community college technology education facility and to rehabilitate the Historic County Courthouse for occupancy by the Board and County Administrative Departments. All three of these projects are being funded from the issuance of \$41.6 million in Certificates of Participation that was completed in June 2006.

New schools for Mills River Elementary and Hillandale Elementary along with Dana Elementary Phase II construction are being discussed by the Board of Commissioners and the Board of Public Education as the next possible projects to be undertaken in the County. Aging, out of date facilities and expected growth are the primary factors placing the Mills River and Hillandale projects next on the priority list. Phase I construction at Dana Elementary has been completed with phase II construction possibly beginning in the spring of 2007.

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. Henderson County had \$12.9 million in Unreserved/Undesignated General Fund Balance at June 30, 2006 or 14.02 percent of total General Fund Expenditures including transfers to other funds. The Local Government Commission of the North Carolina Department of State Treasurer recommends that local governments have at least 8

percent of General Fund Expenditures in General Fund Balance available for appropriation. This percentage also surpassed the Board of Commissioner's goal of increasing General Fund Unreserved/Undesignated Fund Balance to at least 10.5 percent by the end of fiscal year 2006.

RISK MANAGEMENT. The County participates in three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. These pools provide employees with health and dental insurance coverage, general liability and property coverage (including liability for county vehicles and public safety officers), and workers' compensation. Major policies and their limits of coverage include the following: general liability (\$2 million), property damage (\$125.5 million), and workers' compensation coverage up to the statutory \$2 million dollar limit. 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 of \$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.

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 4.91 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 Gregg and Company, 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.

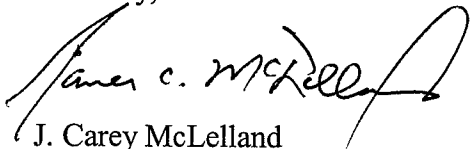
AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2005. This was the seventeenth consecutive year Henderson County received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

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

ACKNOWLEDGMENTS. A combined effort of Gregg and Company, P.A., the entire staff of the Henderson County Finance Department and County departments conducting financial activities made the 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 dark ink, appearing to read "J. Carey McLelland". The signature is fluid and cursive, with a large, sweeping "J" and "M".

J. Carey McLelland
Finance Director

HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2006

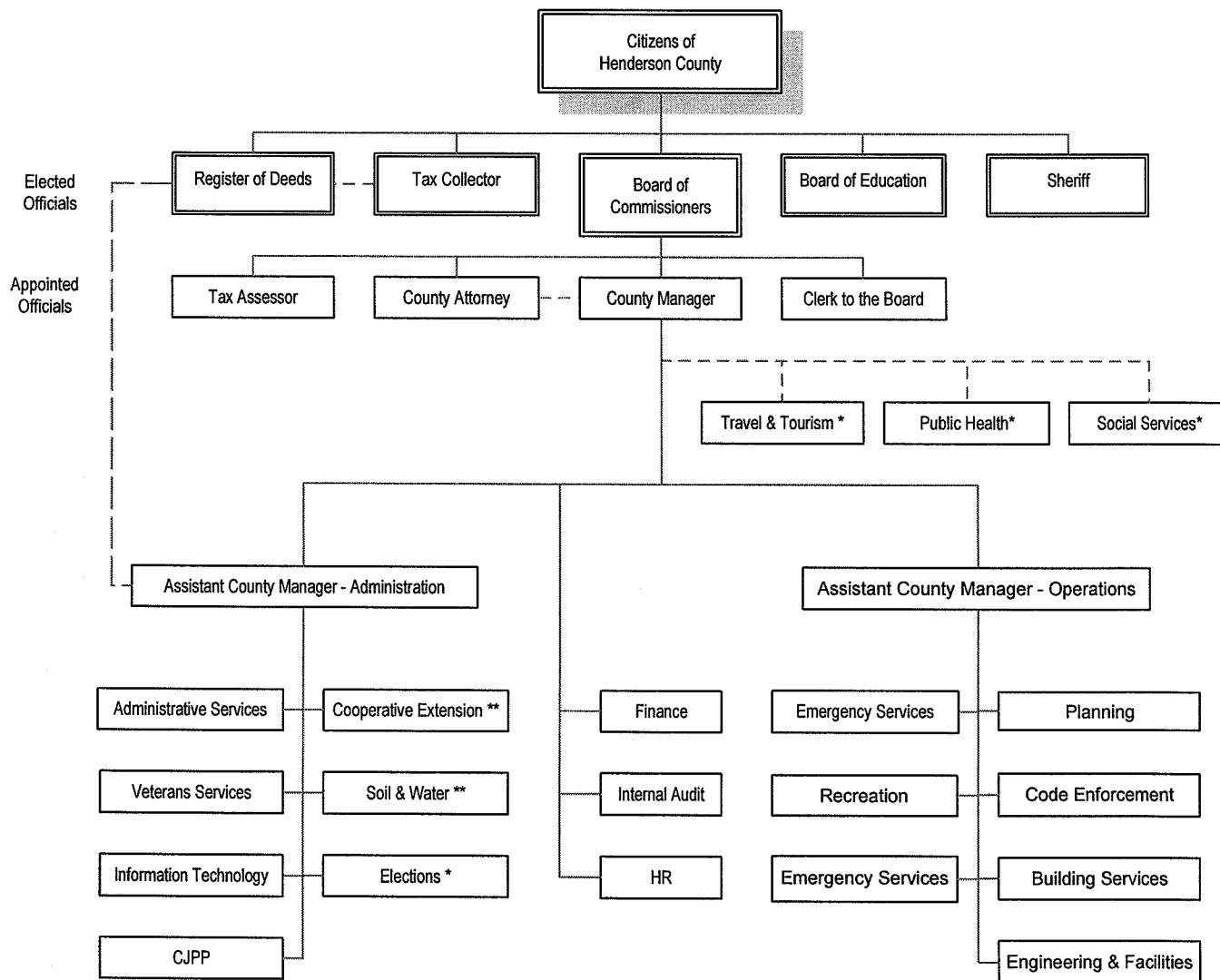
Board of Commissioners

| | |
|---------------------|------------------|
| Chairman..... | William L. Moyer |
| Vice Chairman | Charlie Messer |
| Commissioner | Chuck McGrady |
| Commissioner | Larry R. Young |
| Commissioner | Shannon Baldwin |

County Officials

| | |
|---|------------------------|
| County Manager..... | Steven D. Wyatt |
| Assistant County Manager | Selena D. Coffey |
| County Attorney..... | C. Russell Burrell |
| Clerk to the Board..... | Elizabeth W. Corn |
| Clerk of Court | Thomas H. Thompson |
| Cooperative Extension Director..... | Denise Baker |
| County Assessor..... | Stan Duncan |
| County Engineer | Gary Tweed |
| Code Enforcement Director | Toby Linville |
| Elections Director | Beverly Cunningham |
| EMS Manager | Terry B. Layne |
| Finance Director..... | J. Carey McLelland |
| Fire Marshall/Emergency Services Director | Rocky D. Hyder |
| Human Resources Director | Janice Prichard |
| Inspections Director | Samuel J. Laughter |
| Library Director | William E. Snyder, Jr. |
| Central Services Manager | Leslie E. Capps |
| Information Technology Director | Becky Snyder |
| Planning Director | Anthony Starr |
| Public Health Director | Thomas D. Bridges |
| Recreation Director (Interim) | J. Carey McLelland |
| 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 | Gary Corn |
| Tax Collector..... | Terry F. Lyda |
| Travel and Tourism Director | Melody E. Heltman |
| Utilities Manager | Doyle Freeman |
| Veteran Services Officer | Michael A. Murdock |

Henderson County Organization Chart



* Denotes departments reporting to appointed boards.
 ** Denotes jointly funded departments (state/federal/county).
 - Denotes liaison relationship to elected or appointed official.

6/30/2006

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, 2005

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



President

Executive Director

Gregg & Company, P.A.

J. ROGER GREGG, CPA

WILLIAM N. LEWIN, CPA

KEVIN S. KARPOWICZ, CPA

JOSEPH G. ARBOGAST, CPA

Independent Auditor's Report

To the Board of County Commissioners
Henderson County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Henderson County Hospital Corporation. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the Henderson County Hospital Corporation is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors¹ provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We 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 this information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2006 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Henderson County, North Carolina. The combining and individual nonmajor fund schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and the statistical information are presented for purposes of additional analysis and are 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.

A handwritten signature in cursive script, reading "Pegg & Co.", with a long horizontal line extending to the left.

September 30, 2006

HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2006

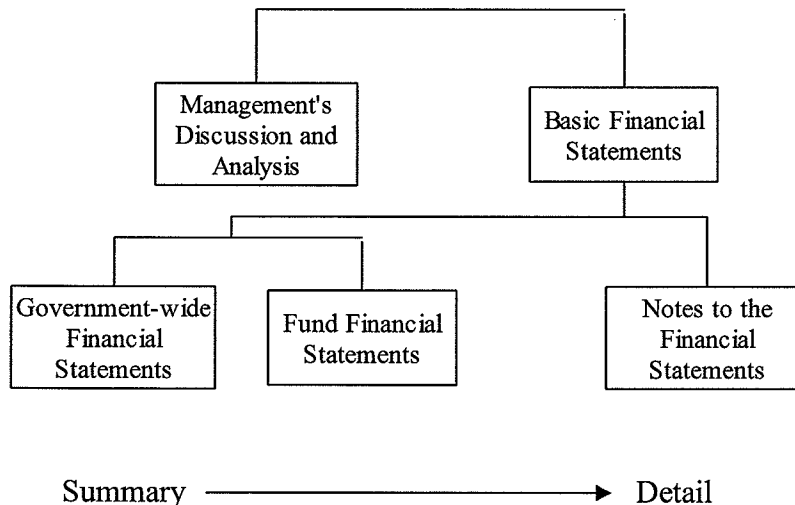
As management of Henderson County, we offer readers of Henderson County's financial statements this narrative overview and analysis of the financial activities of Henderson County for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with 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 \$18,549,927 (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$75,493,931 and \$1,135,600 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 increased by \$1,582,728 primarily due to the increase in property tax and sales tax revenue.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$65,026,397, an increase of \$24,463,668 in comparison with the prior year. Approximately 87 percent of this total amount, or \$56,763,153, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$12,902,473 or 14.02 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 increased by \$36,502,374 (34.08 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

The financial statements of the County for the fiscal year ended June 30, 2006, 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 1 and 2) 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 3 through 9) 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 non-major governmental funds and non-major 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 15 - 16 of this report.

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

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

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

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

Agency Funds - Agency funds are used to account for assets held on behalf of others. The County has six major agency funds and several smaller agency funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Henderson County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found beginning on page 62 of this report.

Government-Wide Financial Analysis

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

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

Figure 2

Henderson County's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|----------------------|--------------------|--------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Assets: | | | | | | |
| Current and other assets | \$ 73,632,783 | \$ 61,618,377 | \$ 6,946,311 | \$ 5,605,260 | \$ 80,579,094 | \$ 67,223,637 |
| Capital Assets | <u>48,583,785</u> | <u>37,042,184</u> | <u>11,303,835</u> | <u>10,644,663</u> | <u>59,887,620</u> | <u>47,686,847</u> |
| Total Assets | <u>122,216,568</u> | <u>98,660,561</u> | <u>18,250,146</u> | <u>16,249,923</u> | <u>140,466,714</u> | <u>114,910,484</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | 110,403,871 | 74,183,120 | 3,891,350 | 3,968,382 | 114,295,221 | 78,151,502 |
| Other liabilities | <u>7,028,611</u> | <u>19,229,892</u> | <u>592,955</u> | <u>561,887</u> | <u>7,621,566</u> | <u>19,791,779</u> |
| Total liabilities | <u>117,432,482</u> | <u>93,413,012</u> | <u>4,484,305</u> | <u>4,530,269</u> | <u>121,916,787</u> | <u>97,943,281</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 17,886,041 | 15,631,980 | 10,125,836 | 9,435,656 | 28,011,877 | 25,067,636 |
| Restricted | 248,699 | 246,169 | - | - | 248,699 | 246,169 |
| Unrestricted | <u>(13,350,654)</u> | <u>(10,630,604)</u> | <u>3,640,005</u> | <u>2,283,998</u> | <u>(9,710,649)</u> | <u>(8,346,606)</u> |
| Total net assets | <u>\$ 4,784,086</u> | <u>\$ 5,247,545</u> | <u>\$ 13,765,841</u> | <u>\$ 11,719,654</u> | <u>18,549,927</u> | <u>16,967,199</u> |

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 \$18,549,927, as of June 30, 2006. The County's net assets increased by \$1,582,728, for the fiscal year ended June 30, 2006. Net assets of the County are reported in three categories. Invested in capital assets, net of related debt of \$28,011,877, Restricted net assets of \$248,699, represents resources that are subject to external restrictions on how they may be used, and Unrestricted net assets of \$(9,710,649).

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, 2006 the total net deficit of \$(9,710,649) is primarily attributable to the governmental activities unrestricted net deficit balance of \$(13,350,654).

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 \$76.6 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 decline in total assets, the impact of the inclusion of the school system and community college debt without the corresponding assets, and a tough economical year in general was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes both current and delinquent.
- Budgetary control efforts.

Governmental activities: Governmental activities decreased the County's net assets by \$463,459 or 29 percent of the total increase in the net assets of the County of Henderson.

Business-type activities: Business-type activities increased the County's net assets by \$2,046,187 or a 129 percent increase in the net assets of the County of Henderson. See figure 3 below.

Figure 3

Henderson County's Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 9,753,770 | \$ 5,844,610 | \$ 5,468,309 | \$ 5,126,857 | \$ 15,222,079 | \$ 10,971,467 |
| Operating grants and contributions | 16,911,486 | 16,228,335 | 961,565 | 1,108,124 | 17,873,051 | 17,336,459 |
| Capital grants and | 673,420 | 52,470 | 130,383 | 140,870 | 803,803 | 193,340 |
| General revenues: | | | | | | |
| Property taxes | 51,743,823 | 47,851,376 | - | - | 51,743,823 | 47,851,376 |
| Other taxes | 20,540,587 | 21,941,249 | - | - | 20,540,587 | 21,941,249 |
| Other | 4,907,194 | 2,378,663 | 217,882 | 56,727 | 5,125,076 | 2,435,390 |
| Total revenues | <u>104,530,280</u> | <u>94,296,703</u> | <u>6,778,139</u> | <u>6,432,578</u> | <u>111,308,419</u> | <u>100,729,281</u> |
| Expenses: | | | | | | |
| General government | 20,754,875 | 8,468,857 | - | - | 20,754,875 | 8,468,857 |
| Public safety | 23,870,516 | 23,487,233 | - | - | 23,870,516 | 23,487,233 |
| Environmental protection | 2,777,434 | 744,817 | - | - | 2,777,434 | 744,817 |
| Economic and physical development | 2,931,244 | 3,187,593 | - | - | 2,931,244 | 3,187,593 |
| Human services | 28,050,637 | 25,940,590 | - | - | 28,050,637 | 25,940,590 |
| Cultural and recreational | 3,730,608 | 3,452,018 | - | - | 3,730,608 | 3,452,018 |
| Education | 20,418,061 | 22,554,066 | - | - | 20,418,061 | 22,554,066 |
| Interest on long-term debt | 2,705,438 | 1,746,726 | - | - | 2,705,438 | 1,746,726 |
| Solid waste disposal | - | - | 3,976,161 | 3,691,541 | 3,976,161 | 3,691,541 |
| Other | - | - | 510,716 | 421,725 | 510,716 | 421,725 |
| Total expenses | <u>105,238,813</u> | <u>89,581,900</u> | <u>4,486,877</u> | <u>4,113,266</u> | <u>109,725,690</u> | <u>93,695,166</u> |
| Increase (decrease) in net assets before transfers | (708,534) | 4,714,803 | 2,291,262 | 2,319,312 | 1,582,728 | 7,034,115 |
| Transfers | <u>245,075</u> | <u>1,655,975</u> | <u>(245,075)</u> | <u>(1,655,975)</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in net assets | (463,459) | 6,370,778 | 2,046,187 | 663,337 | 1,582,728 | 7,034,115 |
| Net assets, beginning | <u>5,247,545</u> | <u>(1,123,233)</u> | <u>11,719,654</u> | <u>11,056,317</u> | <u>16,967,199</u> | <u>9,933,084</u> |
| Net assets, ending | <u>\$ 4,784,086</u> | <u>\$ 5,247,545</u> | <u>\$ 13,765,841</u> | <u>\$ 11,719,654</u> | <u>\$ 18,549,927</u> | <u>\$ 16,967,199</u> |

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Henderson County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Henderson County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Henderson County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12,902,473 while total fund balance was \$21,279,657. 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 14.02 percent of total General Fund expenditures, while total fund balance represents 23.30 percent of that same amount.

At June 30, 2006, the governmental funds of the County reported a combined fund balance of \$65,026,397, a 60.31 percent increase from last year. The primary reason for this increase was unexpended construction loan proceeds in the School Capital Projects Fund and Capital Projects Fund from the financing of the new debt issued in June 2006 for construction and renovation of a County facility, a new elementary school and a new community college facility.

General Fund Budgetary Highlights:

During the fiscal year 2006, the County's financial picture improved with gradual improvement in the local, state and national economies along with growth in the collection of ad valorem property and sales taxes, the General Fund's two major revenue sources. Expenditures were held below revised budgetary levels. Total General Fund Balance increased during the fiscal year along with the amount that is unreserved and available for appropriation at year-end.

The County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and expenditures by \$4,437,354 or less than five percent of the original budget.

The actual operating revenues, including transfers for the General Fund, were greater than the budgeted amount by \$1,436,604.

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 \$3,640,005. During the fiscal year 2006 proprietary fund net assets increased \$2,046,187. The increase is due to budgetary control over expenses and rates that factor in future capital maintenance/infrastructure needs.

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, 2006, totals \$59,887,620 (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 | |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land | 10,597,432 | 10,218,381 | 1,715,576 | 1,715,576 | 12,313,008 | 11,933,957 |
| Buildings | 21,655,165 | 22,442,101 | - | - | 21,655,165 | 22,442,101 |
| Plant and distribution systems | - | - | 6,609,746 | 7,162,278 | 6,609,746 | 7,162,278 |
| Equipment | 558,074 | 475,712 | 151,963 | - | 710,037 | 475,712 |
| Vehicles and motor equipment | 1,829,271 | 1,029,944 | 16,752 | - | 1,846,023 | 1,029,944 |
| Construction in progress | 13,943,843 | 2,876,046 | 2,809,798 | 1,766,809 | 16,753,641 | 4,642,855 |
| Total | <u>\$ 48,583,785</u> | <u>\$ 37,042,184</u> | <u>\$ 11,303,835</u> | <u>\$ 10,644,663</u> | <u>\$ 59,887,620</u> | <u>\$ 47,686,847</u> |

Additional information on the County's capital assets can be found on pages 42 - 43 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2006, Henderson County had total bonded debt outstanding of \$7,858,000, of which \$6,680,000 is debt backed by the full faith, credit and taxing power of the County and \$1,178,000, which is backed by the taxing power of the Cane Creek Water and Sewer District. The County also has several installment notes outstanding, of which the majority is related to debt issued for the construction and renovation of school facilities. A summary of long-term debt is shown in Figure 5.

Figure 5

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|-------------------------|----------------------|--------------------------|---------------------|-----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| General obligation bonds | \$ 6,680,000 | \$ 8,640,000 | \$ 1,178,000 | \$ 1,209,000 | \$ 7,858,000 | \$ 9,849,000 |
| Installment notes payable | <u>100,423,675</u> | <u>63,045,498</u> | <u>-</u> | <u>-</u> | <u>100,423,675</u> | <u>63,045,498</u> |
| Total | <u>\$ 107,103,675</u> | <u>\$ 71,685,498</u> | <u>\$ 1,178,000</u> | <u>\$ 1,209,000</u> | <u>\$ 108,281,675</u> | <u>\$ 72,894,498</u> |

Henderson County's total long-term debt increased by \$36,471,374 (50.79 percent) during the past fiscal year.

The bond ratings are a clear indication of the sound financial condition of the County, which helps to keep interest cost low on the County's outstanding debt. Henderson County has maintained the following bond ratings:

| | |
|------------------|-----|
| Standard & Poors | AA- |
| Moody's | Aa3 |
| Fitch | AA- |

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Henderson County is \$626,779,000.

Additional information regarding Henderson County's long-term debt can be found on pages 51- 58 of this audited financial report.

Economic Factors and Next Year's Budget and Rates

The County of Henderson has approved a \$104,333,900 general fund budget for fiscal year 2007, which represents a 9.4 percent increase from the final 2006 budget. The tax rate increased to 56.5 cents per \$100 of assessed valuation. The following factors were considered when developing the 2007 budget:

- Local education funding for current expense and major capital needs
- Gradual improvement in the economy with growth in major revenue sources
- New positions needed to provide increased demand for services
- Maintaining a sufficient fund balance while not placing a burden on property owners
- Implementation of a compensation and classification pay study
- Medicaid capped by the State of North Carolina for FY 2007.

Budget Highlights for the Fiscal Year Ending June 30, 2007

Governmental Activities: The growth in property taxes is expected to be flat and minimal based on assessed valuation projections from the County Assessor for FY2007. Sales taxes and restricted intergovernmental revenues are expected to lead the growth in budgeted revenue for the General Fund. The County will use the projected increase in revenues to fund programs currently in place including appropriations for public schools and the community college.

Budgeted expenditures in the General Fund are expected to rise approximately 8.2 percent to \$104,333,900. The largest increases are in funding for new positions, education and debt service.

Business Type Activities: There is no change in the user fees for the Solid Waste Enterprise Fund. However, solid waste flow is expected to be constant through the landfill transfer station during FY2007 which will offset the operating costs for the facility including hauling the waste out of the county while adding reserves for future capital needs.

There was no change in the sewer rates for the Cane Creek Water and Sewer District or the Justice Academy Sewer Fund. Due to growth and usage by customers in the Cane Creek District, revenues are expected to increase and will primarily cover the increased operating expense to treat system waste while adding to reserves for future expansion of sewer infrastructure. Operating revenues and expenses in the Justice Academy Sewer Fund are expected to remain constant.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

HENDERSON COUNTY, NORTH CAROLINA

Statement of Net Assets

June 30, 2006

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|----------------------|--------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Margaret R. Pardee Memorial Hospital |
| Assets: | | | | |
| Cash and cash equivalents | \$ 61,449,639 | \$ 6,232,533 | \$ 67,682,172 | \$ 3,420,140 |
| Investments | - | - | - | 20,917,464 |
| Receivables (net) | 12,109,941 | 713,778 | 12,823,719 | 19,984,204 |
| Pledges receivable | - | - | - | 348,352 |
| Inventories | 14,998 | - | 14,998 | 2,239,600 |
| Prepaid expenses | 58,205 | - | 58,205 | 994,587 |
| Restricted cash and cash equivalents | - | - | - | - |
| Restricted investments | - | - | - | 1,208,203 |
| Capital assets: | | | | |
| Land and construction in progress | 24,541,275 | 4,525,374 | 29,066,649 | 13,281,507 |
| Other capital assets, net of depreciation | <u>24,042,510</u> | <u>6,778,461</u> | <u>30,820,971</u> | <u>72,394,398</u> |
| Net capital assets | <u>48,583,785</u> | <u>11,303,835</u> | <u>59,887,620</u> | <u>85,675,905</u> |
| Other assets | - | - | - | 471,818 |
| Total assets | <u>122,216,568</u> | <u>18,250,146</u> | <u>140,466,714</u> | <u>135,260,273</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 4,454,484 | 587,455 | 5,041,939 | 13,680,752 |
| Third-party payor settlements | - | - | - | 2,058,145 |
| Unearned revenue | 794,021 | 5,500 | 799,521 | - |
| Accrued interest payable | 1,780,106 | - | 1,780,106 | - |
| Long-term liabilities: | | | | |
| Due within one year | 7,572,209 | 32,000 | 7,604,209 | 2,665,629 |
| Due in more than one year | <u>102,831,662</u> | <u>3,859,350</u> | <u>106,691,012</u> | <u>15,052,592</u> |
| Total liabilities | <u>117,432,482</u> | <u>4,484,305</u> | <u>121,916,787</u> | <u>33,457,118</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 17,886,041 | 10,125,836 | 28,011,877 | 67,957,684 |
| Restricted for: | | | | |
| Register of Deeds | 248,699 | - | 248,699 | - |
| Debt service | - | - | - | 401,250 |
| Capital projects | - | - | - | 674,712 |
| Other purposes | - | - | - | 511,467 |
| Unrestricted | <u>(13,350,654)</u> | <u>3,640,005</u> | <u>(9,710,649)</u> | <u>32,258,042</u> |
| Total net assets | <u>\$ 4,784,086</u> | <u>\$ 13,765,841</u> | <u>\$ 18,549,927</u> | <u>\$ 101,803,155</u> |

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

HENDERSON COUNTY, NORTH CAROLINA

Statement of Activities

For the Fiscal Year Ended June 30, 2006

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--|-----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 20,754,875 | \$ 1,368,663 | \$ 155,176 | \$ 8,820 |
| Public safety | 23,870,516 | 3,555,211 | 528,181 | - |
| Environmental protection | 2,777,434 | - | 238,089 | - |
| Economic and physical development | 2,931,244 | 2,322,570 | 2,299,781 | - |
| Human services | 28,050,637 | 2,210,820 | 13,415,019 | - |
| Cultural and recreational | 3,730,608 | 296,506 | 275,240 | 49,600 |
| Education | 20,418,061 | - | - | 615,000 |
| Interest on long-term debt | <u>2,705,438</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>105,238,814</u> | <u>9,753,770</u> | <u>16,911,486</u> | <u>673,420</u> |
| Business-type activities: | | | | |
| Landfill | 3,976,161 | 4,145,292 | 176,133 | - |
| Cane Creek water and sewer | 475,168 | 1,257,017 | 785,432 | 130,383 |
| Other business-type activities | <u>35,548</u> | <u>66,000</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>4,486,877</u> | <u>5,468,309</u> | <u>961,565</u> | <u>130,383</u> |
| Total primary government | <u>\$ 109,725,691</u> | <u>\$ 15,222,079</u> | <u>\$ 17,873,051</u> | <u>\$ 803,803</u> |
| Component unit: | | | | |
| Hospital | <u>\$ 118,268,523</u> | <u>\$ 112,088,452</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 | | | | |
| Net assets--ending | | | | |

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

| <u>Net (Expense) Revenue and Changes in Net Assets</u> | | | |
|--|---------------------------------|----------------------|---|
| <u>Primary Government</u> | | | <u>Component Unit</u> |
| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Margaret R. Pardee Memorial Hospital</u> |
| \$ (19,222,217) | \$ - | \$ (19,222,217) | |
| (19,787,124) | - | (19,787,124) | |
| (2,539,345) | - | (2,539,345) | |
| 1,691,107 | - | 1,691,107 | |
| (12,424,798) | - | (12,424,798) | |
| (3,109,262) | - | (3,109,262) | |
| (19,803,061) | - | (19,803,061) | |
| (2,705,438) | - | (2,705,438) | |
| <u>(77,900,138)</u> | <u>-</u> | <u>(77,900,138)</u> | |
| - | 345,264 | 345,264 | |
| - | 1,697,664 | 1,697,664 | |
| - | <u>30,452</u> | <u>30,452</u> | |
| - | <u>2,073,380</u> | <u>2,073,380</u> | |
| <u>(77,900,138)</u> | <u>2,073,380</u> | <u>(75,826,758)</u> | |
| - | - | - | <u>\$ (6,180,071)</u> |
| 51,743,823 | - | 51,743,823 | - |
| 20,540,587 | - | 20,540,587 | - |
| 2,892,255 | - | 2,892,255 | - |
| 27,469 | - | 27,469 | - |
| 1,463,391 | 217,882 | 1,681,273 | 1,232,099 |
| 524,079 | - | 524,079 | 423,411 |
| <u>245,075</u> | <u>(245,075)</u> | <u>-</u> | <u>522,944</u> |
| <u>77,436,679</u> | <u>(27,193)</u> | <u>77,409,486</u> | <u>2,178,454</u> |
| (463,459) | 2,046,187 | 1,582,728 | (4,001,617) |
| <u>5,247,545</u> | <u>11,719,654</u> | <u>16,967,199</u> | <u>105,804,772</u> |
| <u>\$ 4,784,086</u> | <u>\$ 13,765,841</u> | <u>\$ 18,549,927</u> | <u>\$ 101,803,155</u> |

HENDERSON COUNTY, NORTH CAROLINA

Balance Sheet Governmental Funds

June 30, 2006

| | <u>General</u> | <u>General Capital Projects Fund</u> | <u>School Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|---|---|---|
| <u>Assets</u> | | | | | |
| Cash and cash equivalents | \$ 15,422,471 | \$ 26,559,147 | \$ 17,443,743 | \$ 2,024,278 | \$ 61,449,639 |
| Taxes receivable, net | 2,437,278 | - | - | - | 2,437,278 |
| Other receivables, net | 7,944,895 | 247,570 | 3,931 | 190,005 | 8,386,401 |
| Inventories | 14,998 | - | - | - | 14,998 |
| Prepaid items | 56,110 | - | - | 2,095 | 58,205 |
| Total assets | <u>\$ 25,875,752</u> | <u>\$ 26,806,717</u> | <u>\$ 17,447,674</u> | <u>\$ 2,216,378</u> | <u>\$ 72,346,521</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 1,348,073 | \$ 690,411 | \$ 909,543 | \$ 1,098,231 | \$ 4,046,258 |
| Accrued payroll liabilities | 408,226 | - | - | - | 408,226 |
| Deferred revenue | 2,839,796 | - | - | 25,844 | 2,865,640 |
| Total liabilities | <u>4,596,095</u> | <u>690,411</u> | <u>909,543</u> | <u>1,124,075</u> | <u>7,320,124</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| State statute | 7,542,377 | 247,570 | 3,931 | 149,559 | 7,943,437 |
| Inventories | 14,998 | - | - | - | 14,998 |
| Prepaid items | 56,110 | - | - | - | 56,110 |
| Register of Deeds | 248,699 | - | - | - | 248,699 |
| Unreserved, designated for: | | | | | |
| Subsequent year's budget | 515,000 | - | - | - | 515,000 |
| Unreserved (deficit), undesignated: | 12,902,473 | - | - | - | 12,902,473 |
| Unreserved, reported in non-major: | | | | | |
| Debt service funds | - | - | - | 713,250 | 713,250 |
| Special revenue funds | - | - | - | 229,494 | 229,494 |
| Capital projects funds | - | 25,868,736 | 16,534,200 | - | 42,402,936 |
| Total fund balances (deficit) | <u>21,279,657</u> | <u>26,116,306</u> | <u>16,538,131</u> | <u>1,092,303</u> | <u>65,026,397</u> |
| Total liabilities and fund balances | <u>\$ 25,875,752</u> | <u>\$ 32,199,688</u> | <u>\$ 17,447,674</u> | <u>\$ 2,216,378</u> | |

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: | 48,583,785 |
| Accrued interest on property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds. | 492,241 |
| Property taxes receivable are not considered available and are therefore deferred in the fund statements (Note 4). | 2,865,640 |
| Long-term liabilities, including accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds (Note 7). | <u>(112,183,977)</u> |

Net assets of governmental activities

\$ 4,784,086

HENDERSON COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2006

| | <u>General Fund</u> | <u>General Capital Projects fund</u> | <u>School Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|---|---|
| Revenues: | | | | | |
| Ad valorem taxes | \$ 47,121,914 | \$ - | \$ - | \$ 4,952,766 | \$ 52,074,680 |
| Local option sales taxes | 20,540,587 | - | - | - | 20,540,587 |
| Other taxes and licenses | 2,151,251 | - | - | 741,004 | 2,892,255 |
| Unrestricted intergovernmental | 27,469 | - | - | - | 27,469 |
| Restricted intergovernmental | 15,947,921 | - | - | 2,496,963 | 18,444,884 |
| Permits and fees | 2,081,006 | - | - | - | 2,081,006 |
| Sales and services | 5,797,841 | - | - | 111,750 | 5,909,591 |
| Investment earnings | 682,137 | 344,810 | 356,594 | 79,850 | 1,463,391 |
| Miscellaneous | 2,383,415 | 13,998 | 566 | 547,295 | 2,945,274 |
| Total revenues | <u>96,733,541</u> | <u>358,808</u> | <u>357,160</u> | <u>8,929,628</u> | <u>106,379,137</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 9,862,890 | 12,261,397 | 10,751,662 | 535,212 | 33,411,161 |
| Public safety | 18,468,794 | - | - | 5,712,596 | 24,181,390 |
| Environmental protection | 417,813 | - | - | 2,359,621 | 2,777,434 |
| Economic and physical development | 2,103,656 | - | - | 856,094 | 2,959,750 |
| Human services | 28,021,302 | - | - | - | 28,021,302 |
| Cultural and recreational | 3,623,007 | - | - | - | 3,623,007 |
| Intergovernmental: | | | | | |
| Education | 20,418,061 | - | - | - | 20,418,061 |
| Debt service: | | | | | |
| Principal | 5,587,776 | - | - | - | 5,587,776 |
| Interest and other charges | 2,788,318 | 20,086 | - | - | 2,808,404 |
| Total expenditures | <u>91,291,617</u> | <u>12,281,483</u> | <u>10,751,662</u> | <u>9,463,523</u> | <u>123,788,285</u> |
| Revenues over expenditures | <u>5,441,924</u> | <u>(11,902,589)</u> | <u>(10,394,502)</u> | <u>(533,895)</u> | <u>(17,409,148)</u> |
| Other financing sources (uses): | | | | | |
| Transfers from other funds | 317,260 | - | - | 743,097 | 1,060,357 |
| Transfers to other funds | (743,097) | - | - | (54,444) | (797,541) |
| Issuance of Bonds | - | 26,310,000 | 15,300,000 | - | 41,610,000 |
| Sale of capital assets | - | - | - | - | - |
| Total other financing sources and uses | <u>(425,837)</u> | <u>26,310,000</u> | <u>15,300,000</u> | <u>688,653</u> | <u>41,872,816</u> |
| Net change in fund balances | 5,016,087 | 14,387,325 | 4,905,498 | 154,758 | 24,463,668 |
| Fund balances--beginning, as adjusted | <u>16,263,570</u> | <u>11,728,981</u> | <u>11,632,633</u> | <u>937,545</u> | <u>40,562,729</u> |
| Fund balances (deficit)--ending | <u>\$ 21,279,657</u> | <u>\$ 26,116,306</u> | <u>\$ 16,538,131</u> | <u>\$ 1,092,303</u> | <u>\$ 65,026,397</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances, Continued Governmental Funds

For the Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|---------------------|
| Net changes in fund balance--total governmental funds | \$ 24,463,668 |
| Depreciation expense recorded in the Statement of Activities. | (1,311,265) |
| Net Capital asset additions recorded as capital outlay in the governmental funds and capitalized in the government-wide statements. | 12,899,741 |
| Current year increase in accrued interest receivable on property taxes not accrued in the governmental fund statements because it is not considered available to pay for current-period expenditures. | 117,665 |
| Long-term obligations to fund economic development incentives expensed on the Statement of Activities but do not require current financial resources and are not recorded on the fund statements. | (43,128,000) |
| Debt service payments use current financial resources and are recorded in the governmental fund statements but are a reduction in a liability on the government-wide statements. | 7,146,871 |
| Adjustment to other long-term obligations that do not require current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. | (626,613) |
| Other miscellaneous accrual adjustments that do not require the use of current financial resources and, therefore, are not reported in the governmental fund statements. | <u>(25,526)</u> |
| Total changes in net assets of governmental activities | <u>\$ (463,459)</u> |

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

HENDERSON COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual-- General Fund and Annually Budgeted Major Special Revenue Fund

For the Fiscal Year Ended June 30, 2006

| | General Fund | | | Variance with Final Positive Negative |
|---|--------------------|-------------------|----------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 46,631,998 | \$ 46,912,203 | \$ 47,121,914 | \$ 209,711 |
| Local option sales taxes | 20,395,947 | 20,395,947 | 20,540,587 | 144,640 |
| Other taxes and licenses | 1,290,620 | 1,725,620 | 2,151,251 | 425,631 |
| Unrestricted intergovernmental | 48,500 | 26,500 | 27,469 | 969 |
| Restricted intergovernmental | 14,844,317 | 17,021,589 | 15,947,921 | (1,073,668) |
| Permits and fees | 2,039,000 | 2,039,000 | 2,081,006 | 42,006 |
| Sales and services | 4,242,160 | 4,439,860 | 5,797,841 | 1,357,981 |
| Investment earnings | 250,000 | 414,740 | 682,137 | 267,397 |
| Miscellaneous | 1,117,041 | 2,321,478 | 2,383,415 | 61,937 |
| Total revenues | <u>90,859,583</u> | <u>95,296,937</u> | <u>96,733,541</u> | <u>1,436,604</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 9,917,391 | 11,445,745 | 9,862,890 | 1,582,855 |
| Public safety | 17,121,034 | 18,950,527 | 18,468,794 | 481,733 |
| Environmental protection | 444,722 | 449,062 | 417,813 | 31,249 |
| Economic and physical development | 2,478,964 | 2,447,130 | 2,103,656 | 343,474 |
| Human services | 27,437,382 | 28,693,786 | 28,021,302 | 672,484 |
| Cultural and recreational | 3,602,358 | 3,743,993 | 3,623,007 | 120,986 |
| Intergovernmental: | | | | |
| Education | 20,385,695 | 20,418,061 | 20,418,061 | - |
| Debt service: | | | | |
| Principal retirement | 6,263,423 | 5,913,050 | 5,587,776 | 325,274 |
| Interest and other charges | 2,826,228 | 3,144,235 | 2,788,318 | 355,917 |
| Contingency | - | - | - | - |
| Non-Departmental | 22,000 | - | - | - |
| Total expenditures | <u>90,499,197</u> | <u>95,205,289</u> | <u>91,291,617</u> | <u>3,913,672</u> |
| Revenues over expenditures | <u>360,386</u> | <u>91,648</u> | <u>5,441,924</u> | <u>5,350,276</u> |
| Other financing sources (uses): | | | | |
| Transfers from other funds | 400,675 | 433,566 | 317,260 | (116,306) |
| Transfers to other funds | (761,061) | (761,061) | (743,097) | 17,964 |
| Appropriated fund balance | - | 235,847 | - | (235,847) |
| Total other financing sources (uses) | <u>(360,386)</u> | <u>(91,648)</u> | <u>(425,837)</u> | <u>(334,189)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>5,016,087</u> | <u>\$ 5,016,087</u> |
| Fund balances--beginning of year, July 1, as adjusted | | | <u>16,263,570</u> | |
| Fund balances--end of year, June 30 | | | <u>\$ 21,279,657</u> | |

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

HENDERSON COUNTY, NORTH CAROLINA

Statement of Net Assets Proprietary Funds

June 30, 2006

| Enterprise Funds | | | | |
|---|---------------------|---|-------------------------------|----------------------|
| | Major | | Non Major | Total |
| | Landfill Fund | Cane Creek Water and Sewer District | Other Proprietary Funds | |
| <u>Assets</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,923,924 | \$ 2,928,697 | \$ 379,912 | \$ 6,232,533 |
| Accounts receivable, net | 294,380 | 419,398 | - | 713,778 |
| Total current assets | <u>3,218,304</u> | <u>3,348,095</u> | <u>379,912</u> | <u>6,946,311</u> |
| Non-current assets: | | | | |
| Capital assets: | | | | |
| Land and construction in progress | 1,561,792 | 2,963,582 | - | 4,525,374 |
| Other capital assets, net of depreciation | 1,105,840 | 5,314,518 | 358,103 | 6,778,461 |
| Total capital assets | <u>2,667,632</u> | <u>8,278,100</u> | <u>358,103</u> | <u>11,303,835</u> |
| Total assets | <u>\$ 5,885,936</u> | <u>\$ 11,626,195</u> | <u>\$ 738,015</u> | <u>\$ 18,250,146</u> |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 309,143 | \$ 276,751 | \$ 1,561 | \$ 587,455 |
| Deferred Revenue | - | - | 5,500 | 5,500 |
| Current portion of long-term debt | - | 32,000 | - | 32,000 |
| Total current liabilities | <u>309,143</u> | <u>308,751</u> | <u>7,061</u> | <u>624,955</u> |
| Non-current liabilities: | | | | |
| Liabilities payable from restricted assets: | | | | |
| Accrued landfill closure and postclosure care costs | 2,669,648 | - | - | 2,669,648 |
| Compensated absences | 36,023 | 7,679 | - | 43,702 |
| General obligation bonds payable | - | 1,146,000 | - | 1,146,000 |
| Total non-current liabilities | <u>2,705,671</u> | <u>1,153,679</u> | <u>-</u> | <u>3,859,350</u> |
| Total liabilities | <u>3,014,814</u> | <u>1,462,430</u> | <u>7,061</u> | <u>4,484,305</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 2,667,632 | 7,100,100 | 358,104 | 10,125,836 |
| Unrestricted | 203,490 | 3,063,665 | 372,850 | 3,640,005 |
| Total net assets | <u>2,871,122</u> | <u>10,163,765</u> | <u>730,954</u> | <u>13,765,841</u> |
| Total liabilities and net assets | <u>\$ 5,885,936</u> | <u>\$ 11,626,195</u> | <u>\$ 738,015</u> | <u>\$ 18,250,146</u> |

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

HENDERSON COUNTY, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds

For the Fiscal Year Ended June 30, 2006

Enterprise Funds

| | Major | | Non Major | |
|---|--------------|----------------|-------------|---------------|
| | Landfill | Cane Creek | Other | |
| | Fund | Water and | Proprietary | |
| | | Sewer District | Funds | Total |
| Operating revenues: | \$ 4,145,292 | \$ 1,257,017 | \$ 66,000 | \$ 5,468,309 |
| Charges for services | - | - | - | - |
| Miscellaneous | 4,145,292 | 1,257,017 | 66,000 | 5,468,309 |
| Total operating revenues | | | | |
| Operating expenses: | | | | |
| Administration | 1,245,580 | 149,613 | 20,673 | 1,415,866 |
| Landfill operations | 2,279,289 | - | - | 2,279,289 |
| Repairs and maintenance | 144,814 | 58,279 | 3,951 | 207,044 |
| Depreciation | 88,635 | 205,272 | 10,924 | 304,831 |
| Total operating expenses | 3,758,318 | 413,164 | 35,548 | 4,207,030 |
| Operating income | 386,974 | 843,853 | 30,452 | 1,261,279 |
| Non-operating revenue (expenses): | | | | |
| Operating grants | 176,133 | 785,432 | - | 961,565 |
| Interest income | 96,069 | 108,620 | 13,193 | 217,882 |
| Interest expense | - | (60,450) | - | (60,450) |
| Loss on sale of capital assets | (217,843) | (1,554) | - | (219,397) |
| Total non-operating revenue (expenses) | 54,359 | 832,048 | 13,193 | 899,600 |
| Income before capital contributions and transfers | 441,333 | 1,675,901 | 43,645 | 2,160,879 |
| Transfers: | | | | |
| Transfers in | 50,000 | - | - | 50,000 |
| Transfers out | - | (295,075) | - | (295,075) |
| Transfers in (out) | 50,000 | (295,075) | - | (245,075) |
| Capital contributions | - | 130,383 | - | 130,383 |
| Change in net assets | 491,333 | 1,511,209 | 43,645 | 2,046,187 |
| Total net assets--beginning | 2,379,789 | 8,652,556 | 687,309 | 11,719,654 |
| Total net assets--ending | \$ 2,871,122 | \$ 10,163,765 | \$ 730,954 | \$ 13,765,841 |

HENDERSON COUNTY, NORTH CAROLINA

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2006

| | <u>Major</u> | | <u>Non Major</u> | |
|--|---------------------|-----------------------|--------------------|---------------------|
| | <u>Landfill</u> | <u>Cane Creek</u> | <u>Other</u> | |
| | <u>Fund</u> | <u>Water and</u> | <u>Proprietary</u> | <u>Total</u> |
| | | <u>Sewer District</u> | <u>Funds</u> | |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 4,144,686 | \$ 1,233,247 | \$ 66,000 | \$ 5,443,933 |
| Cash paid for goods and services | (3,008,854) | (274,926) | (24,243) | (3,308,023) |
| Customer deposits received | - | - | - | - |
| Cash paid to employees for services | (689,575) | (1,136) | - | (690,711) |
| Other operating revenue | - | - | - | - |
| Net cash provided by operating Activities | <u>446,257</u> | <u>957,185</u> | <u>41,757</u> | <u>1,445,199</u> |
| Cash flows from non-capital financing: | | | | |
| Transfers in | 50,000 | - | - | 50,000 |
| Transfers out | - | (295,075) | - | (295,075) |
| Proceeds from operating grants | <u>176,133</u> | <u>785,432</u> | <u>-</u> | <u>961,565</u> |
| Net cash provided (used) by non-capital financing activities | <u>226,133</u> | <u>490,357</u> | <u>-</u> | <u>716,490</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital Assets | (155,211) | (1,028,189) | - | (1,183,400) |
| Proceeds from capital contributions | - | 130,383 | - | 130,383 |
| Principal paid on bond maturities and equipment contracts | - | (31,000) | - | (31,000) |
| Interest paid on bond maturities | - | (60,450) | - | (60,450) |
| Net cash used by capital and related financing activities | <u>(155,211)</u> | <u>(989,256)</u> | <u>-</u> | <u>(1,144,467)</u> |
| Cash flows from investing activities: | | | | |
| Interest on investments | <u>96,069</u> | <u>108,620</u> | <u>13,193</u> | <u>217,882</u> |
| Net increase (decrease) in cash and cash Equivalents | 613,248 | 566,906 | 54,950 | 1,235,104 |
| Cash and cash equivalents, July 1 | <u>2,310,676</u> | <u>2,361,791</u> | <u>324,962</u> | <u>4,997,429</u> |
| Cash and cash equivalents, June 30 | <u>\$ 2,923,924</u> | <u>\$ 2,928,697</u> | <u>\$ 379,912</u> | <u>\$ 6,323,533</u> |

(continued)

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

HENDERSON COUNTY, NORTH CAROLINA

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2006

| | <u>Major</u> | | <u>Non Major</u> | |
|---|--------------------------|--|--|--------------|
| | <u>Landfill Fund</u> | <u>Cane Creek Water and Sewer District</u> | <u>Other Proprietary Funds</u> | <u>Total</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 386,974 | \$ 843,853 | \$ 30,452 | \$ 1,261,279 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 88,635 | 205,272 | 10,924 | 304,831 |
| Provision for uncollectible accounts | (16,293) | (81,572) | - | (97,865) |
| Landfill closure and postclosure care costs | (78,065) | - | - | (78,065) |
| Changes in assets and liabilities: | | | | |
| Decrease(increase) in accounts receivable | 15,688 | (23,770) | - | (8,082) |
| Increase (decrease) in accounts payable and accrued liabilities | 47,149 | 14,538 | 381 | 62,068 |
| Increase in deferred revenue | - | - | - | - |
| Increase (decrease) in accrued vacation pay | 2,169 | (1,136) | - | 1,033 |
| Total adjustments | 59,283 | 113,332 | 11,305 | 183,920 |
| Net cash provided by operating activities | \$ 446,257 | \$ 957,185 | \$ 41,757 | \$ 1,445,199 |

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

HENDERSON COUNTY, NORTH CAROLINA

**Statement of Fiduciary Assets and Liabilities
Fiduciary Funds**

June 30, 2006

| | <u>Agency Funds</u> |
|----------------------------|--------------------------------|
| <u>Assets</u> | |
| Cash and cash equivalents | <u>\$ 323,635</u> |
| <u>Liabilities</u> | |
| Intergovernmental payables | <u>\$ 323,635</u> |

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

HENDERSON COUNTY, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2006

I. Summary of Significant Accounting Policies

The accounting policies of Henderson County and its Discretely Presented Component Unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

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

Blended Component Units

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

Discretely Presented Component Units

Henderson County Hospital Corporation - The Henderson County Hospital Corporation (the "Hospital") is a not-for-profit corporation that operates the Margaret R. Pardee Memorial Hospital. The Hospital is governed by an eleven-member board of trustees, one of which is a county commissioner. The board of county commissioners appoints all trustees and can remove any trustee with or without cause. The Hospital, which has a September 30 year-end, is presented as if it were a Proprietary Fund. Complete financial statements for the Hospital can be obtained from the Hospital's administrative offices at 715 Fleming Street, Hendersonville, NC 28791.

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 businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

Henderson County Governmental Financing Corporation - The Henderson County Governmental Financing Corporation is a non-profit corporation chartered in 2000 with the specific purpose of assisting Henderson County in arranging various types of financing arrangements. The Corporation is governed by a board of directors whose three members serve for three years, or until successors are elected. The three members are appointed by the Henderson County Board of Commissioners. The Corporation has no assets or liabilities. All rights, title and interest to all financing contracts with the County have been assigned to various bank trustees. All financing arrangements with the County have been disclosed in the accompanying notes to 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

1. Basis of Presentation

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. 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 (a) fees

and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major 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. It also accounts for the three percent interest on the first month of delinquent motor vehicles taxes that the county is required to remit to the North Carolina Department of Motor Vehicles.

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

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

The County reports the following major enterprise funds:

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

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

The County also reports the following fund types:

Special Revenue Funds - Special Revenue Funds account for the specific revenue sources (other than expendable trusts or major capital projects) that

are legally restricted to expenditures for specified purposes. The County maintains eleven Special Revenue Funds: the Revaluation Reserve, Fire Districts, Travel and Tourism, CDBG--Scattered Site housing, Crisis Housing Assistance Program, CDBG--Parkside Commons, Mills River Watershed Protection, Mud Creek Watershed Restoration, CDBG--Waterline Project, Emergency Watershed Protection Project and Sheriff E-911.

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

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

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys 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 moneys collected for advertising signs on display at the County's ball fields that is used for maintenance, repairs and improvements by the recreation facilities; the Land Development Fund, which accounts for a percentage of subdivision guarantee improvement funds that are held for developers until the improvements are completed; and the other Agency Funds, which account for miscellaneous funds held by the County for the benefit of others.

2. **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, proprietary 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 revenue 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not

considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Henderson County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006 because they are intended to finance the County's operations during the 2007 fiscal year.

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

D. **Assets, Liabilities and Fund Equity**

1. **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 Super NOW 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 mutual 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.

2. **Cash and Cash Equivalents** - The County pools moneys 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.

3. **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.
4. **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, 2006. The County does not currently allow discounts that apply to taxes paid prior to the due date.
5. **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.
6. **Inventories and Prepaid Items** - The inventories of the County and the Hospital are valued at cost (first-in, first-out), which approximates market. 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.

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

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

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

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

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

8. **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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

9. **Compensated Absences** - The vacation policies of the County and the Hospital provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds and the Hospital, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is 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 as 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 accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

10. **Net Assets/Fund Balances**

Net Assets - Net assets in 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 statute.

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.

Unreserved

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

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

E. Reconciliation of Government-wide and Fund Financial Statements**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$(60,242,311) consists of several elements as follows:

| | |
|--|------------------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column) | \$ 65,359,636 |
| Less accumulated depreciation | <u>(16,775,851)</u> |
| Net capital assets | 48,583,785 |
| Accrued interest on property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds. | 492,241 |
| Property taxes receivable are not considered available and are therefore deferred in the fund statements. | 2,865,640 |
| Long-term liabilities, including accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(112,183,977)</u> |
| Total adjustment | <u><u>\$(60,242,311)</u></u> |

2. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(463,459) as follows:

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|---------------------|
| Net changes in fund balance--total governmental funds | \$ 24,463,668 |
| Depreciation expense recorded in the Statement of Activities. | (1,311,265) |
| Net Capital asset additions recorded as capital outlay in the governmental funds and capitalized in the government-wide statements. | 12,899,741 |
| Current year increase in accrued interest receivable on property taxes not accrued in the governmental fund statements because it is not considered available to pay for current-period expenditures. | 117,665 |
| Long-term obligations to fund economic development incentives expensed on the Statement of Activities but do not require current financial resources and are not recorded on the fund statements. | (43,128,000) |
| Debt service payments use current financial resources and are recorded in the governmental fund statements but are a reduction in a liability on the government-wide statements. | 7,146,871 |
| Adjustment to other long-term obligations that do not require current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. | (626,613) |
| Other miscellaneous accrual adjustments that do not require the use of current financial resources and, therefore, are not reported in the governmental fund statements. | <u>(25,526)</u> |
| Total changes in net assets of governmental activities | <u>\$ (463,459)</u> |

II. **Stewardship, Compliance, and Accountability**

A. **Deficit Fund Balance or Net Assets of Individual Funds**

1. A deficit undesignated fund balance of \$4 exists in the Fire District Fund. The deficit occurred because of unplanned expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

B. Excess of Expenditures Over Appropriations

1. The excess of expenditures over appropriations in the fire district fund resulted from greater than anticipated expenditures. This excess was funded by a reduction in the existing fund balance. Management and the Board will more closely review the budget reports to ensure compliance in the future.

III. Detail Notes on All Funds**A. Assets**

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

The 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 of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2006, the County's deposits had a carrying amount of \$18,935,539 and a bank balance of \$19,707,748. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$19,507,748 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2006, Henderson County had \$4,706 cash on hand.

At September 30, 2005, the Hospital's deposits had a balance of \$3,420,140 and a bank balance of \$3,916,060. Of the bank balance, \$253,980 was covered by federal depository insurance and \$3,662,080 in interest bearing deposits were covered by collateral held under the Pooling Method.

2. Investments -

As of June 30, 2006 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> |
|------------------------------|---------------------|-------------------------------|--------------------|---------------------|
| US Government Agencies | \$ 1,815,312 | \$ - | \$ - | \$ 1,815,312 |
| NC Capital Management Trust- | | | | |
| Cash Portfolio | 46,505,982 | 46,505,982 | - | - |
| Certificates of Deposit | 17,041,097 | 17,041,097 | - | - |
| Commercial Paper | <u>713,250</u> | <u>713,250</u> | - | - |
| Total | <u>\$66,075,641</u> | <u>\$64,260,329</u> | <u>\$ -</u> | <u>\$ 1,815,312</u> |

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising 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.

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, 2006, 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, 2006. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

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 the possession of an outside party. The County had no policy on custodial credit risk.

At September 30, 2005, the Hospital's investment consisted of the following:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less than 1 Year</u> | <u>2-3 Years</u> | <u>4-7 Years</u> | <u>No Maturity Date</u> |
|--|---------------------|-----------------------------|---------------------|---------------------|-----------------------------|
| U.S. Government securities | \$ 6,571,688 | \$ 930,039 | \$ 3,500,384 | \$ 2,141,265 | \$ - |
| U.S. Government agencies | 8,643,774 | 1,995,630 | 3,952,549 | 2,550,376 | 145,219 |
| North Carolina Capital Management Trust | 3,177,887 | - | - | - | 3,177,887 |
| Equity securities | 2,066,046 | - | - | - | 2,066,046 |
| Debt securities | 1,170,126 | - | - | - | 1,170,126 |
| Money market funds | 22,141 | - | - | - | 22,141 |
| Certificate of deposit | <u>474,005</u> | <u>474,055</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$22,125,667</u> | <u>\$ 3,399,674</u> | <u>\$ 7,452,933</u> | <u>\$ 4,691,641</u> | <u>\$ 6,581,419</u> |

Interest Rate Risk. The Hospital does not have a formal investment policy that limit 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 the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of September 30, 2005. The Hospital's investment in the 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 highgrade 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.

3. **Property Tax--Use-Value Assessment on Certain Lands** - In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

| <u>Year Levied</u> | <u>Tax</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2003 | 807,671 | 209,934 | 1,017,665 |
| 2004 | 827,240 | 140,631 | 967,871 |
| 2005 | 910,307 | 72,825 | 983,132 |
| 2006 | <u>963,298</u> | <u>-</u> | <u>963,298</u> |
| Total | <u>\$ 3,508,516</u> | <u>\$ 423,450</u> | <u>\$ 3,931,966</u> |

4. **Receivables** - Receivables at the government-wide level at June 30, 2006, were as follows:

| | <u>Accounts</u> | <u>Taxes and Accrued Interest</u> | <u>Due From Other Gov't</u> | <u>Other</u> | <u>Total</u> |
|--|---------------------|---|---------------------------------|---------------------|---------------------|
| Governmental Activities: | | | | | |
| General | \$5,717,013 | \$ 3,721,240 | \$ 359,590 | \$ 3,379,160 | \$13,177,003 |
| Other Governmental | <u>190,629</u> | <u>-</u> | <u>253,177</u> | <u>-</u> | <u>443,806</u> |
| Total receivables | 5,907,642 | 3,721,240 | 612,767 | 3,379,160 | 13,620,809 |
| Less: Allowance for Doubtful accts. | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,510,868)</u> | <u>(1,510,868)</u> |
| Total Governmental Activities | <u>\$ 5,907,642</u> | <u>\$ 3,721,240</u> | <u>\$ 612,767</u> | <u>\$ 1,868,292</u> | <u>\$12,109,941</u> |
| Business Type Activities: | | | | | |
| Landfill | \$ 298,867 | \$ - | \$ - | \$ - | \$ 298,867 |
| Water and Sewer | <u>472,081</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>472,081</u> |
| Total receivables | 770,948 | - | - | - | 770,948 |
| Less: Allowance for Doubtful accts. | <u>(57,170)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(57,170)</u> |
| Total Business-Type Activities | <u>\$ 713,778</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 713,778</u> |

5. **Capital Assets** - Capital asset activity for the year ended June 30, 2006, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|----------------------|--------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,218,381 | \$ 379,051 | \$ - | \$ 10,597,432 |
| Construction in progress | <u>2,876,046</u> | <u>11,067,797</u> | <u>-</u> | <u>13,943,843</u> |
| Total capital assets not being depreciated | <u>13,094,427</u> | <u>11,446,848</u> | <u>-</u> | <u>24,541,275</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 35,616,597 | - | (200,000) | 35,416,597 |
| Equipment | 2,354,268 | 383,311 | (219,502) | 2,518,077 |
| Vehicles and motor equipment | <u>1,936,784</u> | <u>1,069,582</u> | <u>(122,679)</u> | <u>2,883,687</u> |
| Total capital assets being depreciated | <u>39,907,649</u> | <u>1,452,893</u> | <u>(542,181)</u> | <u>40,818,361</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 13,174,496 | 786,936 | (200,000) | 13,761,432 |
| Equipment | 1,878,556 | 270,806 | (189,359) | 1,960,003 |
| Vehicles and motor equipment | <u>906,840</u> | <u>253,523</u> | <u>(105,947)</u> | <u>1,054,416</u> |
| Total accumulated depreciation | <u>15,959,892</u> | <u>1,311,265</u> | <u>(495,306)</u> | <u>16,775,851</u> |
| Total capital assets being depreciated, net | <u>23,947,757</u> | <u>141,628</u> | <u>(46,875)</u> | <u>24,042,510</u> |
| Governmental activity capital assets, net | <u>\$ 37,042,184</u> | <u>\$ 11,588,476</u> | <u>\$ (46,875)</u> | <u>\$ 48,583,785</u> |

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

| | |
|-----------------------------------|---------------------|
| General government | \$ 476,179 |
| Public safety | 608,877 |
| Economic and physical development | 29,354 |
| Human services | 82,054 |
| Cultural and recreational | <u>114,801</u> |
| Total depreciation expense | <u>\$ 1,311,265</u> |

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Business-type activities: | | | | |
| Landfill: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,406,581 | \$ - | \$ - | \$ 1,406,581 |
| Construction in progress | - | 155,211 | - | 155,211 |
| Total capital assets not being depreciated | <u>1,406,581</u> | <u>155,211</u> | <u>-</u> | <u>1,561,792</u> |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 1,467,712 | - | (215,249) | 1,252,463 |
| Furniture and maintenance equipment | 490,918 | 11,801 | (3,016) | 499,703 |
| Vehicles | <u>1,046,421</u> | <u>-</u> | <u>(20,781)</u> | <u>1,025,640</u> |
| Total capital assets being depreciated | <u>3,005,051</u> | <u>11,801</u> | <u>(239,046)</u> | <u>2,777,806</u> |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 246,942 | 31,562 | - | 278,504 |
| Furniture and maintenance equipment | 347,488 | 12,603 | (1,090) | 359,001 |
| Vehicles | <u>998,303</u> | <u>44,470</u> | <u>(8,312)</u> | <u>1,034,461</u> |
| Total accumulated depreciation | <u>1,592,733</u> | <u>88,635</u> | <u>(9,402)</u> | <u>1,671,966</u> |
| Total capital assets being depreciated, net | <u>1,412,318</u> | <u>(76,834)</u> | <u>(229,644)</u> | <u>1,105,840</u> |
| Landfill capital assets, net | <u>2,818,899</u> | <u>78,377</u> | <u>(229,644)</u> | <u>2,667,632</u> |
| Cane Creek Water and Sewer District: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 308,995 | - | - | 308,995 |
| Construction in progress | <u>1,766,809</u> | <u>887,778</u> | <u>-</u> | <u>2,654,587</u> |
| Total capital assets not being depreciated | <u>2,075,804</u> | <u>887,778</u> | <u>-</u> | <u>2,963,582</u> |
| Capital assets being depreciated: | | | | |
| Plant and distribution systems | 7,005,408 | 130,384 | - | 7,135,792 |
| Furniture and maintenance equipment | 233,107 | 5,746 | (5,108) | 233,745 |
| Vehicles | <u>89,816</u> | <u>4,281</u> | <u>(25,967)</u> | <u>68,130</u> |
| Total capital assets being depreciated | <u>7,328,331</u> | <u>140,411</u> | <u>(31,075)</u> | <u>7,437,667</u> |
| Less accumulated depreciation for: | | | | |
| Plant and distribution systems | 1,679,106 | 180,439 | - | 1,859,545 |
| Furniture and maintenance equipment | 216,170 | 9,985 | (5,108) | 221,047 |
| Vehicles | <u>52,122</u> | <u>15,104</u> | <u>(24,669)</u> | <u>42,557</u> |
| Total accumulated depreciation | <u>1,947,398</u> | <u>205,528</u> | <u>(29,777)</u> | <u>2,123,149</u> |
| Total capital assets being depreciated, net | <u>5,380,933</u> | <u>(65,117)</u> | <u>(1,298)</u> | <u>5,314,518</u> |
| Cane Creek Water and Sewer District capital assets, net | <u>7,456,737</u> | <u>822,661</u> | <u>(1,298)</u> | <u>8,278,100</u> |
| Justice Academy Water and Sewer: | | | | |
| 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 for: | | | | |
| Plant and distribution systems | 71,202 | 10,455 | - | 81,647 |
| Furniture and maintenance equipment | <u>18,192</u> | <u>479</u> | <u>-</u> | <u>18,671</u> |
| Total accumulated depreciation | <u>89,394</u> | <u>10,924</u> | <u>-</u> | <u>100,318</u> |
| Total capital assets being depreciated, net | <u>369,027</u> | <u>(10,924)</u> | <u>-</u> | <u>358,103</u> |
| Justice Academy Water and Sewer District capital assets, net | <u>369,027</u> | <u>(10,924)</u> | <u>-</u> | <u>358,103</u> |
| Business-type activities capital assets, net | <u>\$ 10,644,663</u> | | | <u>\$ 11,303,835</u> |

Construction Commitments

The government has active construction projects as of June 30, 2006. The projects include county facilities, school construction and water and sewer district projects. At year-end, the government's commitments with contractors are as follows:

| <u>Project</u> | <u>Remaining Commitment</u> |
|----------------------------------|--|
| Historic Courthouse Rehab | 8,420,500 |
| Dana Elementary School | 2,233,480 |
| Human Services Building | 1,171,914 |
| Animal Shelter | 81,436 |
| Sugarloaf Road Elementary School | 12,852,060 |
| Mills River Elementary School | 137,050 |
| Mills River Sewer-Phase II & III | 305,895 |
| BRCC Technology Building | 13,108,000 |
| Mud Creek Sewer | <u>46,000</u> |

Total \$ 38,356,335

Activity for the Margaret R. Pardee Hospital for the year ended September 30, 2005, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balances</u> |
|------------------------------------|--------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|
| Non-depreciable assets: | | | | | |
| Land | \$ 4,418,689 | \$ - | \$ - | \$ - | \$ 4,418,689 |
| Construction in progress | 4,379,431 | 8,100,760 | - | (3,617,373) | 8,862,818 |
| Depreciable assets: | | | | | |
| Land improvements | 1,232,634 | - | - | - | 1,232,634 |
| Buildings and fixed equipment | 75,725,418 | 53,289 | - | 2,659,629 | 78,438,336 |
| Movable equipment | <u>77,326,836</u> | <u>1,943,687</u> | <u>(35,441)</u> | <u>957,744</u> | <u>80,192,826</u> |
| Totals at historical cost | <u>163,083,008</u> | <u>10,097,736</u> | <u>(35,441)</u> | <u>-</u> | <u>173,145,303</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | 838,755 | 55,688 | - | - | 894,443 |
| Buildings and fixed equipment | 27,765,529 | 3,157,396 | - | - | 30,922,925 |
| Movable equipment | <u>47,548,146</u> | <u>8,136,925</u> | <u>(33,041)</u> | <u>-</u> | <u>55,652,030</u> |
| Total accumulated depreciation | <u>76,152,430</u> | <u>11,350,009</u> | <u>(33,041)</u> | <u>-</u> | <u>87,469,398</u> |
| Capital assets, net | <u>\$ 86,930,578</u> | <u>\$ (1,252,273)</u> | <u>\$ (2,400)</u> | <u>\$ -</u> | <u>\$ 85,675,905</u> |

B. Liabilities

1. **Payables** - Payables at the government-wide level at June 30, 2006, were as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Accrued Interest</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------|---------------------|------------------------------|-------------------------|--------------|---------------------|
| Governmental Activities: | | | | | |
| General | \$ 1,348,073 | \$ 408,226 | \$ 1,780,106 | \$ - | \$ 3,536,405 |
| Other Governmental | <u>2,698,185</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,698,185</u> |
| Total Governmental Activities | <u>\$ 4,046,258</u> | <u>\$ 408,226</u> | <u>\$ 1,780,106</u> | <u>\$ -</u> | <u>\$ 6,234,590</u> |
| Business-Type Activities: | | | | | |
| Landfill | \$ 309,143 | \$ - | \$ - | \$ - | \$ 309,143 |
| Water and Sewer Fund | 276,751 | - | - | - | 276,751 |
| Other | <u>1,561</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,561</u> |
| Total Business-Type Activities | <u>\$ 587,455</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 587,455</u> |

2. **Pension Plan Obligations**

a. **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 4.91% 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, 2006, 2005, and 2004 were \$993,130, \$883,268, and \$837,875, respectively. The contributions made by the County equaled the required contributions for each year.

a. **Law Enforcement Officers' Special Separation Allowance**

- (1) **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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of:

| | |
|---|------------|
| Retirees receiving benefits | 2 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>130</u> |
| Total | <u>132</u> |

- (2) **Summary of Significant Accounting Policies.**

Basis of Accounting. As described in part 3 of this note, the County has chosen to fund benefits for this allowance on a pay as you go basis. Accordingly, no funds have been set aside for funding this obligation.

- (3) **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, 2004 actuarial valuation using the projected unit credit actuarial cost method.

The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%.

The assumptions did not include postretirement 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 percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

| 4 Year Trend Information | | | |
|--------------------------|----------------------------------|--------------------------------------|-------------------------------|
| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
| 6/30/03 | 144,257 | 14.42% | 667,554 |
| 6/30/04 | 162,393 | 21.63% | 794,818 |
| 6/30/05 | 171,476 | 17.07% | 937,025 |
| 6/30/06 | 205,305 | 13.26% | 1,115,116 |

c. **Supplemental Retirement Income Plan for Law Enforcement Officers**

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to 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, 2006 were \$594,502 which consisted of \$263,610 from the County and \$330,892 from the law enforcement officers.

d. **Registers of Deeds' Supplemental Pension Fund**

Plan Description. Henderson County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory,

defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2006, the County's required and actual contributions were \$34,979.

e. **Other Post employment Benefits--Henderson County**

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

The Hospital provides post-retirement group term life insurance benefits to all eligible employees who retire from the Hospital. Currently, 127 retirees are covered by the Plan. The Hospital paid and expensed premiums of \$9,732 for the group term life insurance benefits for retirees in 2005.

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 multiple-employer, state-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or 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 are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. Effective

July 1, 2006, the death benefit payments to beneficiaries must be between \$25,000 and \$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 payroll, 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, 2006, the County made contributions to the state for death benefits of \$-0-. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

f. Landfill Closure and Postclosure Costs

State and federal laws and regulations require the County to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Current federal and state regulations required all unlined landfills to stop accepting waste by January 1, 1998. The County's unlined Stony Mountain Road landfill stopped accepting waste on that date. Although certain closure and 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 \$2,669,648 reported as landfill post-closure care liability at June 30, 2006, 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 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

g. Margaret R. Pardee Hospital Pension Plan

Please see the separately issued financial report of Margaret R. Pardee Hospital for a complete description of the Hospital pension plan.

4. **Deferred/Unearned Revenue** - The balance in deferred or unearned revenues on the fund statements and unearned revenues on the government-wide statements at year end is composed of the following elements:

| | <u>Deferred Revenue</u> | <u>Unearned Revenue</u> |
|---|------------------------------------|------------------------------------|
| Prepaid revenue not yet earned (General) | \$ - | \$ 794,021 |
| Taxes receivable, net (General) and other | 2,839,796 | - |
| Taxes receivable, net (Special Revenue) | <u>25,844</u> | <u>-</u> |
| | <u>\$ 2,865,640</u> | <u>\$ 794,021</u> |

5. **Risk Management** - The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property insurance coverage of up to \$125.5 million per occurrence, general liability coverage of \$2 million per occurrence, worker's compensation coverage up to statutory limits, and stop loss insurance coverage for claims that exceed \$70,000. 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 of \$350,000 for worker's compensation.

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

The County is self-insured for all other risks of loss, including employee health and accident insurance. One of the self-funded pools administers health benefits and pays claims. Settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical malpractice. The Hospital carries commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. **Contingent Liabilities** - At June 30, 2006, 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.

7. **Long-Term Obligations**

a. **Capital Leases**

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

The assets held under these capital leasing arrangements are included with other equipment within the total property, plant, and equipment reported by the Hospital. At September 30, 2005, those assets were recorded at \$17,178,504 and the related accumulated depreciation at September 30, 2005 was \$10,558,793.

At September 30, 2005, the future minimum payments under the Hospital's capital leases consist of the following:

| <u>Year Ending September 30,</u> | |
|---|---------------------|
| 2006 | 2,279,468 |
| 2007 | 1,151,784 |
| 2008 | 431,772 |
| 2009 | 217,743 |
| 2010 | <u>53,090</u> |
| Total minimum lease payments | 4,133,857 |
| Less: amount representing interest | <u>255,636</u> |
| Present value of the minimum lease payments | |
| | <u>\$ 3,878,221</u> |

b. **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, 2006, are as follows:

| | |
|--|--------------|
| \$9,065,000 Detention Center Series 1999 due in annual principal payments of \$455,000 on June 1 through 2019. Interest is payable semi-annually at rates ranging from 3.8% to 5.63%, fluctuating throughout the life of the certificates. | \$ 5,880,000 |
|--|--------------|

\$16,290,000 School Projects Series 2001 due in annual principal payments of \$815,000 on September 1 through 2021. Interest is payable semi-annually at rates ranging from 4.25% to 5.00%, fluctuating throughout the life of the certificates. 12,215,000

\$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 5.00%, fluctuating throughout the life of the certificates. 25,245,000

\$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. 41,610,000

\$ 84,950,000

Annual debt service requirements to maturity for the County's Certificates of Participation, including interest of \$41,153,181, are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | |
|-----------------------------|--------------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2007 | 3,465,000 | 3,890,731 |
| 2008 | 3,705,000 | 3,884,975 |
| 2009 | 3,945,000 | 3,721,137 |
| 2010 | 4,445,000 | 3,551,475 |
| 2011 | 4,890,000 | 3,353,438 |
| 2012-2016 | 24,405,000 | 13,320,175 |
| 2017-2021 | 23,475,000 | 7,249,788 |
| 2022-2026 | <u>16,620,000</u> | <u>2,181,462</u> |
| | <u>\$ 84,950,000</u> | <u>\$ 41,153,181</u> |

c. **Installment Purchase**

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 Schools by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with the

Henderson County Board of Public Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option.

The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

On April 4, 2002, the County entered into an installment purchase contract for property improvements to Hendersonville Middle School. The transaction requires one final balloon payment of \$3,000,000 on April 15, 2015. The County is required to make 13 annual deposits of \$164,363 into a debt service fund to fund the final payment. The installment loan was designated as Qualified Zone Academy Bonds, pursuant to Section 1397E of the Internal Revenue Code of 1986, and as such the obligation of the County is interest free.

Other installment purchase contracts payable at June 30, 2006, are comprised of the following individual issues:

| | |
|--|--------------|
| \$6,750,000 Fletcher Elementary Series 2000 due in semi-annual principal payments of \$168,750 on August 10, 2000 through 2020. The interest rate throughout the issue is 4.19%. | \$ 4,725,000 |
|--|--------------|

| | |
|--|-----------|
| \$9,100,000 Middle School project financing contract due in semi-annual payments of \$303,333, including interest charged at an annual rate of 4.09%; payments will continue through April 10, 2017. | 6,673,334 |
|--|-----------|

| | |
|--|---------|
| \$364,000 vehicle financing contract due in quarterly payments of \$31,338, including interest at an annual rate of 2.02%; payments will continue through May 3, 2007. | 123,786 |
|--|---------|

\$529,000 vehicle financing contract due in quarterly payments of \$45,990, including interest at an annual rate of 2.63%; payments will continue through December 10, 2007. 269,700

\$560,000 voting equipment financing contract due in quarterly payments of \$30,801 including interest at an annual rate of 3.70%, payments will continue through March 17, 2011. 534,383

\$958,000 vehicle financing contract due in semi-annual payments of \$84,251 including interest at an annual rate of 3.35%, payments will continue through October 20, 2008. 804,925

\$3,000,000 Hendersonville Middle School Qualified Zone Academy Bonds requiring 13 annual deposits of \$164,363 into a debt service fund; final payment of the bonds is April 5, 2015. 2,342,547

\$ 15,473,675

For Henderson County, the future minimum payments as of June 30, 2006 including \$3,100,972 of interest, are:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | |
|-----------------------------|--------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2007 | 1,829,723 | 509,508 |
| 2008 | 1,632,999 | 449,945 |
| 2009 | 1,387,820 | 395,688 |
| 2010 | 1,225,652 | 350,399 |
| 2011 | 1,199,249 | 307,048 |
| 2012-2016 | 5,542,650 | 942,505 |
| 2017-2021 | <u>2,655,582</u> | <u>145,880</u> |
| Total | <u>\$ 15,473,675</u> | <u>\$ 3,100,972</u> |

d. 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 System 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, 2006 are comprised of the following individual issues.

Serviced by the County's General Fund:

\$18,570,000 1998 General Obligation
refunding bonds due on June 1 in
installments as follows:
2007 - \$1,920,000; 2008 - \$1,875,000;
2009 - \$1,825,000; and 2010 - \$1,060,000.
Interest ranges from 3.25% to 4.25%
throughout the life of the bonds. \$ 6,680,000

Cane Creek Water and Sewer District:

\$1,514,000 1990 Sanitary Sewer Bonds due
on June 1; the interest rate throughout the
issue is 5%. Annual principal payment
began in fiscal 1992, with amounts ranging
from \$16,000 to \$64,000 and a final
installment of \$34,000 due on June 1, 2029. 1,178,000

\$ 7,858,000

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

| | Governmental Activities | | Business-type Activities | |
|----------------------|-------------------------|-------------------|--------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| Year Ending June 30, | | | | |
| 2007 | 1,920,000 | 274,413 | 32,000 | 58,900 |
| 2008 | 1,875,000 | 197,613 | 34,000 | 57,300 |
| 2009 | 1,825,000 | 122,613 | 36,000 | 55,600 |
| 2010 | 1,060,000 | 45,050 | 37,000 | 53,800 |
| 2011 | - | - | 39,000 | 51,950 |
| 2012-2016 | - | - | 227,000 | 228,450 |
| 2017-2021 | - | - | 291,000 | 165,550 |
| 2022-2026 | - | - | 320,000 | 88,500 |
| 2027-2029 | - | - | 162,000 | 14,700 |
| Total | <u>\$ 6,680,000</u> | <u>\$ 639,689</u> | <u>\$ 1,178,000</u> | <u>\$ 774,750</u> |

At June 30, 2006 Henderson County had no bonds authorized but unissued and a legal debt margin of \$637,791,812.

- e. **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, 2006, are comprised of the following individual issues:

| | |
|--|-------------------|
| \$1,116,930 City of Hendersonville financing agreement for water line extension to the western campus of the North Carolina Justice Academy due in semi-annual payments of \$72,565, including interest charged at an annual rate of 5.27%; payments will continue through April 22, 2007. | \$ 133,601 |
| \$93,460 financing agreement for economic development incentives for BORGWARNER due in annual installments of \$18,692; payments will continue through March 31, 2009. | 37,384 |
| \$440,000 financing agreement for economic development incentives for Meritor Heavy Vehicle Systems, LLC due in annual installments of \$88,000; payments will continue through March 31, 2009. | 176,000 |
| \$1,000,000 financing agreement incentives for economic development incentives for UPM-RAFLATAC, Inc. due in annual Installments of \$100,000; payments will will continue through December 2006. | 100,000 |
| \$85,967 financing agreement for economic development incentives for Pepsi-Cola Bottling Company of Hickory, N.C., Inc. due in annual installments of \$17,193 payments will continue through December 2009. | <u>85,967</u> |
| | <u>\$ 532,952</u> |

Annual debt service requirements to maturity for the Country's other long-term obligations, including interest of \$10,276 are as follows:

| | Governmental Activities | |
|-------------|--------------------------------|-----------------|
| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
| 2007 | 357,486 | 3,114 |
| 2008 | 123,887 | - |
| 2009 | 17,193 | - |
| 2010 | 17,193 | - |
| 2011 | <u>17,193</u> | <u>-</u> |
| | <u>\$ 532,952</u> | <u>\$ 3,114</u> |

f. **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 interest on the bonds is payable annually on October 1. 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 compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

Revenue bond debt service requirements to maturity are as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
|---|-------------------------|------------------------|
| 2006 | 535,000 | 383,133 |
| 2007 | 560,000 | 367,120 |
| 2008 | 590,000 | 350,260 |
| 2009 | 620,000 | 332,537 |
| 2010 | 650,000 | 313,954 |
| 2011-2015 | 3,780,000 | 1,255,911 |
| 2016-2020 | 4,820,000 | 629,438 |
| 2021-2022 | <u>2,285,000</u> | <u>39,048</u> |
| Total | <u>\$ 13,840,000</u> | <u>\$ 3,671,401</u> |

g. **Long-Term Obligation Activity**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2006:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> | <u>Current Portion of Balance</u> |
|--|--------------------------------------|-------------------------|-------------------------|-----------------------------------|--|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 8,640,000 | \$ - | \$ 1,960,000 | \$ 6,680,000 | \$ 1,920,000 |
| Other long-term obligations | 1,054,197 | - | 521,245 | 532,952 | 357,486 |
| Installment purchase | 16,721,301 | 1,518,000 | 2,765,626 | 15,473,675 | 1,829,723 |
| Installment contract | 45,240,000 | 41,610,000 | 1,900,000 | 84,950,000 | 3,465,000 |
| Compensated absences | 1,560,597 | 748,739 | 687,208 | 1,652,128 | - |
| Pension benefit obligations | <u>937,025</u> | <u>178,091</u> | <u>-</u> | <u>1,115,116</u> | <u>-</u> |
| Total governmental activities | <u>\$ 74,183,120</u> | <u>\$ 44,054,830</u> | <u>\$ 7,834,079</u> | <u>\$ 110,403,871</u> | <u>\$ 7,572,209</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 1,209,000 | \$ - | \$ 31,000 | \$ 1,178,000 | \$ 32,000 |
| Accrued landfill closure and postclosure care costs | 2,747,713 | - | 78,065 | 2,669,648 | - |
| Compensated absences and other | <u>42,669</u> | <u>2,169</u> | <u>1,136</u> | <u>43,702</u> | <u>-</u> |
| Total business-type activities | <u>\$ 3,999,382</u> | <u>\$ 2,169</u> | <u>\$ 110,201</u> | <u>\$ 3,891,350</u> | <u>\$ 32,000</u> |
| Discretely presented component units: | | | | | |
| Revenue bonds | \$ 14,350,000 | \$ - | \$ 510,000 | \$ 13,840,000 | \$ 535,000 |
| Capitalized leases | <u>5,608,103</u> | <u>687,885</u> | <u>2,417,767</u> | <u>3,878,221</u> | <u>2,130,629</u> |
| Total discretely presented component units long-term liabilities | <u>\$ 19,958,103</u> | <u>\$ 687,885</u> | <u>\$ 2,927,767</u> | <u>\$ 17,718,221</u> | <u>\$ 2,665,629</u> |

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2006, consists of the following:

From the General Fund to the Revaluation Reserve Fund to fund the costs associated with the revaluation of real property. \$ 546,973

From the General Fund to the Mills River Watershed Protection Fund to fund watershed management programs on the Mills River. 31,718

From the General Fund to the Debt Service Fund to accumulate resources for the payment of principal debt on Qualified Zone Academy Bonds issued for school projects. 164,406

Total \$ 743,097

(continued)

From the Travel & Tourism Fund to the General fund to fund the administrative costs associated with the collection and accounting for occupancy tax revenues.

\$ 30,000

From the EWP Program Fund to the General Fund to fund costs incurred to manage watershed protection projects.

\$ 24,444

From Cane Creek Water & Sewer Fund to General Fund to fund the costs of Utility Department personnel and sewer billing operations.

\$ 245,075

IV. 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.

V. 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 \$1,926,643 to the community college for capital operational expenses during the fiscal year ending June 30, 2006. In addition, the County made debt service payments of \$393,178 including interest, during the year ended June 30, 2006, on general obligation bonds 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, 2006.

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 \$528,341 towards this maintenance of effort in the form of grants to service providers during the fiscal year ended June 30, 2006. The Western Highlands Area Authority received one of three grants awarded by the County for this purpose. 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, 2006.

Complete financial statements for the Authority may be obtained from the Authority's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

VI. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that 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 | \$ 818,787 | \$ (1) |
| Medicaid | 53,988,623 | 26,036,348 |
| Food Stamp Program | 5,942,774 | - |
| WIC | 1,373,099 | - |
| Adoption Assistance | 512,285 | 65,994 |
| Low Income Energy Assistance | 194,436 | 13,111 |
| State/County Special Assistance for Adults | - | 820,062 |
| Total | <u>\$ 62,830,004</u> | <u>\$ 26,935,514</u> |

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs - The County has received proceeds from several 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 funds 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 funds.

VIII. **Unrestricted Net Assets--Governmental Activities**

Under North Carolina law, the County is responsible for providing capital funding for the Henderson County Board of Public Education (the school system) and the Blue Ridge community College (the community college). The County has chosen to meet its legal obligation to provide school system and community college capital funding by using a mixture of County funds and the issuance of debt. The assets funded by the County are owned and utilized by the school system and the community college. 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, the outstanding balance of the debt was \$75,493,931 and \$1,135,600 for the school system and community college, respectively. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The effect of these obligations on the County's unrestricted net assets is as follows:

| | <u>Governmental Activities</u> |
|---|---|
| Unrestricted net assets prior to education debt | \$ 63,055,277 |
| Less: | |
| School system debt | 75,493,931 |
| Community college debt | <u>1,135,600</u> |
| Negative, net assets unrestricted | <u>\$ (13,574,254)</u> |

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance:

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance;
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance;
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.

Please Note: The Schedule of Funding Progress for the Hospital Plan can be found in the separately issued financial statements for the Hospital, available from the Hospital Finance office (see Note 1.A. to the County statements for contact information).

HENDERSON COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Required Supplementary Information--Schedule of Funding Progress

June 30, 2006

Primary Government

| Actuarial Valuation <u>Date</u> | Actuarial Value of <u>Assets</u> | Actuarial Accrued Liability (AAL)-- Projected <u>Unit Credit</u> | Funded <u>Ratio</u> | Unfunded AAL <u>(UAAL)</u> | Covered <u>Payroll</u> | UAAL as a Percentage of Covered <u>Payroll</u> |
|---------------------------------------|--|---|------------------------|----------------------------------|---------------------------|--|
| 12/31/05 | \$ | \$ 1,429,389 | 0% | \$ 1,429,389 | \$ 5,212,692 | 27.42% |
| 12/31/04 | - | 1,538,713 | 0% | 1,538,713 | 4,964,811 | 30.99% |
| 12/31/03 | - | 1,213,157 | 0% | 1,213,157 | 4,494,889 | 26.99% |
| 12/31/02 | - | 1,151,106 | 0% | 1,151,106 | 4,493,816 | 25.62% |
| 12/31/01 | - | 1,023,367 | 0% | 1,023,367 | 4,230,571 | 24.19% |
| 12/31/00 | - | 895,880 | 0% | 895,880 | 3,703,676 | 24.19% |
| 12/31/99 | - | 512,848 | 0% | 512,848 | 3,377,440 | 15.18% |
| 12/31/98 | - | 475,256 | 0% | 475,256 | 3,136,737 | 15.15% |
| 12/31/97 | - | 428,608 | 0% | 428,608 | 2,955,827 | 14.50% |
| 12/31/96 | - | 346,882 | 0% | 346,882 | 2,418,739 | 14.34% |
| 12/31/95 | - | 335,856 | 0% | 335,856 | 2,176,656 | 15.43% |
| 12/31/94 | - | 231,396 | 0% | 231,396 | 1,857,773 | 12.46% |

HENDERSON COUNTY, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information--Schedule of Employer Contributions**

June 30, 2006

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Annual Percentage Contributed</u> |
|----------------------------------|--|---|
| 1996 | 56,158 | - |
| 1997 | 59,705 | - |
| 1998 | 72,872 | - |
| 1999 | 80,528 | - |
| 2000 | 75,160 | - |
| 2001 | 79,691 | - |
| 2002 | 125,471 | - |
| 2003 | 144,257 | - |
| 2004 | 150,619 | - |
| 2005 | 158,440 | - |
| 2006 | 174,778 | - |

Notes to the Required Schedule:

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 | 12/31/2005 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level level percent of pay closed |
| Remaining amortization period | 25 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 |

GENERAL FUND

The General Fund is the main operating fund of the County and accounts for resources traditionally associated with government that are not required to be accounted for in other funds.

HENDERSON COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual
General Fund**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------------|-------------------|---|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | | \$ 46,715,171 | |
| Penalties, interest and advertising | | 406,743 | |
| Total | <u>\$ 46,912,203</u> | <u>47,121,914</u> | <u>\$ 209,711</u> |
| Local option sales taxes: | | | |
| Article 39 one percent | | 7,915,541 | |
| Article 40 one-half of one percent | | 4,441,129 | |
| Article 42 one-half of one percent | | 4,408,486 | |
| Article 44 one-half of one percent | | 3,775,431 | |
| Total | <u>20,395,947</u> | <u>20,540,587</u> | <u>144,640</u> |
| Other taxes and licenses: | | | |
| Deed stamp excise tax | | 2,107,009 | |
| Gross receipts rental tax | | 44,207 | |
| Privilege licenses | | 35 | |
| Total | <u>1,725,620</u> | <u>2,151,251</u> | <u>425,631</u> |
| Unrestricted intergovernmental: | | | |
| Payments in lieu of taxes | <u>26,500</u> | <u>27,469</u> | <u>969</u> |
| Restricted intergovernmental revenues: | | | |
| Federal and state grants | | 15,651,354 | |
| Controlled substance tax | | 36,208 | |
| Court facility fees | | 165,676 | |
| ABC net revenues | | 71,742 | |
| ABC bottles taxes | | 22,941 | |
| Total | <u>17,021,589</u> | <u>15,947,921</u> | <u>(1,073,668)</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|---------------------|-------------------|---|
| Revenues, Continued: | | | |
| Permits and fees: | | | |
| Inspection fees | | \$ 1,303,704 | |
| Register of Deeds | | 777,302 | |
| Total | <u>\$ 2,039,000</u> | <u>2,081,006</u> | <u>\$ 42,006</u> |
| Sales and services: | | | |
| Rents, concessions, and fees | | 3,274,433 | |
| Jail fees | | 232,103 | |
| Ambulance fees | | 2,077,333 | |
| Recreation fees | | 213,972 | |
| Total | <u>4,439,860</u> | <u>5,797,841</u> | <u>1,357,981</u> |
| Investment earnings | <u>414,740</u> | <u>682,137</u> | <u>267,397</u> |
| Miscellaneous: | | | |
| Sale of materials | | 68,546 | |
| Other | | 2,314,869 | |
| Total | <u>2,321,478</u> | <u>2,383,415</u> | <u>61,937</u> |
| Total revenues | <u>95,296,937</u> | <u>96,733,541</u> | <u>1,436,604</u> |
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | | 213,755 | |
| Operating expenditures | | 117,934 | |
| Donations and dues | | 312,881 | |
| Capital outlay | | - | |
| Total | <u>649,059</u> | <u>644,570</u> | <u>4,489</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|-------------------|------------------|---|
| Expenditures, Continued: | | | |
| General government, Continued: | | | |
| Administration: | | | |
| Salaries and employee benefits | | \$ 650,575 | |
| Operating expenditures | | 158,658 | |
| Capital outlay | | - | |
| Total | <u>\$ 809,631</u> | <u>809,233</u> | <u>\$ 398</u> |
| Elections: | | | |
| Salaries and employee benefits | | 258,573 | |
| Operating expenditures | | 184,639 | |
| Capital outlay | | 10,112 | |
| Total | <u>1,606,835</u> | <u>453,324</u> | <u>1,153,511</u> |
| Finance: | | | |
| Salaries and employee benefits | | 353,637 | |
| Operating expenditures | | 61,232 | |
| Total | <u>423,274</u> | <u>414,869</u> | <u>8,405</u> |
| Taxes: | | | |
| Salaries and employee benefits | | 974,902 | |
| Operating expenditures | | 301,004 | |
| Capital outlay | | - | |
| Total | <u>1,364,791</u> | <u>1,275,906</u> | <u>88,885</u> |
| Legal: | | | |
| Salaries and employee benefits | | 379,644 | |
| Operating expenditures | | 84,945 | |
| Capital outlay | | - | |
| Total | <u>569,006</u> | <u>464,589</u> | <u>104,417</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued General Fund

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|---------------------|------------------|---|
| Expenditures, Continued: | | | |
| General government, Continued: | | | |
| Register of Deeds: | | | |
| Salaries and employee benefits | | \$ 1,398,529 | |
| Operating expenditures | | 196,441 | |
| Capital outlay | | 5,944 | |
| Total | <u>\$ 1,609,975</u> | <u>1,600,914</u> | <u>\$ 9,061</u> |
| Public buildings: | | | |
| Salaries and employee benefits | | 570,385 | |
| Operating expenditures | | 1,317,551 | |
| Capital outlay | | 97,985 | |
| Total | <u>2,057,399</u> | <u>1,985,921</u> | <u>71,478</u> |
| Garage and grounds: | | | |
| Salaries and employee benefits | | 239,358 | |
| Operating expenditures | | 391,894 | |
| Capital outlay | | 48,053 | |
| Total | <u>685,892</u> | <u>679,305</u> | <u>6,587</u> |
| Court facilities: | | | |
| Operating expenditures | | 181,304 | |
| Capital outlay | | - | |
| Total | <u>181,500</u> | <u>181,304</u> | <u>196</u> |
| Data processing: | | | |
| Salaries and employee benefits | | 565,226 | |
| Operating expenditures | | 717,773 | |
| Capital outlay | | 69,956 | |
| Total | <u>1,488,383</u> | <u>1,352,955</u> | <u>135,428</u> |
| Total general government | <u>11,445,745</u> | <u>9,862,890</u> | <u>1,582,855</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued General Fund

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|---------------------|------------------|---|
| Expenditures, Continued: | | | |
| Public safety: | | | |
| Sheriff and communications: | | | |
| Salaries and employee benefits | | \$ 7,288,643 | |
| Operating expenditures | | 1,552,401 | |
| Capital outlay | | 982,884 | |
| Total | <u>\$ 9,961,740</u> | <u>9,823,928</u> | <u>\$ 137,812</u> |
| Jail: | | | |
| Salaries and employee benefits | | 2,447,394 | |
| Operating expenditures | | 958,933 | |
| Capital outlay | | 23,160 | |
| Total | <u>3,576,604</u> | <u>3,429,487</u> | <u>147,117</u> |
| Emergency management: | | | |
| Salaries and employee benefits | | 136,162 | |
| Operating expenditures | | 74,673 | |
| Capital outlay | | 10,675 | |
| Total | <u>241,089</u> | <u>221,510</u> | <u>19,579</u> |
| Fire services: | | | |
| Salaries and employee benefits | | 113,154 | |
| Operating expenditures | | 151,156 | |
| Capital outlay | | - | |
| Total | <u>265,264</u> | <u>264,310</u> | <u>954</u> |
| Inspections: | | | |
| Salaries and employee benefits | | 713,788 | |
| Operating expenditures | | 92,485 | |
| Capital outlay | | 49,909 | |
| Total | <u>932,339</u> | <u>856,182</u> | <u>76,157</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued General Fund

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|-------------------|-------------------|---|
| Expenditures, Continued: | | | |
| Public safety, Continued: | | | |
| Risk management: | | | |
| Salaries and employee benefits | | \$ 103,909 | |
| Operating expenditures | | 3,073 | |
| Total | <u>\$ 118,000</u> | <u>106,982</u> | <u>\$ 11,018</u> |
| Emergency medical services: | | | |
| Salaries and employee benefits | | 2,528,146 | |
| Operating expenditures | | 424,557 | |
| Capital outlay | | 3,450 | |
| Total | <u>2,956,579</u> | <u>2,956,153</u> | <u>426</u> |
| Animal control: | | | |
| Salaries and employee benefits | | 367,945 | |
| Operating expenditures | | 93,358 | |
| Capital outlay | | 20,534 | |
| Total | <u>556,612</u> | <u>481,837</u> | <u>74,775</u> |
| Day reporting center: | | | |
| Salaries and employee benefits | | 53,389 | |
| Operating expenditures | | 80,651 | |
| Capital outlay | | - | |
| Total | <u>134,040</u> | <u>134,040</u> | <u>-</u> |
| Rescue squad: | | | |
| Operating expenditures | <u>85,740</u> | <u>85,740</u> | <u>-</u> |
| Property addressing: | | | |
| Salaries and employee benefits | | 101,351 | |
| Operating expenditures | | 7,274 | |
| Capital outlay | | - | |
| Total | <u>122,520</u> | <u>108,625</u> | <u>13,895</u> |
| Total public safety | <u>18,950,527</u> | <u>18,468,794</u> | <u>481,733</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------|----------------|---|
| Expenditures, Continued: | | | |
| Environmental protection: | | | |
| Soil and water conservation: | | | |
| Salaries and employee benefits | | \$ 153,065 | |
| Operating expenditures | | 57,181 | |
| Capital outlay | | - | |
| Total | <u>\$ 222,344</u> | <u>210,246</u> | <u>\$ 12,098</u> |
| Forestry service | <u>50,378</u> | <u>36,828</u> | <u>13,550</u> |
| Utilities: | | | |
| Salaries and employee benefits | | 170,624 | |
| Operating expenditures | | 115 | |
| Total | <u>176,340</u> | <u>170,739</u> | <u>5,601</u> |
| Total environmental protection | <u>449,062</u> | <u>417,813</u> | <u>31,249</u> |
| Economic and physical development: | | | |
| Planning: | | | |
| Salaries and employee benefits | | 414,373 | |
| Operating expenditures | | 82,541 | |
| Capital outlay | | 8,000 | |
| Total | <u>647,166</u> | <u>504,914</u> | <u>142,252</u> |
| Development services: | | | |
| Salaries and employee benefits | | 218,472 | |
| Operating expenditures | | 22,783 | |
| Capital outlay | | 49,860 | |
| Total | <u>292,835</u> | <u>291,115</u> | <u>1,720</u> |
| Agricultural extension: | | | |
| Salaries and employee benefits | | 246,104 | |
| Operating expenditures | | 83,554 | |
| Total | <u>369,791</u> | <u>329,658</u> | <u>40,133</u> |
| Land records management: | | | |
| Salaries and employee benefits | | 290,200 | |
| Operating expenditures | | 19,362 | |
| Total | <u>319,120</u> | <u>309,562</u> | <u>9,558</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------|---------------|---|
| Expenditures, Continued: | | | |
| Other transfers: | | | |
| Economic development contracts | | \$ 668,407 | |
| Total | \$ 818,218 | 668,407 | \$ 149,811 |
| Total economic and physical development | 2,447,130 | 2,103,656 | 343,474 |
| Human services: | | | |
| Health: | | | |
| General and administration: | | | |
| Salaries and employee benefits | | 1,167,442 | |
| Operating expenditures | | 623,237 | |
| Capital outlay | | - | |
| Total | 1,793,446 | 1,790,679 | 2,767 |
| Public Health: | | | |
| Bio-terrorism program | | | |
| Salaries and employee benefits | | 30,278 | |
| Operating expenditures | | 33,778 | |
| Capital outlay | | 9,131 | |
| Total | 79,056 | 73,187 | 5,869 |
| AIDS grant: | | | |
| Salaries and employee benefits | | 13,592 | |
| Operating expenditures | | 597 | |
| Total | 16,062 | 14,189 | 1,873 |
| Tuberculosis clinic: | | | |
| Salaries and employee benefits | | 11,616 | |
| Operating expenditures | | 5,830 | |
| Total | 18,552 | 17,446 | 1,106 |
| Maternal health: | | | |
| Salaries and employee benefits | | 535,217 | |
| Operating expenditures | | 158,052 | |
| Capital outlay | | 9,130 | |
| Total | 710,760 | 702,399 | 8,361 |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|-------------------|----------------|---|
| Expenditures, Continued: | | | |
| Human services, Continued: | | | |
| Health, Continued: | | | |
| Family planning: | | | |
| Salaries and employee benefits | | \$ 92,277 | |
| Operating expenditures | | 137,641 | |
| Capital outlay | | - | |
| Total | <u>\$ 234,133</u> | <u>229,918</u> | <u>\$ 4,215</u> |
| Child health: | | | |
| Salaries and employee benefits | | 696,638 | |
| Operating expenditures | | 186,080 | |
| Capital outlay | | 8,658 | |
| Total | <u>924,585</u> | <u>891,376</u> | <u>33,209</u> |
| Women, infants, and children: | | | |
| Salaries and employee benefits | | 371,199 | |
| Operating expenditures | | 26,305 | |
| Capital outlay | | - | |
| Total | <u>400,412</u> | <u>397,504</u> | <u>2,908</u> |
| Kidfit-Bodyworks | | | |
| Operating expenditures | | 609 | |
| Total | <u>1,000</u> | <u>609</u> | <u>391</u> |
| B&C cancer control: | | | |
| Salaries and employee benefits | | 17,046 | |
| Operating expenditures | | 9,571 | |
| Total | <u>28,508</u> | <u>26,617</u> | <u>1,891</u> |
| Risk reduction: | | | |
| Salaries and employee benefits | | 42,847 | |
| Operating expenditures | | 2,906 | |
| Total | <u>46,820</u> | <u>45,753</u> | <u>1,067</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|------------------|------------------|---|
| Expenditures, Continued: | | | |
| Human services, Continued: | | | |
| Health, Continued: | | | |
| IAP program: | | | |
| Salaries and employee benefits | | \$ 17,124 | |
| Operating expenditures | | 3,804 | |
| Total | <u>\$ 22,096</u> | <u>20,928</u> | <u>\$ 1,168</u> |
| N.C. cardiovascular health: | | | |
| Operating expenditures | | 104,800 | |
| Total | <u>104,800</u> | <u>104,800</u> | <u>-</u> |
| Smart Start--child care: | | | |
| Salaries and employee benefits | | 52,932 | |
| Operating expenditures | | 24,675 | |
| Total | <u>77,612</u> | <u>77,607</u> | <u>5</u> |
| Smart Start--preventive dental: | | | |
| Salaries and employee benefits | | 57,697 | |
| Operating expenditures | | 40,524 | |
| Total | <u>21,482</u> | <u>98,221</u> | <u>1,460</u> |
| March of Dimes grant | | | |
| Salaries and employee benefits | | 21,394 | |
| Operating expenditures | | 84 | |
| Total | <u>99,681</u> | <u>21,478</u> | <u>4</u> |
| Prenatal smoking: | | | |
| Salaries and employee benefits | | 9,521 | |
| Operating expenditures | | 2,311 | |
| Total | <u>13,809</u> | <u>11,832</u> | <u>1,977</u> |
| Total public health | <u>4,592,814</u> | <u>4,524,543</u> | <u>68,271</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued General Fund

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|------------------|------------------|---|
| Expenditures, Continued: | | | |
| Human services, Continued: | | | |
| Environmental health: | | | |
| Salaries and employee benefits | | \$ 763,679 | |
| Operating expenditures | | 108,982 | |
| Capital outlay | | 25,800 | |
| Total | <u>937,989</u> | <u>898,461</u> | <u>39,528</u> |
| Home and Community Block Grant: | | | |
| Operating expenditures | | 660,274 | |
| Total | <u>660,700</u> | <u>660,274</u> | <u>426</u> |
| Youth services: | | | |
| Salaries and employee benefits | | 525,559 | |
| Operating expenditures | | 56,355 | |
| Capital outlay | | - | |
| Total | <u>633,981</u> | <u>581,914</u> | <u>52,067</u> |
| Social Services: | | | |
| Mental Health | | | |
| Operating expenditures | | 585,496 | |
| Total | <u>585,496</u> | <u>585,496</u> | <u>-</u> |
| Administration: | | | |
| Salaries and employee benefits | | 7,318,734 | |
| Operating expenditures | | 1,951,584 | |
| Capital outlay | | - | |
| Total | <u>9,450,668</u> | <u>9,270,318</u> | <u>180,350</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued General Fund

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|---------------|---------------|---|
| Expenditures, Continued: | | | |
| Human services, Continued: | | | |
| Social Services, Continued: | | | |
| Smart Start: | | | |
| Salaries and employee benefits | | \$ 26,430 | |
| Operating expenditures | | 359,052 | |
| Total | \$ 414,341 | 385,482 | \$ 28,859 |
| TANF Program | | | |
| County participation only | 283,498 | 267,083 | 16,415 |
| MEDICAID | | | |
| County participation only | 4,616,954 | 4,312,869 | 304,085 |
| Income maintenance program: | | | |
| Supplemental aid to the aged | | 321,116 | |
| Supplemental aid to the disabled | | 498,050 | |
| Crisis intervention payments | | 68,822 | |
| | 892,230 | 887,988 | 4,242 |
| Day care operations: | | | |
| Day care for children | 2,997,963 | 2,963,055 | 34,908 |
| Foster care: | | | |
| State boarding home | | 473,655 | |
| Foster care--children | | 680,483 | |
| Adoption assistance | | 141,221 | |
| Total | 1,215,786 | 1,295,359 | (79,573) |
| NC Fast Program | | 50,472 | |
| Salaries and employer benefits | 51,627 | 50,472 | 1,155 |

(continued)

HENDERSON COUNTY, NORTH CAROLINA**Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|-------------------|-------------------|---|
| Expenditures, Continued: | | | |
| Human services, Continued: | | | |
| Social Services, Continued: | | | |
| Other assistance: | | | |
| Social work contracts | \$ 76,104 | \$ 82,055 | \$ (5,951) |
| Medicaid transportation | 545,590 | 566,306 | (20,716) |
| Aid to the blind | 5,160 | 4,351 | 809 |
| Adult day care | 14,222 | 16,005 | (1,783) |
| General assistance | 39,525 | 39,246 | 279 |
| JOBS program | 80,000 | 59,046 | 20,954 |
| EDTAP program | 232,663 | 232,663 | - |
| Emergency assistance | 100,000 | 94,188 | 5,812 |
| Crisis intervention | 15,158 | 11,547 | 3,611 |
| Other assistance | 19,483 | 7,199 | 12,284 |
| Total | <u>1,127,905</u> | <u>1,112,606</u> | <u>15,299</u> |
| Total social services | <u>21,636,469</u> | <u>21,130,728</u> | <u>505,741</u> |
| Veteran Services | | | |
| Salaries and employee benefits | | 18,711 | |
| Operating expenditures | | 866 | |
| Total | <u>23,823</u> | <u>19,577</u> | <u>4,246</u> |
| Juvenile Justice Grant | | | |
| Operating expenditures | <u>208,010</u> | <u>205,805</u> | <u>2,205</u> |
| Total human services | <u>28,693,786</u> | <u>28,021,302</u> | <u>672,484</u> |
| Cultural and recreation: | | | |
| Library: | | | |
| Salaries and employee benefits | | 1,769,408 | |
| Operating expenditures | | 775,453 | |
| Capital outlay | | 7,200 | |
| Total | <u>2,672,380</u> | <u>2,552,061</u> | <u>120,319</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual, Continued
General Fund**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------------|----------------------|--|
| Parks and recreation: | | | |
| Salaries and employee benefits | | 628,220 | |
| Operating expenditures | | 356,685 | |
| Capital outlay | | 86,041 | |
| Total | <u>1,071,613</u> | <u>1,070,946</u> | <u>667</u> |
| Total cultural and recreation | <u>3,743,993</u> | <u>3,623,007</u> | <u>120,986</u> |
| Intergovernmental: | | | |
| Education: | | | |
| Public schools--current expense | \$ 16,891,418 | \$ 16,891,418 | \$ - |
| Public schools--capital expense | 1,600,000 | 1,600,000 | - |
| Community colleges--current expense | <u>1,926,643</u> | <u>1,926,643</u> | <u>-</u> |
| Total education | <u>20,418,061</u> | <u>20,418,061</u> | <u>-</u> |
| Contingency | <u>-</u> | <u>-</u> | <u>-</u> |
| Debt service: | | | |
| Principal | 5,913,050 | 5,587,776 | 325,274 |
| Interest | <u>3,144,235</u> | <u>2,788,318</u> | <u>355,917</u> |
| Total debt service | <u>9,057,285</u> | <u>8,376,094</u> | <u>681,191</u> |
| Total expenditures | <u>95,205,289</u> | <u>91,291,617</u> | <u>3,913,672</u> |
| Revenues over expenditures | <u>91,648</u> | <u>5,441,924</u> | <u>5,350,276</u> |
| Other financing sources (uses): | | | |
| Transfers in | 433,566 | 317,260 | (116,306) |
| Transfers out | <u>(761,061)</u> | <u>(743,097)</u> | <u>17,964</u> |
| Appropriated fund balance | <u>235,847</u> | <u>-</u> | <u>(235,847)</u> |
| Total other financing sources (uses) | <u>(91,648)</u> | <u>(425,837)</u> | <u>(334,189)</u> |
| Net changes in fund balance | <u>\$ -</u> | <u>5,016,087</u> | <u>\$ 5,016,087</u> |
| Fund balance: | | | |
| Beginning of year, July 1, as adjusted | | <u>16,263,570</u> | |
| End of year, June 30 | | <u>\$ 21,279,657</u> | |

HENDERSON COUNTY, NORTH CAROLINA**Capital Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)--Budget and Actual**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------|----------------------|--|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 344,810 | \$ 344,810 |
| Miscellaneous | - | 13,998 | 13,998 |
| | - | 358,808 | 358,808 |
| Expenditures: | | | |
| Capital outlay: | | | |
| General Government | 38,695,910 | 12,261,397 | 26,434,513 |
| Revenues under expenditures | (38,695,910) | (11,902,589) | 26,793,321 |
| Other financing sources (uses): | | | |
| Proceeds from installment financing | 38,295,910 | 26,289,914 | (12,005,996) |
| Transfers in: | | | |
| From General Fund | 400,000 | - | (400,000) |
| Total other financing sources (uses) | 38,695,910 | 26,289,914 | (12,405,996) |
| Net change in fund balance | \$ - | 14,387,325 | \$ 14,387,325 |
| Fund balance (deficit): | | | |
| Beginning of year, July 1 | | 11,728,981 | |
| End of year, June 30 | | \$ 26,116,306 | |

HENDERSON COUNTY, NORTH CAROLINA

School Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)--Budget and Actual

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------------|----------------------|---|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 356,594 | \$ 356,594 |
| Restricted intergovernmental | 456,629 | - | (456,629) |
| Miscellaneous | - | 566 | 566 |
| | <u>456,629</u> | <u>357,160</u> | <u>(99,469)</u> |
| Expenditures: | | | |
| Capital outlay: | | | |
| General Education | <u>28,569,512</u> | <u>10,751,662</u> | <u>17,817,850</u> |
| Revenues under expenditures | <u>(28,112,883)</u> | <u>(10,394,502)</u> | <u>17,718,381</u> |
| Other financing sources (uses): | | | |
| Proceeds from installment financing | 27,960,6674 | 15,300,000 | (12,660,674) |
| Transfers out: | | | |
| To General fund | - | - | - |
| Appropriated fund balance | <u>152,209</u> | <u>-</u> | <u>(152,209)</u> |
| Total other financing sources (uses) | <u>28,112,883</u> | <u>15,300,000</u> | <u>(12,812,883)</u> |
| Net change in fund balance | <u>\$ -</u> | 4,905,498 | <u>\$ 4,905,498</u> |
| Fund balance (deficit): | | | |
| Beginning of year, July 1 | | <u>11,632,633</u> | |
| End of year, June 30 | | <u>\$ 16,538,131</u> | |

See the accompanying Independent Auditors' Report.

COMBINING STATEMENT FOR NON-MAJOR FUNDS

Special Revenue Funds

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

Individual Fund Descriptions

- The Revaluation Fund accounts for the accumulation of funds necessary to cover the cost of real property revaluation.
- The Travel and Tourism Fund accounts for the occupancy tax received and used to promote travel and tourism in the County.
- The CDBG--Parkside Commons Fund accounts for a federal grant for construction of low-income housing infrastructure in the Parkside Commons Community.
- The CDBG--Scattered Site Housing Fund accounts for a federal grant for construction of low-income housing infrastructure in the County.
- The Crisis Housing Assistance Fund accounts for a state grant fund for assisting families under the Hurricane Recovery Act of 2005.
- The Mills River Watershed Protection Fund accounts for a federal grant and matching funds used to implement watershed management programs on the Mills River.
- The Mud Creek Watershed Restoration Fund accounts for a federal grant and matching funds used to implement watershed management programs in the Mud Creek Watershed.
- The Sheriff E-911 Fund accounts for the funds received for the operation of the County's Emergency 911 Communications program.
- The CDBG--Waterline Project Fund accounts for a federal grant for construction of a waterline to serve low to moderate income residents in the area of the County affected by underground water contamination.
- The Emergency Watershed Protection Program Fund accounts for federal and matching state grant funds for watershed protection projects to remove debris and repair damage to streams due to excessive flooding.
- The Fire District Fund accounts for the tax revenues collected by the County on behalf of the various fire districts located within the County.

Debt Service Fund

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

HENDERSON COUNTY, NORTH CAROLINA

Combining Balance Sheet Non-Major Governmental Funds

June 30, 2006

| | <u>Special Revenue Funds</u> | | | | | |
|---|--------------------------------|-------------------------------|--------------------------------------|--|--|--|
| | <u>Revaluation Reserve</u> | <u>Travel and Tourism</u> | <u>CDBG Parkside Commons</u> | <u>CDBG-- Scattered Site Housing</u> | <u>Crisis Housing Assistance Program</u> | <u>Mills River Watershed Protection Fund</u> |
| <u>Assets</u> | | | | | | |
| Cash and cash equivalents | \$ 14,294 | \$ 95,901 | \$ - | \$ 2,300 | \$ - | \$ 90 |
| Accounts receivable, net | - | 88,087 | - | - | 10,000 | - |
| Prepaid Expenses | - | 2,095 | - | - | - | - |
| Total assets | <u>\$ 14,294</u> | <u>\$ 186,083</u> | <u>\$ -</u> | <u>\$ 2,300</u> | <u>\$ 10,000</u> | <u>\$ 90</u> |
| <u>Liabilities and Fund Balances</u> | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 327 | \$ 10,280 | \$ - | \$ 2,300 | \$ 10,000 | \$ 90 |
| Deferred tax revenue | - | - | - | - | - | - |
| Total liabilities: | <u>327</u> | <u>10,280</u> | <u>-</u> | <u>2,300</u> | <u>10,000</u> | <u>90</u> |
| Fund balances (deficit): | | | | | | |
| Reserved by state statute | - | 90,182 | - | - | - | - |
| Unreserved: | | | | | | |
| Undesignated | 13,967 | 85,621 | - | - | - | - |
| Total fund balances (deficit) | <u>13,967</u> | <u>175,803</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 14,294</u> | <u>\$ 186,083</u> | <u>\$ -</u> | <u>\$ 2,300</u> | <u>\$ 10,000</u> | <u>\$ 90</u> |

| Mud Creek Watershed Restoration Fund | Sheriff E-911 | CDBG-- Waterline Project | Emergency Watershed Protection Project | Fire Districts Fund | Total | Debt Service Fund | Total Non-Major Governmental Funds |
|---|--------------------------|---|---|------------------------------------|---------------------|----------------------------------|---|
| \$ - | \$ 104,156 | \$ - | \$ 26,931 | \$ 1,067,356 | \$ 1,311,028 | \$ 713,250 | \$ 2,024,278 |
| 32,541 | 59,377 | - | - | - | 190,005 | - | 190,005 |
| - | - | - | - | - | 2,095 | - | 2,095 |
| <u>\$ 32,541</u> | <u>\$ 163,533</u> | <u>\$ -</u> | <u>\$ 26,931</u> | <u>\$ 1,067,356</u> | <u>\$ 1,503,128</u> | <u>\$ 713,250</u> | <u>\$ 2,216,378</u> |
| | | | | | | | |
| \$ 30,188 | \$ 3,530 | \$ - | \$ - | \$ 1,041,516 | \$ 1,098,231 | \$ - | \$ 1,098,231 |
| - | - | - | - | 25,844 | 25,844 | - | 25,844 |
| <u>30,188</u> | <u>3,530</u> | <u>-</u> | <u>-</u> | <u>1,067,360</u> | <u>1,124,075</u> | <u>-</u> | <u>1,124,075</u> |
| | | | | | | | |
| - | 59,377 | - | - | - | 149,559 | - | 149,559 |
| <u>2,353</u> | <u>100,626</u> | <u>-</u> | <u>26,931</u> | <u>(4)</u> | <u>229,494</u> | <u>713,250</u> | <u>942,744</u> |
| <u>2,353</u> | <u>160,003</u> | <u>-</u> | <u>26,931</u> | <u>(4)</u> | <u>379,053</u> | <u>713,250</u> | <u>1,092,303</u> |
| | | | | | | | |
| <u>\$ 32,541</u> | <u>\$ 163,533</u> | <u>\$ -</u> | <u>\$ 26,931</u> | <u>\$ 1,067,356</u> | <u>\$ 1,503,128</u> | <u>\$ 713,250</u> | <u>\$ 2,216,378</u> |

HENDERSON COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2006

| | Special Revenue Funds | | | | | |
|--------------------------------------|--------------------------------|-------------------------------|--|--|---|--|
| | <u>Revaluation Reserve</u> | <u>Travel and Tourism</u> | <u>CDBG-- Parkside Commons</u> | <u>CDBG-- Scattered Site Housing</u> | <u>Crisis Housing Assistance Fund</u> | <u>Mills River Watershed Protection Fund</u> |
| Revenues: | | | | | | |
| Ad valorem taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other taxes and licenses | - | 741,004 | - | - | - | - |
| Restricted intergovernmental | - | - | 3,639 | 9,131 | 22,400 | 82,392 |
| Sales and services | - | 111,750 | - | - | - | - |
| Investment earnings | 1,159 | 3,698 | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | <u>1,159</u> | <u>856,452</u> | <u>3,639</u> | <u>9,131</u> | <u>22,400</u> | <u>82,392</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 535,212 | - | - | - | - | - |
| Public safety | - | - | - | - | - | - |
| Environmental protection | - | - | - | - | - | 106,241 |
| Economic and physical development | - | 763,221 | 3,639 | 9,131 | 22,400 | - |
| Intergovernmental: | | | | | | |
| Education | - | - | - | - | - | - |
| Total expenditures | <u>535,212</u> | <u>763,221</u> | <u>3,639</u> | <u>9,131</u> | <u>22,400</u> | <u>106,241</u> |
| Revenues over (under) expenditures | <u>(534,054)</u> | <u>93,231</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(23,849)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers from: | | | | | | |
| General Fund | 546,973 | - | - | - | - | 31,718 |
| School Capital Reserve | - | - | - | - | - | - |
| Transfers to: | | | | | | |
| General Fund | - | (30,000) | - | - | - | - |
| School Capital Projects Fund | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>546,973</u> | <u>(30,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,718</u> |
| Net change in fund balances | 12,920 | 63,231 | | - | - | 7,869 |
| Fund balances (deficit): | | | | | | |
| Beginning of year, July 1 | <u>1,047</u> | <u>112,572</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(7,869)</u> |
| End of year, June 30 | <u>\$ 13,967</u> | <u>\$ 175,803</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| Mud Creek Watershed Restoration Fund | E-911 | CDBG-- Waterline Project | Emergency Watershed Protection Project | Fire Districts Funds | Total | Debt Service Fund | Total Non-Major Governmental Funds |
|---|-------------------|---|---|-------------------------------------|-------------------|----------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ 4,952,766 | \$ 4,952,766 | \$ - | \$ 4,952,766 |
| - | - | - | - | - | 741,004 | - | 741,004 |
| 114,790 | - | 57,703 | 2,206,908 | - | 2,496,963 | - | 2,496,963 |
| - | - | - | - | - | 111,750 | - | 111,750 |
| - | 9,692 | - | - | 36,836 | 51,385 | 28,465 | 79,850 |
| - | 547,295 | - | - | - | 547,295 | - | 547,295 |
| <u>114,790</u> | <u>556,987</u> | <u>57,703</u> | <u>2,206,908</u> | <u>4,989,602</u> | <u>8,901,163</u> | <u>28,465</u> | <u>8,929,628</u> |
| - | - | - | - | - | 535,212 | - | 535,212 |
| - | 719,116 | - | - | 4,993,480 | 5,712,596 | - | 5,712,596 |
| 97,847 | - | - | 2,155,533 | - | 2,359,621 | - | 2,359,621 |
| - | - | 57,703 | - | - | 856,094 | - | 856,094 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>97,847</u> | <u>719,116</u> | <u>57,703</u> | <u>2,155,533</u> | <u>4,993,480</u> | <u>9,463,523</u> | <u>-</u> | <u>9,463,523</u> |
| <u>16,943</u> | <u>(162,129)</u> | <u>-</u> | <u>51,375</u> | <u>(3,878)</u> | <u>(562,360)</u> | <u>28,465</u> | <u>(533,895)</u> |
| - | - | - | - | - | 578,691 | 164,406 | 743,097 |
| - | - | - | - | - | - | - | - |
| - | - | - | (24,444) | - | (54,444) | - | (54,444) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(24,444)</u> | <u>-</u> | <u>524,247</u> | <u>164,406</u> | <u>688,653</u> |
| 16,943 | (162,129) | - | 26,931 | (3,878) | (38,113) | 192,871 | 154,758 |
| <u>(14,590)</u> | <u>322,132</u> | <u>-</u> | <u>-</u> | <u>3,874</u> | <u>417,166</u> | <u>520,379</u> | <u>937,545</u> |
| <u>\$ 2,353</u> | <u>\$ 160,003</u> | <u>\$ -</u> | <u>\$ 26,931</u> | <u>\$ (4)</u> | <u>\$ 379,053</u> | <u>\$ 713,250</u> | <u>\$ 1,092,303</u> |

HENDERSON COUNTY, NORTH CAROLINA

Revaluation Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------|-----------------------|------------------------|---|
| Revenues: | | | |
| Investment earnings | \$ <u> -</u> | \$ <u> 1,159</u> | \$ <u> 1,159</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | <u> 596,698</u> | <u> 535,212</u> | <u> 61,486</u> |
| Revenues under expenditures | (596,698) | (534,054) | 62,645 |
| Other financing sources: | | | |
| Transfers in: | | | |
| From General Fund | <u> 596,698</u> | <u> 546,973</u> | <u> 49,725</u> |
| Net change in fund balance | \$ <u> -</u> | 12,920 | \$ <u> 12,920</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u> 1,047</u> | |
| End of year, June 30 | | \$ <u> 13,967</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Travel and Tourism Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------|----------------------|----------------------|--|
| Revenues: | | | |
| Other taxes and licenses | \$ 653,739 | \$ 741,004 | \$ 87,265 |
| Sales and services | 140,000 | 111,750 | (28,250) |
| Investment earnings | - | 3,698 | 3,698 |
| Total revenues | <u>793,739</u> | <u>856,452</u> | <u>62,713</u> |
| Expenditures: | | | |
| Current: | | | |
| Economic and physical development | <u>763,739</u> | <u>763,221</u> | <u>518</u> |
| Revenues over (under) expenditures | <u>30,000</u> | <u>93,231</u> | <u>63,234</u> |
| Other financing sources (uses): | | | |
| Transfers out: | | | |
| To General Fund | (30,000) | (30,000) | - |
| Appropriated fund balance | - | - | - |
| Total other financing sources (uses) | <u>(30,000)</u> | <u>(30,000)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | 63,231 | <u>\$ 63,231</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>112,572</u> | |
| End of year, June 30 | | <u>\$ 175,803</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**CDBG - Parkside Commons Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

from inception and For The Year Ended June 30, 2006

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|----------------------------------|------------------------|-------------------------|--------------------------|---|
| Revenues: | | | | | |
| Restricted | | | | | |
| intergovernmental | \$ - | \$ 108,861 | \$ 3,639 | \$ 112,500 | \$ - |
| Total revenues | <u>112,500</u> | <u>108,861</u> | <u>3,639</u> | <u>112,500</u> | <u>-</u> |
| Expenditures: | | | | | |
| Economic and physical | | | | | |
| development: | - | 108,861 | 3,639 | 112,500 | - |
| Total economic and | <u>112,500</u> | <u>108,861</u> | <u>3,639</u> | <u>112,500</u> | <u>-</u> |
| physical development | | | | | |
| Revenues over (under) | | | | | |
| expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses): | | | | | |
| Transfers (out) | | | | | |
| Transfers in | | | | | |
| Total other financial | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| sources (uses) | | | | | |
| Excess (deficiency) of | | | | | |
| revenues over (under) | | | | | |
| expenditures and other | | | | | |
| sources | <u>\$ -</u> | <u>\$ -</u> | | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance - beginning | | | | | |
| July 1, 2005 | | | <u>-</u> | | |
| Fund balance - ending | | | | | |
| June 30, 2006 | | | <u>\$ -</u> | | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**CDBG - Scattered Site Housing Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

from inception and For The Year Ended June 30, 2006

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|--------------------------|----------------------------------|------------------------|-------------------------|--------------------------|---|
| Revenues: | | | | | |
| Restricted | | | | | |
| intergovernmental | \$ - | \$ 376,256 | \$ 9,131 | \$ 385,387 | \$ - |
| Total revenues | <u>400,000</u> | <u>376,256</u> | <u>9,131</u> | <u>385,387</u> | <u>(14,613)</u> |
| Expenditures: | | | | | |
| Economic and physical | | | | | |
| development: | - | 379,139 | 9,131 | 388,270 | - |
| Total economic and | <u>400,000</u> | <u>379,139</u> | <u>9,131</u> | <u>388,270</u> | <u>11,730</u> |
| physical development | | | | | |
| Revenues over (under) | | | | | |
| expenditures | <u>-</u> | <u>(2,883)</u> | <u>-</u> | <u>(2,883)</u> | <u>(2,883)</u> |
| Other financing sources | | | | | |
| (uses): | | | | | |
| Transfers (out) | - | - | - | - | - |
| Transfers in | <u>-</u> | <u>2,883</u> | <u>-</u> | <u>2,883</u> | <u>-</u> |
| Total other financial | <u>-</u> | <u>2,883</u> | <u>-</u> | <u>2,883</u> | <u>2,883</u> |
| sources (uses) | | | | | |
| Excess (deficiency) of | | | | | |
| revenues over (under) | | | | | |
| expenditures and other | | | | | |
| sources | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance - beginning | | | | | |
| July 1, 2005 | | | <u>-</u> | | |
| Fund balance - ending | | | | | |
| June 30, 2006 | | | <u>\$ -</u> | | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Crisis Housing- Assistance Program Fund****Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

from inception and For The Year Ended June 30, 2006

| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Positive (Negative) |
|--------------------------|--------------------------|----------------|-----------------|------------------|------------------------------------|
| Revenues: | | | | | |
| Restricted | | | | | |
| intergovernmental | \$ - | \$ - | \$ 22,400 | \$ 22,400 | \$ - |
| Total revenues | 492,090 | - | 22,400 | 22,400 | (469,690) |
| Expenditures: | | | | | |
| Economic and physical | | | | | |
| development: | - | - | 22,400 | 22,400 | - |
| Total economic and | 492,090 | - | 22,400 | 22,400 | 469,690 |
| physical development | | | | | |
| Revenues over (under) | | | | | |
| expenditures | - | - | - | - | - |
| Other financing sources | | | | | |
| (uses): | | | | | |
| Transfers (out) | | | | | |
| Transfers in | | | | | |
| Total other financial | - | - | - | - | - |
| sources (uses) | | | | | |
| Excess (deficiency) of | | | | | |
| revenues over (under) | | | | | |
| expenditures and other | | | | | |
| sources | \$ - | \$ - | | \$ - | \$ - |
| Fund balance - beginning | | | | | |
| July 1, 2004 | | | - | | |
| Fund balance - ending | | | | | |
| June 30, 2005 | | | \$ - | | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Mills River Watershed Protection Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual--
Project Authorization and Actual**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|----------------|----------------|---|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 538,000 | \$ 82,392 | \$ (455,608) |
| Expenditures: | | | |
| Current: | | | |
| Environmental protection | <u>538,000</u> | <u>106,241</u> | <u>431,759</u> |
| Revenues under expenditures | - | (23,849) | (23,849) |
| Other financing sources: | | | |
| Transfers in: | | | |
| From General Fund | <u>-</u> | <u>31,718</u> | <u>31,718</u> |
| Net change in fund balance | <u>\$ -</u> | 7,869 | <u>\$ 7,869</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>(7,869)</u> | |
| End of year, June 30 | | <u>\$ -</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Mud Creek Watershed Restoration Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual--
Project Authorization and Actual**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|----------------|-----------------|---|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 492,550 | \$ 114,790 | \$ (377,760) |
| Expenditures: | | | |
| Current: | | | |
| Environmental protection | <u>492,550</u> | <u>97,847</u> | <u>394,703</u> |
| Net change in fund balance | <u>\$ -</u> | 16,943 | <u>\$ 16,943</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>(14,590)</u> | |
| End of year, June 30 | | <u>\$ 2,353</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Sheriff E-911 Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------|----------------------|----------------------|--|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 9,692 | \$ - |
| Miscellaneous | - | 547,295 | - |
| Total revenues | <u>723,060</u> | <u>556,987</u> | <u>(166,073)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | <u>723,060</u> | <u>719,116</u> | <u>3,944</u> |
| Net change in fund balance | <u>\$ -</u> | (162,129) | <u>\$ (162,129)</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>322,132</u> | |
| End of year, June 30 | | <u>\$ 160,003</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**CDBG - Waterline Project Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual**

from inception and For The Year Ended June 30, 2006

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Positive (Negative)</u> |
|---|---|-------------------------------|--------------------------------|---------------------------------|--|
| Revenues: | | | | | |
| Restricted | | | | | |
| Intergovernmental | \$ - | \$ 341,380 | \$ 57,703 | \$ 399,083 | \$ - |
| Total revenues | <u>399,083</u> | <u>341,380</u> | <u>57,703</u> | <u>399,083</u> | <u>-</u> |
| Expenditures: | | | | | |
| Economic and physical development: | - | 341,380 | 57,703 | 399,083 | - |
| Total economic and physical development | <u>399,083</u> | <u>341,380</u> | <u>57,703</u> | <u>399,083</u> | <u>-</u> |
| Revenues over (under) Expenditures | - | - | - | - | - |
| Other financing sources (uses): | | | | | |
| Transfers (out) | | | | | |
| Transfers in | | | | | |
| Total other financial sources (uses) | - | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures and other Source | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance - beginning July 1, 2005 | | | - | | |
| Fund balance - ending July 30, 2006 | | | <u>\$ -</u> | | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Emergency Watershed Protection Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------|------------------|------------------|---|
| Revenues: | | | |
| Restricted intergovernmental | \$ 2,346,105 | \$ 2,206,908 | \$ (139,197) |
| Expenditures: | | | |
| Current: | | | |
| Environmental Protection | <u>2,321,105</u> | <u>2,155,533</u> | <u>165,572</u> |
| Revenues over expenditures | 25,000 | 51,375 | 26,375 |
| Other financing sources: | | | |
| Transfers in: | | | |
| From General Fund | <u>25,000</u> | <u>24,444</u> | <u>556</u> |
| Net change in fund balance | <u>\$ -</u> | 26,931 | <u>\$ 26,931</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>-</u> | |
| End of year, June 30 | | <u>\$ 26,931</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA

Fire Districts Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------|------------------|------------------|---|
| Revenues: | | | |
| Ad valorem taxes | \$ 4,982,922 | \$ 4,952,766 | \$ (30,156) |
| Investment earnings | <u>11,005</u> | <u>36,836</u> | <u>25,831</u> |
| Total revenues | <u>4,993,927</u> | <u>4,989,602</u> | <u>(4,325)</u> |
| Expenditures: | | | |
| Capital outlay: | | | |
| Public safety | <u>4,993,927</u> | <u>4,993,480</u> | <u>447</u> |
| Net change in fund balance | <u>\$ -</u> | <u>(3,878)</u> | <u>\$ (3,878)</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>3,874</u> | |
| End of year, June 30 | | <u>\$ (4)</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------|----------------------|----------------------|--|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 28,465 | \$ 28,465 |
| Expenditures: | | | |
| Current: | | | |
| General education | <u>164,363</u> | <u>-</u> | <u>164,363</u> |
| Revenues over expenditures | (164,363) | 28,465 | 192,828 |
| Other financing sources (uses): | | | |
| Transfers in: | | | |
| From General Fund | <u>164,363</u> | <u>164,406</u> | <u>43</u> |
| Net change in fund balance | <u>\$ -</u> | 192,871 | <u>\$ 192,871</u> |
| Fund balance: | | | |
| Beginning of year, July 1 | | <u>520,379</u> | |
| End of year, June 30 | | <u>\$ 713,250</u> | |

See the accompanying Independent Auditors' Report.

ENTERPRISE FUNDS

The Enterprise Funds account for 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 or where the government's board has decided that periodic determination of net income is appropriate for accountability purposes.

Individual Fund Descriptions

- Landfill Fund accounts for the operations of the County's landfill and Transfer Station Facility.
 - Cane Creek Water and Sewer District Fund accounts for water and sewer operations in the Cane Creek district.
 - Justice Academy Sewer Fund accounts for sewer operations for the North Carolina Justice Academy.
-

HENDERSON COUNTY, NORTH CAROLINA

Landfill Fund

Schedule of Revenues and Expenditures--Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|------------------|-------------------|---|
| Operating revenues | \$ 3,950,000 | \$ 4,321,424 | \$ 371,424 |
| Non-operating revenues: | | | |
| Interest income | <u>15,000</u> | <u>96,069</u> | <u>81,069</u> |
| Total revenues | <u>3,965,000</u> | <u>4,417,493</u> | <u>452,493</u> |
| Other financing sources: | | | |
| Transfers in: | | | |
| From Sewer Fund | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Appropriated Retained Earnings | <u>1,700,000</u> | <u>-</u> | <u>(1,700,000)</u> |
| Total revenues and other sources | <u>5,715,000</u> | <u>4,467,493</u> | <u>(1,247,507)</u> |
| Expenditures: | | | |
| Salaries and employee benefits | | <u>689,575</u> | |
| Other operating expenditures | <u>3,839,800</u> | <u>3,195,782</u> | <u>(45,557)</u> |
| Total expenditures | <u>5,615,000</u> | <u>4,052,369</u> | <u>1,562,631</u> |
| Capital outlay | <u>1,775,200</u> | <u>167,012</u> | <u>1,608,188</u> |
| Total expenditures | <u>5,615,000</u> | <u>4,052,369</u> | <u>1,562,631</u> |
| Other financing uses: | | | |
| Transfers out: | | | |
| To General Fund | <u>100,000</u> | <u>-</u> | <u>100,000</u> |
| To Capital Projects Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures and other uses | <u>5,715,000</u> | <u>4,052,369</u> | <u>1,662,631</u> |
| Revenues and other sources over expenditures and other uses | <u>\$ -</u> | <u>415,124</u> | <u>\$ 415,124</u> |
| Reconciliation of modified accrual basis to full accrual basis: | | | |
| Reconciling items: | | | |
| Increase in accrued vacation pay | | <u>(2,169)</u> | |
| Capital outlay | | <u>167,012</u> | |
| Depreciation | | <u>(88,635)</u> | |
| Total reconciling items | | <u>76,208</u> | |
| Change in net assets | | <u>\$ 491,332</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA

Cane Creek Water and Sewer District Fund

Schedule of Revenues and Expenditures--Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------|---------------------|---|
| Operating revenues | \$ 859,093 | \$ 1,257,017 | \$ 397,924 |
| Non-operating revenues: | | | |
| Trust and grants | - | 785,432 | 785,432 |
| Interest income | - | 108,620 | 108,620 |
| Capital contribution | - | 130,383 | 130,383 |
| Total revenues | <u>859,093</u> | <u>2,281,452</u> | <u>1,422,359</u> |
| Other financing sources: | | | |
| Transfers in: | | | |
| General Fund | - | - | - |
| Total revenues and other financing sources | <u>859,093</u> | <u>2,281,452</u> | <u>1,422,359</u> |
| Expenditures: | | | |
| Water and sewer administration: | | | |
| Salaries and employee benefits | - | - | - |
| Operating expenditures | <u>445,625</u> | <u>210,582</u> | <u>235,043</u> |
| | <u>445,625</u> | <u>210,582</u> | <u>235,043</u> |
| Debt service: | | | |
| Interest paid | 60,450 | 60,450 | - |
| Principal retirement | - | 31,000 | (31,000) |
| | <u>60,450</u> | <u>91,450</u> | <u>(31,000)</u> |
| Capital outlay | <u>20,000</u> | - | <u>20,000</u> |
| Total expenditures | <u>526,075</u> | <u>302,032</u> | <u>224,043</u> |
| Other financing uses: | | | |
| Transfers out: | | | |
| To Landfill Fund | 87,943 | 50,000 | 37,943 |
| To General Fund | 245,075 | 245,075 | - |
| To Capital Projects Fund | - | - | - |
| Total other financing uses | <u>333,018</u> | <u>295,075</u> | <u>37,943</u> |
| Total expenditures and other uses | <u>859,093</u> | <u>597,107</u> | <u>261,986</u> |
| Revenues over expenditures and other uses | <u>\$ -</u> | <u>1,684,345</u> | <u>\$ 1,684,345</u> |
| Reconciliation of modified accrual basis to full accrual basis: | | | |
| Reconciling items: | | | |
| Decrease in accrued vacation pay | | 1,136 | |
| Payment of debt principal | | 31,000 | |
| Depreciation | | (205,272) | |
| Total reconciling items | | <u>(173,136)</u> | |
| Change in net assets | | <u>\$ 1,511,209</u> | |

See the accompanying Independent Auditors' Report.

HENDERSON COUNTY, NORTH CAROLINA**Justice Academy Sewer Fund****Schedule of Revenues and Expenditures--Budget and Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2006

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------|------------------|---|
| Operating revenues | \$ 44,000 | \$ 66,000 | \$ 22,000 |
| Non-operating revenues: | | | |
| Interest income | <u>600</u> | <u>13,193</u> | <u>12,593</u> |
| Total revenues | <u>44,600</u> | <u>79,193</u> | <u>34,593</u> |
| Expenditures: | | | |
| Water and sewer administration: | | | |
| Operating expenditures | <u>36,900</u> | <u>24,624</u> | <u>12,276</u> |
| Capital outlay | <u>6,000</u> | <u>-</u> | <u>6,000</u> |
| Total expenditures | <u>42,900</u> | <u>24,624</u> | <u>18,276</u> |
| Other financing uses: | | | |
| Transfers out: | | | |
| To General Fund | <u>1,700</u> | <u>-</u> | <u>1,700</u> |
| Total expenditures and other uses | <u>44,600</u> | <u>24,624</u> | <u>19,976</u> |
| Revenues over expenditures and other Uses | <u>\$ -</u> | <u>54,569</u> | <u>\$ 54,569</u> |
| Reconciliation of modified accrual basis to full accrual basis: | | | |
| Reconciling items: | | | |
| Capital outlay | | <u>-</u> | |
| Depreciation | | <u>(10,924)</u> | |
| Total reconciling items | | <u>(10,924)</u> | |
| Change in net assets | | <u>\$ 43,645</u> | |

See the accompanying Independent Auditors' Report.

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 the provisions of Internal Revenue Code Section 125.
 - Fireman's Association Fund accounts for assets held for the Fireman's Association.
 - Recreation 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.
 - Other Agency Funds accounts for miscellaneous funds held by the County for the benefit of others.
-

HENDERSON COUNTY, NORTH CAROLINA

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

June 30, 2006

| | <u>Balance</u> <u>July 1, 2005</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2006</u> |
|------------------------------------|---------------------------------------|-------------------|-------------------|--|
| Social Services Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>26,611</u> | \$ <u>152,298</u> | \$ <u>145,401</u> | \$ <u>33,508</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>26,611</u> | \$ <u>152,298</u> | \$ <u>145,401</u> | \$ <u>33,508</u> |
| Agriculture Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>16,205</u> | \$ <u>13,147</u> | \$ <u>14,124</u> | \$ <u>15,228</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>16,205</u> | \$ <u>13,147</u> | \$ <u>14,124</u> | \$ <u>15,228</u> |
| Flexible Spending Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>20,914</u> | \$ <u>126,550</u> | \$ <u>127,221</u> | \$ <u>20,243</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>20,914</u> | \$ <u>126,550</u> | \$ <u>127,221</u> | \$ <u>20,243</u> |
| Fireman's Association Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>93,951</u> | \$ <u>60,407</u> | \$ <u>65,935</u> | \$ <u>88,423</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>93,951</u> | \$ <u>60,407</u> | \$ <u>65,935</u> | \$ <u>88,423</u> |
| Recreation Sponsorship Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>13,520</u> | \$ <u>14,876</u> | \$ <u>-</u> | \$ <u>28,396</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>13,520</u> | \$ <u>14,876</u> | \$ <u>-</u> | \$ <u>28,396</u> |

(continued)

See the accompanying Independent Auditors' Report

HENDERSON COUNTY, NORTH CAROLINA

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

June 30, 2006

| | Balance <u>July 1, 2005</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>June 30, 2006</u> |
|----------------------------------|--------------------------------|---------------------|---------------------|---------------------------------|
| Land Development Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>21,034</u> | \$ <u>128,228</u> | \$ <u>97,145</u> | \$ <u>52,117</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>21,034</u> | \$ <u>128,228</u> | \$ <u>97,145</u> | \$ <u>52,117</u> |
| Other Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>70,471</u> | \$ <u>1,330,159</u> | \$ <u>1,314,910</u> | \$ <u>85,720</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>70,471</u> | \$ <u>1,330,159</u> | \$ <u>1,314,910</u> | \$ <u>85,720</u> |
| Totals - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>262,706</u> | \$ <u>1,825,665</u> | \$ <u>1,764,736</u> | \$ <u>323,635</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>262,706</u> | \$ <u>1,825,665</u> | \$ <u>1,764,736</u> | \$ <u>323,635</u> |
| Total liabilities | \$ <u>262,706</u> | \$ <u>1,825,665</u> | \$ <u>1,764,736</u> | \$ <u>323,635</u> |

See the accompanying Independent Auditors' Report

DISCRETELY PRESENTED COMPONENT UNIT

Henderson County Hospital Corporation - Accounts for the operation of the Margaret R. Pardee Memorial Hospital.

HENDERSON COUNTY, NORTH CAROLINA

Discretely Presented Component Unit

Henderson County Hospital Corporation - Schedule of Revenue and Expenditures--
Budget and Actual

For the Fiscal Year Ended September 30, 2005

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|---------------------|-----------------------|---|
| Operating revenues | \$ 118,897,097 | \$ 112,088,452 | \$ - |
| Non-operating revenues: | | | |
| Interest income | 985,000 | 913,886 | |
| Miscellaneous income (expense) | <u>(412,000)</u> | <u>(490,475)</u> | |
| Total revenues | <u>119,470,097</u> | <u>112,511,863</u> | <u>(6,958,234)</u> |
| Expenditures: | | | |
| Operating expenditures: | | | |
| Salaries and employee benefit | | 60,797,514 | |
| Operating expenditures | | 46,110,420 | |
| Depreciation and amortization | | <u>11,360,589</u> | |
| Total expenditures | <u>116,309,937</u> | <u>118,268,523</u> | <u>(1,958,586)</u> |
| Revenues over expenditures | 3,160,160 | (5,756,660) | (8,916,820) |
| Individual and others | 1,550,000 | 1,232,099 | (317,901) |
| Capital contributions | <u></u> | <u>522,944</u> | |
| Net change in fund balance | <u>\$ 4,710,160</u> | <u>\$ (4,001,617)</u> | <u>\$ (8,711,777)</u> |

See the accompanying Independent Auditors' Report

OTHER SCHEDULES

This section contains additional information on property taxes for the fiscal year ended June 30, 2006.

HENDERSON COUNTY, NORTH CAROLINASchedule of Ad Valorem Taxes Receivable
General Fund

June 30, 2006

| | Uncollected Balance June 30, 2005 | Additions | Collections, Credits and Other Adjustments | Uncollected Balance June 30, 2006 |
|---|--|----------------------|---|--|
| Fiscal year: | | | | |
| 2005-2006 | \$ | \$ 47,211,400 | \$ 45,835,220 | \$ 1,376,180 |
| 2004-2005 | 1,125,561 | - | 775,784 | 349,777 |
| 2003-2004 | 392,997 | - | 103,331 | 289,666 |
| 2002-2003 | 271,446 | - | 39,029 | 232,417 |
| 2001-2002 | 206,501 | - | 26,478 | 180,023 |
| 2000-2001 | 200,754 | - | 15,169 | 185,585 |
| 1999-2000 | 193,799 | - | 14,022 | 179,777 |
| 1998-1999 | 187,247 | - | 8,444 | 178,803 |
| 1997-1998 | 139,155 | - | 9,654 | 129,501 |
| 1996-1997 | 134,109 | - | 5,562 | 128,547 |
| 1995-1996 | <u>105,391</u> | <u>-</u> | <u>105,391</u> | <u>-</u> |
| | <u>\$ 2,956,960</u> | <u>\$ 47,211,400</u> | <u>\$ 46,938,084</u> | <u>3,230,276</u> |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | <u>793,000</u> |
| Ad valorem taxes receivable--net: | | | | |
| General Fund | | | | <u>\$ 2,437,276</u> |
| Reconcilement with revenues: | | | | |
| Ad valorem taxes--General Fund | | | | <u>\$ 47,121,914</u> |
| Reconciling items: | | | | |
| Penalties, interest and advertising | | | | (347,582) |
| Foreclosure revenues | | | | (59,162) |
| Taxes written off and other | | | | <u>222,914</u> |
| Total | | | | <u>(183,830)</u> |
| Total collections and credits | | | | <u>\$ 46,938,084</u> |

HENDERSON COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy
County-Wide Levy

For the Fiscal Year Ended June 30, 2006

| | <u>County-Wide</u> | | | <u>Total Levy</u> | |
|---|-------------------------------|-------------|-----------------------|---|--|
| | <u>Property Valuation</u> | <u>Rate</u> | <u>Total Levy</u> | <u>Property Excluding Registered Motor Vehicles</u> | <u>Registered Motor Vehicles</u> |
| Original levy: | | | | | |
| Property taxes at current year's rate | \$8,561,015,417 | 0.515 | \$ 44,089,229 | \$ 43,028,781 | \$ 1,060,448 |
| Motor vehicles taxed at prior year's rate | 591,650,729 | 0.475 | 2,810,341 | - | 2,810,341 |
| Penalties | - | | 82,337 | 82,337 | - |
| Total | <u>9,152,666,146</u> | | <u>46,981,907</u> | <u>43,111,118</u> | <u>3,870,789</u> |
| Discoveries: | | | | | |
| Current year taxes | 142,300,388 | 0.515 | 732,847 | 732,847 | - |
| Prior year taxes | - | | 36,685 | 36,685 | - |
| Penalties | - | | 38,323 | 38,323 | - |
| Total | <u>142,300,388</u> | | <u>807,855</u> | <u>807,855</u> | <u>-</u> |
| Abatements | <u>(139,161,359)</u> | | <u>(578,362)</u> | <u>(489,973)</u> | <u>(88,389)</u> |
| Total property valuation | <u>\$9,155,805,175</u> | | | | |
| Net levy | | | 47,211,400 | 43,429,000 | 3,782,400 |
| Uncollected taxes at June 30, 2006 | | | <u>1,376,180</u> | <u>806,488</u> | <u>569,692</u> |
| Current year's taxes collected | | | <u>\$ 45,835,220</u> | <u>\$ 42,622,512</u> | <u>\$ 3,212,708</u> |
| Current levy collection percentage | | | <u>97.09%</u> | <u>98.14%</u> | <u>84.94%</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy
County-Wide Levy

For the Fiscal Year Ended June 30, 2006

Secondary market disclosures:

Assessed valuation:

| | |
|---------------------------------------|--------------------|
| Assessment ratio ¹ | 84% |
| Real property | \$ 7,580,077,105 |
| Personal property | 1,406,919,730 |
| Public service companies ² | <u>168,808,340</u> |

| | |
|--------------------------|-------------------------|
| Total assessed valuation | <u>\$ 9,155,805,175</u> |
|--------------------------|-------------------------|

| | |
|--------------------|-------|
| Tax rate per \$100 | 0.515 |
|--------------------|-------|

| | |
|---|---------------|
| Levy (includes discoveries, releases and abatements) ³ | \$ 47,211,400 |
|---|---------------|

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

| | |
|---------------------------|----------------------|
| Fire protection districts | <u>5,362,200</u> |
| Total | <u>\$ 52,573,600</u> |

¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.

STATISTICAL SECTION

Statistical Section

Statistical Section

This part of the Henderson County comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the county's overall financial health.

Contents

Schedules

Financial Trends

1 through 4

These schedules contain trend information to help readers understand how the County's Financial performance and well-being have changed over time.

Revenue Capacity

5 through 8

These schedules contain information to help readers assess the County's most significant Local revenue source-its property tax.

Debt Capacity

9 through 12

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

Demographic and Economic Information

13 through 14

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

Operating Information

15 through 17

These schedules contain service and infrastructure data to help readers understand How the information in the County's financial report relates to the services the County provides And the activities it performs.

Except where noted, the information in these schedules is derived from Henderson County's comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2003; schedules presenting government-wide information beginning that year.

HENDERSON COUNTY, NORTH CAROLINA

Net Assets by Component, Last Four Fiscal Years (accrual basis of accounting)

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

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.

HENDERSON COUNTY, NORTH CAROLINA

Changes in Net Assets, Last Four Fiscal Years (accrual basis of accounting)

| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|-----------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 8,037,910 | \$ 9,636,247 | \$ 11,407,380 | \$ 20,754,875 |
| Public safety | 19,846,152 | 20,081,366 | 23,487,233 | 23,870,516 |
| Environmental protection | 251,016 | 368,585 | 744,817 | 2,777,434 |
| Economic and physical development | 3,217,786 | 3,333,981 | 3,187,593 | 2,931,244 |
| Human Services | 22,642,819 | 23,675,869 | 25,940,590 | 28,050,637 |
| Cultural and recreation | 2,949,193 | 3,075,883 | 3,452,018 | 3,730,608 |
| Education | 26,631,432 | 23,063,272 | 19,615,543 | 20,418,061 |
| Interest on long term debt | 2,719,494 | 2,442,078 | 1,746,726 | 2,705,438 |
| Total governmental activities | <u>86,295,802</u> | <u>85,677,281</u> | <u>89,581,900</u> | <u>105,238,814</u> |
| Business-type activities: | | | | |
| Landfill | 2,950,143 | 3,438,021 | 3,691,541 | 3,976,161 |
| Cane Creek water and sewer | 1,353,596 | 1,370,401 | 393,788 | 475,168 |
| Other business-type activities | 37,774 | 29,892 | 27,937 | 35,548 |
| Total business-type activities | <u>4,341,513</u> | <u>4,838,314</u> | <u>4,113,266</u> | <u>4,486,877</u> |
| Total primary government expenses | \$ <u>90,637,315</u> | \$ <u>90,515,595</u> | \$ <u>93,695,166</u> | \$ <u>109,725,691</u> |
| Program Revenues | | | | |
| Governmental activities | | | | |
| Charges for services: | | | | |
| General government | \$ 1,157,071 | \$ 2,709,280 | \$ 721,329 | \$ 1,368,663 |
| Public safety | 6,965,596 | 2,659,675 | 756,144 | 3,555,211 |
| Environmental protection | - | - | - | - |
| Economic and physical development | 52,698 | 1,861 | 1,442,614 | 2,322,570 |
| Environmental protection | 546,555 | 234,235 | 2,750,650 | 2,210,820 |
| Human services | 374,746 | 171,093 | 173,873 | 296,506 |
| Cultural and recreation | - | - | - | - |
| Education | - | - | - | - |
| Operating grants and contributions: | | | | |
| General government | 161,298 | 296,007 | 151,052 | 155,176 |
| Public safety | 979,183 | 822,301 | 857,396 | 528,181 |
| Environmental protection | 182,705 | 671,865 | 41,428 | 238,089 |
| Economic and physical development | 162,411 | 965,442 | 1,030,417 | 2,299,781 |
| Human services | 11,665,324 | 10,851,065 | 13,845,185 | 13,415,019 |
| Cultural and recreation | 767,775 | 257,747 | 302,857 | 275,240 |
| Education | - | - | - | - |
| Capital grants and contributions: | | | | |
| General Government | - | - | - | 8,820 |
| Cultural and recreation | - | - | - | 49,600 |
| Education | - | - | 52,470 | 615,000 |
| Total governmental activities program revenues | <u>23,015,362</u> | <u>19,640,571</u> | <u>22,125,415</u> | <u>27,338,676</u> |

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Changes in Net Assets,
Last Four Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|------------------------|------------------------|------------------------|------------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Business-type activities: | | | | |
| Charges for services | 5,065,553 | 5,913,784 | 5,126,857 | 5,468,309 |
| Operating grants and contributions | 195,388 | 232,124 | 1,108,124 | 961,565 |
| Capital grants and contributions | 353,220 | 266,112 | 140,870 | 130,383 |
| Total business-type activities program revenues | <u>5,614,161</u> | <u>6,412,020</u> | <u>6,375,851</u> | <u>6,560,257</u> |
| Total primary government program revenues | \$ <u>28,629,523</u> | \$ <u>26,052,591</u> | \$ <u>28,501,266</u> | \$ <u>33,898,933</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (63,280,440) | \$ (66,036,710) | \$ (67,456,485) | \$ (77,900,138) |
| Business-type activities | <u>1,272,648</u> | <u>1,573,706</u> | <u>2,262,585</u> | <u>2,073,380</u> |
| Total primary government net (expense)/revenue | \$ <u>(62,007,792)</u> | \$ <u>(64,463,004)</u> | \$ <u>(65,193,900)</u> | \$ <u>(75,826,758)</u> |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Property taxes | \$ 37,968,150 | \$ 46,232,977 | \$ 47,851,376 | \$ 51,743,823 |
| Local option sales tax | 14,836,112 | 18,851,961 | 19,730,435 | 20,540,587 |
| Other taxes and licenses | 1,377,161 | 1,876,023 | 2,210,814 | 2,892,255 |
| Grants and contributions not restricted | 1,250 | 35,133 | 27,039 | 27,469 |
| Investment earnings | 338,410 | 147,447 | 750,138 | 1,463,391 |
| Miscellaneous | 414,447 | 1,448,034 | 1,601,486 | 524,079 |
| Transfers | 112,718 | 161,092 | 1,655,975 | 245,075 |
| Total governmental activities: | <u>55,048,248</u> | <u>68,752,667</u> | <u>73,827,263</u> | <u>77,436,679</u> |
| Business-type activities: | | | | |
| Investment earnings | 58,564 | 31,948 | 50,903 | 217,882 |
| Miscellaneous | 851 | 3,209 | 5,824 | - |
| Transfers | <u>(112,718)</u> | <u>(161,092)</u> | <u>(1,655,975)</u> | <u>(245,075)</u> |
| Total business-type activities | <u>(53,303)</u> | <u>(125,935)</u> | <u>(1,599,248)</u> | <u>(27,193)</u> |
| Total primary government | \$ <u>54,994,945</u> | \$ <u>68,626,732</u> | \$ <u>72,228,015</u> | \$ <u>77,409,486</u> |
| Change in Net Assets | | | | |
| Governmental activities | \$ (8,232,192) | \$ 2,715,957 | \$ 6,370,778 | \$ (463,459) |
| Business-type activities | <u>1,219,345</u> | <u>1,447,771</u> | <u>663,337</u> | <u>2,046,187</u> |
| Total primary government | \$ <u>(7,012,847)</u> | \$ <u>4,163,728</u> | \$ <u>7,034,115</u> | \$ <u>1,582,728</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.

HENDERSON COUNTY, NORTH CAROLINA

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

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> |
|---|----------------------|-----------------------|----------------------|----------------------|
| General Fund | | | | |
| Reserved for: | | | | |
| State statute | \$ 7,953,750 | \$ 8,585,795 | \$ 6,566,497 | \$ 7,013,754 |
| Inventories | 19,431 | 16,990 | 21,977 | 16,267 |
| Prepaid items | 354,327 | - | - | 30,800 |
| Future register of deeds technology enhancements | - | - | - | - |
| Total reserved | <u>8,327,508</u> | <u>8,602,785</u> | <u>6,588,474</u> | <u>7,060,821</u> |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | 398,650 | - | - | - |
| Undesignated | <u>2,124,731</u> | <u>2,697,755</u> | <u>5,880,032</u> | <u>6,673,143</u> |
| Total General Fund | <u>\$ 10,850,889</u> | <u>\$ 11,300,540</u> | <u>\$ 12,468,506</u> | <u>\$ 13,733,964</u> |
| All Other Governmental Funds | | | | |
| Reserved for: | | | | |
| State statute | \$ 259,299 | \$ 33,557 | \$ 86,962 | \$ 176,275 |
| Unreserved | | | | |
| Undesignated/(deficit) | | | | |
| All other special revenue funds and debt service fund | 239,292 | (1,172,177) | 18,016 | 1,213,075 |
| Designated for Capital Projects Fund | <u>(622,833)</u> | <u>3,589</u> | <u>-</u> | <u>12,081,287</u> |
| Total all other governmental funds | <u>\$ (124,242)</u> | <u>\$ (1,135,031)</u> | <u>\$ 104,978</u> | <u>\$ 13,470,637</u> |

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| \$ 5,480,722 | \$ 4,998,721 | \$ 4,855,944 | \$ 7,118,014 | \$ 6,085,013 | \$ 7,542,377 |
| 13,272 | 17,904 | 16,191 | 11,649 | 18,295 | 14,998 |
| 29,950 | 47,545 | 46,190 | 46,310 | 67,145 | 56,110 |
| - | 38,384 | 129,243 | 111,956 | 160,729 | 248,699 |
| <u>5,523,944</u> | <u>5,102,554</u> | <u>5,047,568</u> | <u>7,287,929</u> | <u>6,331,182</u> | <u>7,862,184</u> |
| 780,000 | 709,882 | 486,606 | 400,000 | - | 515,000 |
| <u>8,287,311</u> | <u>9,033,408</u> | <u>7,075,471</u> | <u>7,284,036</u> | <u>9,932,388</u> | <u>12,902,473</u> |
| <u>\$ 14,591,255</u> | <u>\$ 14,845,844</u> | <u>\$ 12,609,645</u> | <u>\$ 14,971,965</u> | <u>\$ 16,263,570</u> | <u>\$ 21,279,657</u> |
| | | | | | |
| \$ 203,242 | \$ 110,951 | \$ 78,814 | \$ 64,047 | \$ 159,701 | \$ 401,060 |
| 2,090,881 | 1,201,339 | 363,424 | 590,310 | 781,540 | 942,744 |
| <u>14,543,896</u> | <u>12,568,693</u> | <u>3,985,305</u> | <u>660,117</u> | <u>23,357,918</u> | <u>42,402,936</u> |
| <u>\$ 16,838,019</u> | <u>\$ 13,880,983</u> | <u>\$ 4,427,543</u> | <u>\$ 1,314,474</u> | <u>\$ 24,299,159</u> | <u>\$ 43,746,740</u> |

HENDERSON COUNTY, NORTH CAROLINA

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

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|---|-------------------|-------------------|---------------------|----------------------|---------------------|
| Revenues | | | | | |
| Taxes: | | | | | |
| Property | \$ 27,342,559 | \$ 30,741,355 | \$ 34,074,822 | \$ 36,782,190 | \$ 38,768,924 |
| Sales | 11,074,016 | 12,013,048 | 12,601,801 | 13,631,076 | 14,090,618 |
| Other | 852,705 | 848,202 | 1,441,833 | 1,443,615 | 1,470,718 |
| Total taxes | <u>39,269,280</u> | <u>43,602,605</u> | <u>48,118,456</u> | <u>51,856,881</u> | <u>54,330,260</u> |
| Intergovernmental | 10,174,511 | 11,429,409 | 20,525,385 | 16,708,073 | 13,804,992 |
| Permits and Fees | 697,461 | 1,042,797 | 1,108,843 | 1,146,335 | 1,505,143 |
| Sales and Services | 2,421,579 | 3,109,039 | 2,731,214 | 2,545,073 | 3,084,165 |
| Investment Earnings | 369,843 | 343,794 | 376,994 | 1,070,633 | 1,662,326 |
| Miscellaneous | 424,384 | 1,799,618 | 1,055,270 | 926,138 | 817,928 |
| Total Revenues | <u>53,357,058</u> | <u>61,327,262</u> | <u>73,916,162</u> | <u>74,253,133</u> | <u>75,204,814</u> |
| Expenditures | | | | | |
| General Government | 4,998,006 | 5,450,207 | 6,042,236 | 6,280,986 | 6,898,418 |
| Public Safety | 11,665,258 | 14,647,400 | 14,000,715 | 14,913,621 | 16,415,826 |
| Environmental Protection | 324,850 | 346,070 | 174,308 | 181,201 | 229,879 |
| Economic Development | 2,132,818 | 2,114,978 | 3,556,130 | 2,111,060 | 2,547,010 |
| Human Services | 13,451,405 | 14,510,485 | 16,271,536 | 18,077,620 | 19,975,574 |
| Culture and Recreation | 2,381,311 | 2,521,258 | 2,876,745 | 2,419,121 | 2,681,466 |
| Education | 11,702,155 | 13,677,293 | 14,884,907 | 16,113,222 | 16,840,663 |
| Capital Outlay | 2,171,869 | 2,791,532 | 10,152,477 | 9,994,226 | 19,304,291 |
| Debt Service: | | | | | |
| Principal | 3,035,779 | 3,162,341 | 3,353,541 | 3,789,040 | 3,432,490 |
| Interest | <u>1,822,528</u> | <u>1,685,667</u> | <u>1,268,735</u> | <u>1,248,471</u> | <u>1,722,206</u> |
| Total Expenditures | <u>53,685,979</u> | <u>60,907,231</u> | <u>71,091,154</u> | <u>75,128,568</u> | <u>90,047,823</u> |
| Excess of revenues over (under) expenditures | <u>(316,171)</u> | <u>420,031</u> | <u>2,825,008</u> | <u>(875,435)</u> | <u>(14,843,009)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 7,371,788 | 7,376,121 | 2,573,597 | 3,671,327 | 1,797,338 |
| Transfers out | (7,371,788) | (7,194,123) | (2,931,933) | (4,123,915) | (1,666,662) |
| Proceeds from certificates of participation | - | - | - | 9,065,000 | 16,290,000 |
| Bond Proceeds | - | - | 18,570,000 | - | - |
| Refunding bonds issued | - | - | (18,476,142) | - | - |
| Sale of capital assets | - | - | - | - | - |
| Proceeds from installment note | <u>736,000</u> | <u>-</u> | <u>-</u> | <u>6,899,850</u> | <u>2,650,000</u> |
| Total other financing sources (uses) | <u>736,000</u> | <u>181,998</u> | <u>(264,478)</u> | <u>15,512,262</u> | <u>19,070,676</u> |
| Net change in fund balances | \$ <u>419,829</u> | \$ <u>602,029</u> | \$ <u>2,560,530</u> | \$ <u>14,636,827</u> | \$ <u>4,227,667</u> |
| Debt service as a percentage of noncapital expenditures | 9.43% | 7.95% | 7.58% | 7.73% | 7.28% |

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|----|--------------|-----------------|---------------|---------------|---------------|
| \$ | 41,249,794 | \$ 42,631,095 | \$ 46,232,977 | \$ 47,851,376 | \$ 52,074,680 |
| | 14,716,365 | 14,836,112 | 18,851,961 | 19,730,435 | 20,540,587 |
| | 1,520,027 | 1,608,439 | 1,876,023 | 2,210,814 | 2,892,255 |
| | 57,486,186 | 59,075,646 | 66,960,961 | 69,792,625 | 75,507,522 |
| | 15,198,997 | 12,052,413 | 13,899,560 | 16,307,844 | 18,472,353 |
| | 1,543,488 | 1,819,856 | 1,810,064 | 1,945,291 | 2,081,006 |
| | 3,542,269 | 3,773,924 | 3,966,080 | 3,899,319 | 5,909,591 |
| | 622,764 | 339,493 | 147,743 | 558,999 | 1,463,391 |
| | 939,081 | 948,094 | 1,448,034 | 1,566,357 | 2,945,274 |
| | 79,332,785 | 78,009,426 | 88,232,442 | 94,070,435 | 106,379,137 |
| | | | | | |
| | 6,909,525 | 8,114,877 | 8,710,370 | 9,569,567 | 10,166,052 |
| | 18,364,897 | 14,392,284 | 15,629,184 | 22,169,007 | 23,090,778 |
| | 231,064 | 251,016 | 368,585 | 744,817 | 2,777,434 |
| | 2,298,912 | 2,378,287 | 2,799,098 | 3,250,597 | 2,901,890 |
| | 21,023,485 | 22,581,034 | 23,452,151 | 25,769,902 | 27,968,583 |
| | 2,720,848 | 2,841,095 | 3,047,538 | 3,308,167 | 3,529,766 |
| | 18,438,926 | 18,393,390 | 19,191,870 | 19,770,627 | 20,418,061 |
| | 17,710,331 | 13,379,967 | 9,211,337 | 6,069,945 | 24,539,541 |
| | | | | | |
| | 4,123,986 | 4,873,216 | 4,498,477 | 4,888,061 | 5,587,776 |
| | 2,462,018 | 2,691,125 | 2,442,078 | 1,746,726 | 2,808,404 |
| | 94,283,992 | 89,896,291 | 89,350,688 | 97,287,416 | 123,788,285 |
| | | | | | |
| | (14,951,207) | (11,886,865) | (1,118,246) | (3,216,981) | (17,409,148) |
| | | | | | |
| | 2,530,116 | 3,339,914 | 1,946,650 | 3,742,448 | 1,060,357 |
| | (3,385,988) | (3,142,688) | (1,785,558) | (2,086,473) | (797,541) |
| | - | - | - | 25,837,296 | 41,610,000 |
| | - | - | 205,949 | - | - |
| | - | - | - | - | - |
| | 1,000,000 | - | 5,000 | - | - |
| | 12,100,000 | - | - | - | - |
| | | | | | |
| | 12,244,128 | 197,226 | 372,041 | 27,493,271 | 41,872,816 |
| | | | | | |
| \$ | (2,707,079) | \$ (11,689,639) | \$ (746,205) | \$ 24,276,290 | \$ 24,463,668 |
| | | | | | |
| | 8.60% | 9.88% | 8.66% | 7.27% | 8.44% |
| | | | | | |
| | | | | | |
| | | | | | |

HENDERSON COUNTY, NORTH CAROLINA

Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years (in thousands of dollars)

| Fiscal Year | Real Property | | | Present-use Value (1) | Personal Property |
|----------------|-------------------------|------------------------|------------------------|--------------------------|----------------------|
| | Residential Property | Commercial Property | Industrial Property | | |
| 1997 | \$ 3,232,188,070 | \$ 288,500,100 | \$ * | \$ 80,095,800 | \$ 1,025,408,800 |
| 1998 | 3,436,036,970 | 311,200,500 | * | 78,666,600 | 997,952,779 |
| 1999 | 3,342,220,520 | 542,463,690 | * | 86,555,500 | 1,136,804,150 |
| 2000 | 4,123,166,820 | 939,191,400 | * | 95,958,510 | 1,280,253,281 |
| 2001 | 4,155,601,400 | 1,125,136,100 | * | 96,471,000 | 1,340,312,075 |
| 2002 | 4,312,158,328 | 956,913,679 | 199,250,268 | 102,544,235 | 1,468,210,940 |
| 2003 (5) | 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 |

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

Notes:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.
- (2) Public service company valuations are provided to the County by the N. C. 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 assessment was on January 1, 2003 and was the basis for fiscal 2004 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) |
|---|----|---|----|--|----|---|
| 150,996,230 | \$ | 4,777,189,000 | \$ | 0.515 | \$ | 5,550,353,201 |
| 154,463,151 | | 4,978,320,000 | | 0.545 | | 5,873,430,864 |
| 157,856,140 | | 5,265,900,000 | | 0.585 | | 5,265,900,000 |
| 161,639,387 | | 6,600,209,398 | | 0.500 | | 6,878,083,991 |
| 162,610,825 | | 6,880,131,400 | | 0.500 | | 7,778,554,438 |
| 167,366,750 | | 7,206,444,200 | | 0.500 | | 8,391,295,063 |
| 162,593,200 | | 7,508,015,000 | | 0.500 | | 7,548,019,503 |
| 160,976,534 | | 8,751,418,050 | | 0.475 | | 9,470,206,742 |
| 161,003,632 | | 8,868,466,370 | | 0.475 | | 10,257,305,540 |
| 168,808,340 | | 9,155,805,175 | | 0.515 | | 10,921,871,854 |

HENDERSON COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|----------------------------|----------|----------|----------|----------|----------|----------|----------|
| Henderson County | \$ 0.515 | \$ 0.545 | \$ 0.585 | \$ 0.500 | \$ 0.500 | \$ 0.500 | \$ 0.500 |
| <u>Municipality Rates:</u> | | | | | | | |
| Hendersonville | 0.550 | 0.550 | 0.550 | 0.450 | 0.450 | 0.450 | 0.450 |
| Laurel Park | 0.390 | 0.360 | 0.360 | 0.310 | 0.310 | 0.310 | 0.310 |
| Fletcher | 0.180 | 0.250 | 0.250 | 0.250 | 0.250 | 0.250 | 0.270 |
| Mills River | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.075 |
| Flat Rock | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| <u>Fire Districts:</u> | | | | | | | |
| Bat Cave | 0.090 | 0.090 | 0.090 | 0.080 | 0.080 | 0.090 | 0.090 |
| Blue Ridge | 0.090 | 0.090 | 0.090 | 0.080 | 0.090 | 0.090 | 0.090 |
| Dana | 0.090 | 0.090 | 0.090 | 0.075 | 0.100 | 0.100 | 0.100 |
| Edneyville | 0.090 | 0.090 | 0.100 | 0.090 | 0.095 | 0.095 | 0.095 |
| Etowah-Horse Shoe | 0.070 | 0.070 | 0.070 | 0.073 | 0.073 | 0.073 | 0.080 |
| Fletcher | 0.085 | 0.085 | 0.085 | 0.080 | 0.105 | 0.095 | 0.095 |
| Gerton | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 | 0.120 |
| Green River | 0.070 | 0.080 | 0.080 | 0.065 | 0.070 | 0.085 | 0.085 |
| Mills River | 0.070 | 0.070 | 0.070 | 0.060 | 0.065 | 0.065 | 0.065 |
| Mountain Home | 0.075 | 0.075 | 0.090 | 0.085 | 0.085 | 0.095 | 0.095 |
| Saluda | 0.070 | 0.070 | 0.070 | 0.070 | 0.070 | 0.090 | 0.090 |
| Valley Hill | 0.080 | 0.080 | 0.080 | 0.070 | 0.080 | 0.090 | 0.090 |
| Valley Hill II | 0.080 | 0.080 | 0.080 | 0.060 | 0.060 | 0.080 | 0.080 |

Source: Henderson County Tax Collector

Schedule 6

| | <u>2004</u> | | <u>2005</u> | | <u>2006</u> |
|----|-------------|----|-------------|----|-------------|
| \$ | 0.475 | \$ | 0.475 | \$ | 0.515 |
| | | | | | |
| | 0.430 | | 0.430 | | 0.043 |
| | 0.300 | | 0.310 | | 0.310 |
| | 0.250 | | 0.270 | | 0.270 |
| | 0.070 | | 0.075 | | 0.075 |
| | 0.000 | | 0.000 | | 0.085 |
| | | | | | |
| | 0.090 | | 0.090 | | 0.090 |
| | 0.080 | | 0.095 | | 0.095 |
| | 0.090 | | 0.090 | | 0.090 |
| | 0.090 | | 0.090 | | 0.0925 |
| | 0.075 | | 0.075 | | 0.085 |
| | 0.095 | | 0.095 | | 0.095 |
| | 0.120 | | 0.115 | | 0.115 |
| | 0.075 | | 0.075 | | 0.075 |
| | 0.060 | | 0.065 | | 0.065 |
| | 0.095 | | 0.105 | | 0.105 |
| | 0.090 | | 0.090 | | 0.090 |
| | 0.080 | | 0.080 | | 0.080 |
| | 0.080 | | 0.080 | | 0.080 |

HENDERSON COUNTY, NORTH CAROLINA

Principal Property Tax Payers, Current Year and Nine Years Ago

| Taxpayer | Type of Business | Fiscal Year 2006 | | |
|-----------------------------------|----------------------------|-----------------------|------|---|
| | | Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Duke Energy | Electric utility | \$ 109,781,640 | 1 | 1.82% |
| Meritor Heavy Vehicle Systems | Truck axles | 72,737,843 | 2 | 1.21% |
| Continental Teves, Inc. | Automobile brake systems | 63,554,150 | 3 | 1.06% |
| Berkley Mills | Textiles | 62,969,566 | 4 | 1.05% |
| Raflatac, Inc. | Paper products | 61,915,919 | 5 | 1.03% |
| BellSouth | Telephone utility | 37,796,194 | 6 | 0.63% |
| Public Service Company of NC | Natural gas utility | 27,390,778 | 7 | 0.45% |
| General Electric Lighting Systems | Lighting systems | 23,345,585 | 8 | 0.39% |
| Wilsonart International | Laminate products | 22,819,217 | 9 | 0.38% |
| Borg-Warner Automotive Cooling | Automobile cooling systems | 20,380,293 | 10 | 0.34% |
| Totals | | \$ <u>502,691,185</u> | | 8.36% |

Source: Henderson County Tax Collector

| Fiscal Year 1997 | | |
|-----------------------|------|---|
| Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| \$ 77,270,874 | 2 | 2.11% |
| 64,027,767 | 3 | 1.74% |
| 83,170,097 | 1 | 2.27% |
| 47,636,505 | 5 | 1.30% |
| 20,026,214 | 8 | 0.55% |
| 8,063,301 | 10 | 0.22% |
| 48,563,301 | 4 | 1.32% |
| <hr/> | | <hr/> |
| \$ <u>348,758,059</u> | | 9.51% |

HENDERSON COUNTY, NORTH CAROLINA

Property Tax Levies and Collections, Last Ten Fiscal Years

| Fiscal Year | Taxes Levied for the Fiscal Year (Original Levy) | Adjustments | Total Adjusted Levy | Collected within the Fiscal Year | | Collections in Subsequent Years |
|----------------|--|-------------|------------------------|----------------------------------|--------------------------------|---------------------------------------|
| | | | | Amount | Percentage of Original Levy | |
| 1997 | 24,260,174 | 342,348 | 24,602,522 | 23,676,529 | 96.24% | 797,446 |
| 1998 | 27,665,000 | (155,740) | 27,509,260 | 27,151,000 | 98.70% | 228,759 |
| 1999 | 30,856,156 | (35,782) | 30,820,374 | 29,816,129 | 96.74% | 825,442 |
| 2000 | 33,244,364 | (71,691) | 33,172,673 | 31,937,101 | 96.28% | 1,055,795 |
| 2001 | 34,612,864 | (138,710) | 34,474,154 | 33,234,919 | 96.41% | 1,053,651 |
| 2002 | 36,307,004 | (222,388) | 36,084,616 | 34,972,030 | 96.92% | 932,563 |
| 2003 | 37,683,586 | (89,150) | 37,594,436 | 36,389,317 | 96.79% | 972,702 |
| 2004 | 41,378,068 | 210,365 | 41,588,433 | 40,302,593 | 96.91% | 966,174 |
| 2005 | 42,241,452 | 51,043 | 42,292,495 | 41,166,934 | 97.34% | 775,784 |
| 2006 | 46,981,907 | 229,493 | 47,211,400 | 45,835,220 | 97.09% | - |

Source: Henderson County Tax Collector

Schedule 8

| Total Collections to Date | | |
|----------------------------------|--|--------------------|
| Amount | Percentage of Adjusted Levy | Uncollected |
| 24,473,975 | 99.49% | 128,547 |
| 27,379,759 | 99.53% | 129,501 |
| 30,641,571 | 99.42% | 178,803 |
| 32,992,896 | 99.46% | 179,777 |
| 34,288,570 | 99.46% | 185,585 |
| 35,904,593 | 99.50% | 180,023 |
| 37,362,019 | 99.38% | 232,417 |
| 41,298,767 | 99.30% | 289,666 |
| 41,942,718 | 98.17% | 349,777 |
| 45,835,220 | 97.09% | <u>1,376,180</u> |
| | | 3,230,276 |

HENDERSON COUNTY, NORTH CAROLINA

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 | Certificates of | Installment | | | General Obligation | Installment |
| | Bonds | Participation | Loans | Other | | Bonds | Loans |
| 1997 | \$ 23,690,000 | \$ - | \$ 4,620,457 | \$ - | \$ | 1,408,000 | \$ 24,404 |
| 1998 | 21,765,000 | - | 3,346,547 | 1,669,526 | | 1,387,000 | 113,961 |
| 1999 | 21,115,000 | - | 2,051,871 | 1,803,453 | | 1,365,000 | 69,941 |
| 2000 | 19,015,000 | 8,610,000 | 7,645,121 | 1,613,133 | | 1,342,000 | 23,851 |
| 2001 | 16,895,000 | 24,445,000 | 9,441,189 | 1,167,635 | | 1,318,000 | - |
| 2002 | 14,775,000 | 23,175,000 | 20,814,486 | 796,680 | | 1,293,000 | - |
| 2003 | 12,690,000 | 21,905,000 | 19,598,121 | 1,352,317 | | 1,266,000 | - |
| 2004 | 10,645,000 | 20,635,000 | 18,415,037 | 1,425,550 | | 1,238,000 | - |
| 2005 | 8,640,000 | 45,240,000 | 16,751,301 | 1,054,197 | | 1,209,000 | - |
| 2006 | 6,680,000 | 84,950,000 | 15,473,676 | 532,952 | | 1,178,000 | - |

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 2005 personal income not yet available to calculate fiscal year 2006.

Schedule 9

| Total Primary Government | | Per Capita (1) | Percentage of Personal Income (1) |
|---|-------------|-------------------------------|--|
| \$ | 29,742,861 | \$ 367 | 1.55% |
| | 28,282,034 | 338 | 1.35% |
| | 26,405,265 | 307 | 1.18% |
| | 38,249,105 | 437 | 1.65% |
| | 53,266,824 | 595 | 2.14% |
| | 60,854,166 | 666 | 2.40% |
| | 56,811,438 | 612 | 2.24% |
| | 52,358,587 | 554 | 2.02% |
| | 72,894,498 | 758 | 2.66% |
| | 108,814,628 | 1,113 | - |

HENDERSON COUNTY, NORTH CAROLINA

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 | | | |
| 1997 | \$ 25,098,000 | \$ 1,946,000 | \$ 23,152,000 | 1.21% | 0.48% | \$ 285 |
| 1998 | 23,152,000 | 1,902,000 | 21,250,000 | 1.01% | 0.43% | 254 |
| 1999 | 22,480,000 | 2,123,000 | 20,357,000 | 0.91% | 0.39% | 237 |
| 2000 | 20,357,000 | 2,044,000 | 28,313,000 | 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 | * | * | 60 |

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 2005 personal income not available to calculate fiscal year 2006.

(2) See Schedule 5 for property value data.

* Not available at this time.

HENDERSON COUNTY, NORTH CAROLINA

Legal Debt Margin Information, Last Ten Fiscal Years (dollars in thousands)

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Assessed Value of Property | \$ 4,777,189 | \$ 4,978,320 | \$ 5,265,900 | \$ 6,600,209 |
| Debt Limit, 8% of Assessed Value (Statutory Limitation) | 382,175 | 398,266 | 421,272 | 528,017 |
| Amount of Debt Applicable to Limit | | | | |
| Gross debt | 29,743 | 28,282 | 26,405 | 38,249 |
| Less: Amount available for repayment of general obligation bonds | 1,946 | 1,902 | 2,123 | 2,044 |
| Debt outstanding for water and sewer purposes | <u>1,408</u> | <u>1,387</u> | <u>1,365</u> | <u>1,342</u> |
| Total net debt applicable to limit | <u>26,389</u> | <u>24,993</u> | <u>22,917</u> | <u>34,863</u> |
| Legal Debt Margin | <u>\$ 355,786</u> | <u>\$ 373,273</u> | <u>\$ 398,355</u> | <u>\$ 493,154</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 6.90% | 6.27% | 5.43% | 6.60% |

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

Schedule 11

| <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 6,880,131 | \$ 7,206,444 | \$ 7,508,015 | \$ 8,751,418 | \$ 8,868,466 | \$ 9,155,805 |
| 550,410 | 576,516 | 600,641 | 700,113 | 709,477 | 732,464 |
| 53,267 | 60,854 | 56,811 | 52,359 | 72,894 | 108,815 |
| 2,145 | 2,112 | 2,073 | 2,034 | 1,991 | 1,952 |
| <u>1,318</u> | <u>1,293</u> | <u>1,266</u> | <u>1,238</u> | <u>1,209</u> | <u>1,178</u> |
| <u>49,804</u> | <u>57,449</u> | <u>53,472</u> | <u>49,087</u> | <u>69,694</u> | <u>105,685</u> |
| \$ <u>500,607</u> | \$ <u>519,066</u> | \$ <u>547,169</u> | \$ <u>651,027</u> | \$ <u>639,783</u> | \$ <u>626,779</u> |
| 9.05% | 9.96% | 8.90% | 7.01% | 9.82% | 14.42% |

HENDERSON COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt
As of June 30, 2006
(dollars in thousands)

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|---|------------------------------------|---|---|
| Direct: | | | |
| Debt repaid with property taxes: County | \$ 6,680,000 | 100.00% | \$ 6,680,000 |
| Overlapping: | | | |
| Hendersonville | \$ <u>1,080,000</u> | 100.00% | \$ <u>1,080,000</u> |
| Total direct and overlapping debt | \$ <u><u>1,080,000</u></u> | | \$ <u><u>1,080,000</u></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.

HENDERSON COUNTY, NORTH CAROLINA**Demographic and Economical Statistics,
Last Ten Calendar Years**

| <u>Year</u> | <u>Population(1)</u> | <u>Personal Income (2) (thousands of dollars)</u> | <u>Per Capita Personal Income (2)</u> | <u>Public School Enrollment(3)</u> | <u>Unemployment Rate(4)</u> | <u>Number of Building Inspections Performed(5)</u> |
|-------------|----------------------|---|---|--|---------------------------------|--|
| 1997 | 81,133 | \$ 1,916,737 | \$ 23,466 | 10,898 | 3.00% | 22,313 |
| 1998 | 83,785 | 2,094,369 | 24,907 | 11,020 | 2.30% | 26,448 |
| 1999 | 85,933 | 2,230,756 | 25,934 | 11,251 | 2.60% | 29,016 |
| 2000 | 87,621 | 2,325,154 | 26,475 | 11,215 | 2.40% | 29,067 |
| 2001 | 89,595 | 2,487,683 | 27,755 | 11,257 | 3.00% | 29,858 |
| 2002 | 91,385 | 2,540,130 | 27,919 | 11,610 | 4.40% | 31,433 |
| 2003 | 92,842 | 2,536,341 | 27,442 | 11,574 | 5.10% | 29,223 |
| 2004 | 94,580 | 2,594,574 | 27,665 | 11,918 | 4.50% | 33,554 |
| 2005 | 96,218 | 2,742,138 | 28,721 | 12,292 | 4.00% | 35,835 |
| 2006 | 97,792 | * | * | 12,578 | 4.00% | 34,795 |

Notes:

- (1) N.C. State Data Center. Estimates are as of beginning of fiscal year.
- (2) Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.
- (3) N.C. Department of Public Instruction, Final Average Daily Membership for fiscal year.
- (4) N.C. Employment Security Commission, Annual Average for prior calendar year.
- (5) Total number of inspections performed by Henderson County Inspections Department. Does not include inspections by municipalities.

* Information not yet available

HENDERSON COUNTY, NORTH CAROLINA**Principal Employers,
Current Year and Nine Years Ago**

| Employer | 2006 | | | 1997 | | |
|-------------------------|------------------|-------------|--|------------------|-------------|--|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Henderson County Public | | | | | | |
| Schools | 1,750 | 1 | 3.93% | * | * | * |
| Pardee Hospital | 1,350 | 2 | 3.03% | * | * | * |
| Park Ridge Hospital | 766 | 3 | 1.72% | * | * | * |
| General Electric | 725 | 4 | 1.63% | * | * | * |
| Henderson County | 712 | 5 | 1.61% | * | * | * |
| Wilsonart | 700 | 6 | 1.60% | * | * | * |
| Wal-Mart | 655 | 7 | 1.48% | * | * | * |
| Meritor | 600 | 8 | 1.35% | * | * | * |
| Continental Teves | 522 | 9 | 1.17% | * | * | * |
| Borg Warner | 386 | 10 | 0.87% | * | * | * |

* Information not available from employer.

HENDERSON COUNTY, NORTH CAROLINA

Full-time-Equivalent County Government Employees by Function/Program, Last Ten Fiscal Years

| Function/Program | Full-time Equivalent Employees as of June 30 | | | | | |
|-----------------------------------|--|------|------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| General government | 75 | 76 | 77 | 77 | 83 | 87 |
| Public safety | 172 | 180 | 188 | 193 | 210 | 220 |
| Environmental protection | 23 | 23 | 23 | 21 | 22 | 22 |
| Economic and physical development | 28 | 28 | 29 | 20 | 21 | 18 |
| Human Services | 200 | 202 | 200 | 218 | 233 | 232 |
| Cultural and recreation | 44 | 44 | 46 | 40 | 47 | 47 |
| Total | 542 | 572 | 563 | 566 | 616 | 626 |

Source: Human Resources Department

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

Schedule 15

| 2003 | 2004 | 2005 | 2006 |
|------|------|------|------|
| 88 | 89 | 93 | 97 |
| 223 | 228 | 236 | 258 |
| 22 | 22 | 22 | 23 |
| 19 | 20 | 21 | 21 |
| 236 | 239 | 251 | 263 |
| 46 | 49 | 48 | 50 |

| | | | |
|-----|-----|-----|-----|
| 634 | 647 | 671 | 712 |
|-----|-----|-----|-----|

HENDERSON COUNTY, NORTH CAROLINA

Operating Indicators by Function Last Ten Fiscal Years

| | Fiscal Year | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Function | | | | | |
| <u>General Government</u> | | | | | |
| # of Registered Voters | 70,510 | 67,992 | 70,558 | 66,815 | 66,670 |
| <u>Public Safety</u> | | | | | |
| # of building permits issued | N/A | 4,151 | 4,158 | 4,040 | 4,112 |
| # of calls dispatched | N/A | 107,744 | 111,129 | 83,073 | 64,948 |
| <u>Human Services</u> | | | | | |
| # of food & lodging sites inspected | 1,701 | 1,654 | 1,686 | 1,605 | 1,586 |
| # of Health clients served | 9,317 | 9,503 | 9,477 | 9,187 | 8,763 |
| <u>Economic & Physical Development</u> | | | | | |
| Number of subdivision plan reviews | N/A | 36 | 22 | 20 | 21 |
| <u>Culture and Recreation</u> | | | | | |
| Library Book Circulation | N/A | 818,842 | 785,999 | 796,843 | 953,250 |
| <u>Education</u> | | | | | |
| Total \$ spent per ADM | \$ 2,406 | \$ 2,228 | \$ 2,299 | \$ 2,284 | \$ 2,181 |
| <u>Enterprise Fund-Landfill</u> | | | | | |
| Solid Waste Generated # tons/day | 400 | 400 | 400 | 400 | 400 |

Sources: Calendar year data for various governmental functions.

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

Schedule 16

| <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|-------------|-------------|-------------|-------------|-------------|
| 66,292 | 62,204 | 59,204 | 59,019 | 56,109 |
| 4,219 | 4,309 | 4,561 | 4,405 | 4,066 |
| 64,991 | 61,882 | 59,611 | 52,611 | N/A |
| 1,556 | 1,513 | 1,452 | 1,332 | 1,280 |
| 9,056 | 9,944 | 8,895 | 9,612 | 10,401 |
| 22 | 23 | 20 | 28 | 14 |
| 892,773 | 834,198 | 797,459 | 726,904 | 699,632 |
| \$ 1,873 | \$ 1,718 | \$ 1,746 | \$ 1,549 | \$ 1,541 |
| 400 | 300 | 300 | 300 | 247 |

HENDERSON COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function Last Ten Fiscal Years

| Function | Fiscal Year | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Public safety | | | | | |
| Sheriff Department: | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol Vehicles | 130 | 124 | 121 | 117 | 117 |
| Culture and Recreation | | | | | |
| Park Acreage | 320 | 305 | 305 | 305 | 305 |
| Parks | 7 | 7 | 7 | 7 | 7 |
| Ballfields and Courts | 31 | 27 | 27 | 27 | 27 |
| Libraries | 6 | 6 | 5 | 5 | 5 |

Sources: Various County Departments.

Schedule 17

| <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|-------------|-------------|-------------|-------------|-------------|
| 1 113 | 1 115 | 1 N/A | 1 N/A | 1 N/A |
| 305 | 305 | 305 | 305 | 300 |
| 7 | 7 | 7 | 7 | 6 |
| 27 | 27 | 27 | 27 | 26 |
| 5 | 5 | 5 | 5 | 5 |

COMPLIANCE SECTION

Gregg & Company, P.A.

J. ROGER GREGG, CPA

WILLIAM N. LEWIN, CPA

KEVIN S. KARPOWICZ, CPA

JOSEPH G. ARBOGAST, CPA

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

To the Board of Commissioners
Henderson County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of Henderson County, North Carolina, for the year ended June 30, 2006, which collectively comprises Henderson County's basic financial statements, and have issued our report thereon dated September 30, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, County 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.

M. Gregg Co.

September 30, 2006

Gregg & Company, P.A.

J. ROGER GREGG, CPA

WILLIAM N. LEWIN, CPA

KEVIN S. KARPOWICZ, CPA

JOSEPH G. ARBOGAST, CPA

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

To the County Commissioners
Henderson County, North Carolina

Compliance

We have audited the compliance of the 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, 2006. Henderson County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Henderson County's management. Our responsibility is to express an opinion on Henderson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2006.

Internal Control Over Compliance

The management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, County 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.

September 30, 2006



Gregg & Company, P.A.

J. ROGER GREGG, CPA

WILLIAM N. LEWIN, CPA

KEVIN S. KARPOWICZ, CPA

JOSEPH G. ARBOGAST, CPA

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

To the County Commissioners
Henderson County, North Carolina

Compliance

We have audited the compliance of Henderson County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. Henderson County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the 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 applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Henderson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2006.

Internal Control Over Compliance

The management of Henderson County is responsible for establishing and maintaining effective internal control over compliance with 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 and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of County 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.

September 30, 2006

Freight Co.

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2006

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that
are not considered to be material
weaknesses? _____ yes X none reported

Non-compliance material to financial
statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that
are not considered to be material
weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133? _____ yes X no

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2006

Identification of major federal programs:

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

Dollar threshold used to distinguish
between Type A and Type B programs: \$2,149,640

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that
are not considered to be material
weaknesses? yes X none reported

(continued)

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2006

Type of auditor's 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?

_____ yes

_____ X no

Identification of major state programs:

Program Name

Medicaid
Subsidized Child Care Cluster
Food Stamp Cluster
TANF-MOE
State Children's Insurance Program

Section II--Financial Statement Findings

None reported.

Section III--Federal Award Findings and Questioned Costs

None reported.

Section IV--State Award Findings and Questioned Costs

None reported.

HENDERSON COUNTY, NORTH CAROLINA

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended June 30, 2006

No audit findings reported for the years ended June 30, 2005 and 2004.

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2006

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> | <u>Federal (Direct and Pass- Through) Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------------------|---|--|-------------------------------|
| FEDERAL GRANTS: | | | | |
| <i>Cash Programs</i> | | | | |
| <u>US Department of Agriculture</u> | | | | |
| Passed through the NC Department of Health and Human Services: | | | | |
| Division of Public Health: | | | | |
| Administration: | | | | |
| Special Supplemental Food Program for Women, Infants and Children | * | 10.557 | \$ 359,283 | \$ - |
| Direct benefit payments: | | | | |
| Special Supplemental Food Program for Women, Infants and Children | * | 10.557 | 1,373,099 | - |
| Passed through the NC Department of Health and Human Services: | | | | |
| Division of Social Services: | | | | |
| Food Stamp Cluster: | | | | |
| Food Stamp Administration | * | 10.561 | 400,257 | - |
| Food Stamp Employment and Training | * | 10.561 | 1,488 | - |
| Food Stamp Fraud Administration | * | 10.561 | 2,856 | - |
| Food Stamp Program non-cash | * | 10.561 | 5,942,774 | - |
| Total Food Stamp Cluster | * | 10.551 | 6,347,375 | - |
| Total US Department of Agriculture | | | 8,079,757 | - |
| <u>Environmental Protection Agency</u> | | | | |
| Division of Water Quality | | | | |
| Nonpoint Source Implementation - Section 319 | | 66.202 | 401,053 | - |
| Total Environmental Protection Agency | | | 401,053 | - |

* Denotes Major Program

(continued)

HENDERSON COUNTY, NORTH CAROLINA**Schedule of Expenditures of Federal and State Awards**

For the Fiscal Year Ended June 30, 2006

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> | <u>Federal (Direct and Pass- Through) Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------------------|---|--|-------------------------------|
| <u>U.S. Election Assistance Commission:</u> | | | | |
| Passed through NC State Board of Elections: | | | | |
| HAVA Technology Grant | 90.401 | | 524,882 | - |
| HAVA 2005 Supplemental Technology Grant | 90.401 | | <u>8,820</u> | - |
| Total U.S. Election Assistance Commission | | | <u>533,702</u> | - |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed through NC Dept of Crime Control & Public Safety: | | | | |
| Emergency Management | 97.042 | | 31,280 | - |
| State Domestic Preparedness Equipment Support Program | 97.004 | | 18,267 | - |
| Homeland Security Grant Program | 97.067 | | <u>34,856</u> | - |
| Total U.S. Department of Homeland Security | | | <u>84,403</u> | - |
| <u>US Department of Health and Human Services</u> | | | | |
| Passed through NC Department of Health and Human Services: | | | | |
| Division of Public Health: | | | | |
| Immunization Action Plan | 93.268 | | \$ 17,938 | \$ - |
| Maternal and Child Health Services Block Grant: | | | | |
| Maternal Health | 93.994 | | 75,000 | - |
| Child Health | 93.994 | | 135,884 | - |
| Women's Preventive Health | 93.994 | | 22,381 | - |
| Women's Preventive Health-TANF | * 93.558 | | 6,127 | - |
| Cardiovascular Health | 93.945 | | 104,800 | - |
| NC Heart Disease and Stroke Prevention | 93.283 | | 24,570 | - |
| Health Promotion | 93.991 | | 14,989 | - |
| Bio-terrorism Grant | 93.283 | | 68,066 | - |
| TB Project | 93.116 | | 1,160 | - |
| Family Planning Outreach | 93.217 | | 30,710 | - |

(continued)

* Denotes Major Program

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2006

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> | <u>Federal (Direct and Pass- Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------------------|---|--|-------------------------------|
| <u>U.S. Department of Health and Human Services- cont.</u> | | | | |
| Passed through the NC Department of Health and Human Services: | | | | |
| Division of Social Services: | | | | |
| Administration: | | | | |
| TANF | * | 93.558 | 1,175,515 | - |
| Low-Income Home Energy Assistance Block Grant | | 93.568 | 82,258 | 13,111 |
| Low-Income Home Energy Assistance Direct Benefit payments | | 93.568 | 112,178 | |
| Direct Benefit Payments: | | | | |
| TANF | * | 93.558 | 818,787 | (1) |
| Child Support Enforcement | | 93.563 | 247,573 | - |
| Social Services Block Grant | * | 93.667 | 272,882 | 26,803 |
| Links | | 93.674 | 9,912 | 2,478 |
| AFDC- Trans Child Care | | 93.560 | (224) | (61) |
| Permanency Planning--Child Welfare Services | | 93.645 | 60,326 | 26,796 |
| Foster Care and Adoption Cluster: (Note 3) | | | | |
| Foster Care Administration | | 93.658 | 780,818 | 204,787 |
| Title IV-Adoption | | 93.659 | 512,285 | 65,994 |
| Adoption/Foster Care | | 93.659 | <u>235,606</u> | <u>28,000</u> |
| Total Foster Care and Adoption (Note 3) | | | 1,528,709 | 298,781 |
| Passed through the NC Department of Health and Human Services, Continued: | | | | |
| Division of Medical Assistance: | | | | |
| Administration: | | | | |
| Title XIX--Medicaid | * | 93.778 | 1,033,610 | 57,885 |
| Direct Benefit Payments: | | | | |
| Title XIX--Medicaid | * | 93.778 | 53,988,623 | 26,036,348 |
| N.C. Health Choice | | 93.767 | 52,649 | 4,863 |
| Division of Facility Services | | | | |
| Office of Emergency Medical Services | | | | |
| National Bioterrorism Hospital Preparedness | | 93.889 | 1,710 | |

(continued)

* Denotes Major Program

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2006

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> | <u>Federal (Direct and Pass- Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------------------|---|--|-------------------------------|
| Subsidized Child Care (Note 3) | | | | |
| <u>Child Care Development Fund Cluster</u> | | | | |
| Division of Social Services | | | | |
| Child Care Development Fund-Administration * | 93.596 | | 120,853 | - |
| Division of Child Development: | | | | |
| Child Care Development Fund – Discretionary * | 93.575 | | 937,442 | - |
| Child Care Development Fund - Mandatory * | 93.596 | | 445,398 | - |
| Child Care Development Fund - Match * | 93.596 | | 289,977 | 166,619 |
| Total Child Care Fund Cluster (Note 3) | | | 1,793,670 | 166,619 |
| Social Services Block Grant * | 93.667 | | 68,847 | - |
| Temporary Assistance for Needy Families * | 93.558 | | 299,603 | - |
| Smart Start | | | - | 119,296 |
| State Appropriations | | | - | 547,348 |
| More at Four State Funding | | | - | - |
| TANF-MOE | | | - | 422,460 |
| Total Subsidized Child Care Cluster | | | 2,162,120 | 1,255,722 |
| <u>Administration on Aging</u> | | | | |
| In-Home Services: | | | | |
| Title IIIB-1 | 93.044 | | 134,428 | 241,094 |
| Home Delivered Meals: | | | | |
| Title III | 93.045 | | 164,468 | 68,823 |
| SSBG - Respite | 93.667 | | 19,335 | 552 |
| Food Distribution | 10.570 | | 32,157 | - |
| Total Aging Cluster | | | 350,388 | 310,469 |
| Total US Department of Health and Human Services | | | 62,398,641 | 28,005,194 |
| <u>US Department of Justice</u> | | | | |
| Passed through NC Dept of Crime Control & Public Safety: | | | | |
| Drug Control and System Improvement | 16.579 | | 3,469 | - |
| Total US Department of Justice | | | 3,469 | - |

(continued)

* Denotes Major Program

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2006

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/Pass-Through Grantor's Number</u> | <u>Federal (Direct and Pass-Through) Expenditures</u> | <u>State Expenditures</u> |
|---|----------------------------|--|---|---------------------------|
| Passed through the NC Department of Transportation Governor's Highway Safety Program | 20.604 | | 15,064 | - |
| Total NC Department of Transportation | | | <u>15,064</u> | <u>-</u> |
| <u>US Department of Housing and Urban Development</u> | | | | |
| Passed through the North Carolina Department of Commerce: | | | | |
| Community Development Block Grant | 14.228 | 03-C-1188 | 22,272 | - |
| Community Development Block Grant | 14.228 | 03-C-1206 | 34,301 | - |
| Community Development Block Grant | 14.228 | 03-C-1340 | 17,701 | - |
| Community Development Block Grant | 14.228 | 03-C-1423 | <u>14,710</u> | <u>-</u> |
| Total Community Development Black Grant | | | <u>88,984</u> | <u>-</u> |
| Congressional Grants-EDI-Special Projects | 14.246 | | 49,600 | - |
| Total US Department of Housing and Urban Development | | | <u>\$ 138,584</u> | <u>-</u> |
| Scrap Tire Disposal Program | | | | |
| STATE ASSISTANCE | | | | |
| <u>NC Department of Health and Human Services</u> | | | | |
| Division of Public Heath: | | | | |
| General Aid to Counties | | | \$ - | \$ 28,732 |
| Communicable Disease | | | - | 2,586 |
| Tuberculosis Control | | | - | 11,722 |
| AIDS | | | - | 12,500 |
| Risk Reduction | | | - | 6,022 |
| Public Health Nurse Training | | | - | 1,200 |

(continued)

* Denotes Major Program

HENDERSON COUNTY, NORTH CAROLINA**Schedule of Expenditures of Federal and State Awards**

For the Fiscal Year Ended June 30, 2006

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> | <u>Federal (Direct and Pass- Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------------------|---|--|-------------------------------|
| Maternal Health | | | - | 33,900 |
| TB Medical Service | | | - | 540 |
| Women's Preventative Health | | | - | 7,000 |
| Division of Community Health: | | | | |
| Health Promotion | | | - | 5,000 |
| Division of Social Services: | | | | |
| Direct Benefit Payments: | | | | |
| State/County Special Assistance for Adults | | | - | 820,062 |
| State Aid to Counties | | | - | 47,640 |
| State Foster Home | | | - | 60,182 |
| Foster Children at Risk | | | - | 11,230 |
| Energy Private Grants | | | - | 2,826 |
| AFDC Incentive | | | - | 31 |
| TANF Incentive | | | - | 2,561 |
| State Adult Protective Service | | | - | 32,750 |
| CWS Adopt Subsidy & Vender | | | - | 121,094 |
| CPS Expansion | | | - | 168,705 |
| DCD SMART START | | | - | 72,919 |
| | | | - | |
| Total NC Department of Health and Human Services | | | - | 1,449,204 |
| <u>NC Department of Environmental And Natural Resources</u> | | | | |
| Division of Waste Management: | | | | |
| Clean Water Management Trust Fund | | | - | 259,449 |
| Scrap Tire Disposal Program | | | - | 43,325 |
| Environmental Health | | | - | 30,289 |
| Soil and Water Conservation | | | - | 37,336 |
| | | | - | |
| Total Environment and Natural Resources | | | - | 370,398 |
| <u>NC Department of Juvenile Justice and Delinquency Prevention</u> | | | | |
| Juvenile Crime Prevention Council Programs | | | - | 208,010 |

(continued)

* Denotes Major Program

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2006

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> | <u>Federal (Direct and Pass- Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------------------|---|--|-------------------------------|
| <u>NC Department of Administration</u> | | | | |
| Division of Veteran Affairs: Veteran's Administration | | | - | 2,000 |
| <u>NC Department of Cultural Resources</u> | | | | |
| Division of State Library: State Aid to Public Libraries | | | - | 151,248 |
| <u>NC Department of Transportation</u> | | | | |
| Public Transportation Division: | | | | |
| WSB | | 36234.83.21 | - | 21,466 |
| ROAP Elderly & Disabled Transportation | | DOT-16CL | - | 70,049 |
| ROAP Rural General Public Program | | DOT-16CL | - | 63,878 |
| ROAP Discretionary RGP Program | | DOT-16CL | - | 11,640 |
| Total NC Department of Transportation | | | - | 167,033 |
| <u>NC Department of Correction</u> | | | | |
| Criminal Justice Partnership Program: Implementation | | 45-0705-1-A | - | 121,941 |
| <u>NC Department of Crime Control & Public Safety</u> | | | | |
| Crisis Housing Assistance | | 045-0-04 | - | 22,400 |
| <u>Administrative Office of the Courts</u> | | | | |
| Safe Road Act | | | - | 10,143 |
| <u>NC Department of Public Instruction</u> | | | | |
| School Planning-Division of School Support Public School Building Capital Fund | | | - | 615,000 |
| Total Federal and State Awards | | | \$ 71,654,673 | \$ 31,150,570 |

(continued)

* Denotes Major Program

HENDERSON COUNTY, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2006

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

1. Basis of Presentation

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

2. Subrecipients

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

| <u>Program Title</u> | <u>CDFA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Federal Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------|--|---------------------------------|-------------------------------|
| Public School Building Capital Fund | | | \$ - | \$ 615,000 |
| Juvenile Crime Prevention Council Program | | | \$ - | \$ 208,010 |

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.