

HENDERSON COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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

HENDERSON COUNTY, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

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INTRODUCTORY SECTION

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HENDERSON COUNTY
FINANCE DEPARTMENT

HISTORIC COURTHOUSE ANNEX
113 NORTH MAIN STREET
HENDERSONVILLE, NC 28792

PHONE: 828-697-4821
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October 22, 2010

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, 2010 is hereby submitted. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The goal of the independent audit was to provide reasonable assurance that the financial statements of Henderson County for the fiscal year ended June 30, 2010 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, 2010 are fairly presented in conformity with GAAP.

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

For financial reporting purposes, in accordance with Governmental Accounting Standard Board, the County includes all funds of the primary government, as well as any component units. Component units are legally separate entities for which the primary government is financially accountable. For the fiscal year ended June 30, 2010, there is one blended component unit, the Cane Creek Water and Sewer District, and one discretely presented component unit, the Henderson County Hospital Corporation, which are required to be presented in the County's combined financial statements. The water and sewer district exists to provide and maintain water and sewer systems for county residents within the district. The County's Board of Commissioners serves as the governing board for the district. The district is reported as an Enterprise Fund in the County's financial statements. Henderson County Hospital Corporation is reported in the financial statements in a manner similar to a proprietary fund. The Board of Commissioners appoints the members of the Hospital Board. The County retains title to the Hospital facilities and leases them back to the Hospital for its operations. The Hospital has title to all personal property.

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

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

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

DESCRIPTION OF THE COUNTY

Henderson County was established in 1838 and is located in the western portion of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. It has land area of 375 square miles and a population of 105,221. There are five municipalities within the County, the largest being the city of Hendersonville, which serves as the county seat. The County has a commissioner/manager form of government. The five members of the Board of Commissioners are elected from districts on a partisan basis and serve staggered four-year terms. Commissioners hold policy-making and legislative authority. They are responsible for adopting the annual budget ordinance and appointing the county manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.

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

ECONOMIC CONDITIONS AND OUTLOOK

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

A balanced economic base of agriculture, tourism and manufacturing contributes to growth in the local economy. There are currently 557 farms, 37,947 acres of farmland and 16,546 acres of harvested cropland in the County. The average farm size is 68 acres. The main agricultural income in the County continues to be produced from greenhouses and nurseries at \$52.2 million and vegetables, fruit and berries at \$37.4 million.

Travel and tourism continues to be the second largest industry in North Carolina. The County's tourism industry continues to be strong due to its location, seasonal climate, and the variety of activities to do and sights to see. However, the benefit derived from tourists visiting the County in FY2010 decreased somewhat due to the effects of a slow economic recovery. Our local Travel and Tourism Department does an excellent job of promoting the County and surrounding areas. The County is home to the State Theater of North Carolina, the Flat Rock Playhouse and Carl Sandburg's Home, a national historic site. The world renowned Biltmore Estate is just a short drive

in a neighboring County. There are a number of camps, hiking trails and waterfalls to view in and around the County. The most current value by the State of North Carolina of the economic impact of tourism to the County is estimated to be \$189.1 million.

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

<u>Fiscal Year</u>	<u>Permits</u>	<u>Dollar Value</u>	<u>Unemployment Rates</u>
2010	694	\$63,641,640	8.2%
2009	380	\$89,643,301	9.5%
2008	899	\$244,871,832	4.6%
2007	1,350	\$262,826,473	3.6%
2006	1,112	\$217,185,218	3.7%

Permits for new residential and commercial construction remain down substantially as the economy continues to slowly recover from the 2009 financial crisis. The dollar value of new construction was down \$26 million or 29 percent from FY2009. The local unemployment rate improved during the fiscal year, but still remained at a high level as employers continue to be cautious on expanding their operations due to the economy.

Manufacturing continues to rank first in employment with a current annual estimated value of \$231.9 million. The County continues to offer and provide economic incentive payments to companies based on the number of new hires and the total new taxable investment planned in an effort to attract new industry and to help existing industry to expand,. The primary reasons and criteria for offering these incentives are to attract industry with higher paying jobs that have operations which will cause little or no environmental impact. The expansion of existing industry has been the primary focus and recipient of economic incentive payments provided by the Board of Commissioners. The following table lists the major manufacturing employers in the County:

<u>Company Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Wilsonart International	Laminated plastics	620
Meritor Vehicle Systems	Truck axles	444
Continental Teves, Inc.	Automotive brake systems	424
UPM Raflatac, Inc.	Paper products	300
Kimberly-Clark	Health products	198
Borg-Warner	Automotive cooling systems	188
Manual Woodworkers	Wooden crafts and woven products	186
Kyocera Feldmuehle, Inc.	Industrial ceramics	186
Printpack, Inc.	Paper products	134

MAJOR INITIATIVES

FOR THE YEAR. The Board of Commissioners adopted a balanced budget for the fiscal year with no change in the county-wide ad valorem property tax rate of 46.2 cents per \$100 dollars of valuation. Total General Fund revenues decreased by \$6.2 million or 5.5 percent over the previous fiscal year primarily from a significant decrease in local option sales tax receipts. Total General Fund expenditures decreased by \$7.0 million or 6.3 percent over FY2009. Total General Fund Balance increased by \$1.83 million to \$37,042,137 while Unreserved/Undesignated General Fund Balance decreased by \$3.2 million to \$23,498,852. With exception of the Travel and Tourism Fund, all other Governmental Funds ended the fiscal year in a positive financial position. The County's three Enterprise Funds continued to be self-supporting in FY2010 while increasing net assets at fiscal year-end.

The Board was very proactive in providing resources for school system and community college facility repairs and renovations in FY2010. A total of \$4 million was financed to repair facilities for the public schools system-wide and \$2 million was financed to repair facilities campus-wide at Blue Ridge Community College. A favorable interest rate environment for financing including federal interest payment subsidies for some of the borrowing and low construction costs played a major role in the Board's decision-making process to do these repair and renovation projects in a down economy.

The Board also approved financing for \$6.6 million to build a new classroom facility at Apple Valley Middle and North Henderson High Schools due to growth in this area of the County. This two-story classroom building will be utilized by both schools on the existing co-located campus. Also, a major project to repair waterline infrastructure at the same two schools was completed in FY2010.

Architectural design and planning began for construction of a new 60,000 square foot Law Enforcement Center, with an estimated project cost of \$7.3 million, and repairs and renovations to the former Public Health Department Building to be utilized as a Development Services Center with an estimated project cost of \$1.4 million. Bids for both of these projects will be awarded in early FY2011 and construction is expected to start in the second quarter. A total of \$7.5 million will be financed for these two projects. The balance of funds needed to pay project costs will come from the County's Capital Reserve Fund.

The County also took advantage of low interest rates to refinance \$18.8 million in outstanding debt through the issuance of Limited Obligation Bonds in FY2010. The net present value savings realized from this refinancing was \$1,025,440 or 5.40 percent which far exceeded the County's savings threshold of 3 percent. This amounts to average annual savings of \$110,000 over the next ten fiscal years.

The County's Limited Obligation Bond debt issuance also enjoyed a strong reception in the marketplace receiving upgrades from two of the major rating agencies. Moody's Investors Service recalibrated the County's outstanding General Obligation Bonded Debt to Aa2 and Standard & Poor's upgrade to AA was a very significant and strong indication of the County's solid financial position and management practices.

The Board's Debt Capacity Policy states that total outstanding debt may not exceed 3 percent of the total assessed property value for the fiscal year and total debt service payments may not exceed 15

percent of total General Fund expenditures. Both of these debt capacity measures were met for FY2010.

FOR THE FUTURE. With the economy continuing its slow recovery, the Board again exercised caution in planning for the FY2011 budget by appropriating conservative revenues and expenditures without any tax increase. However, the Board did appropriate over \$6 million in Unreserved General Fund Balance to balance the FY2011 budget primarily to cover a shortfall in major revenue sources and additional debt service required for school and community college capital projects. With uncertainty over future sales tax receipts and declining market values on real property coupled with no turnaround in residential and commercial capital investment activity, increased pressure will be placed on the ad valorem property tax rate to continue providing the current level of services without major cuts in future operating budgets.

FACTORS AFFECTING FINANCIAL CONDITION

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

FUND BALANCE. Fund balance should always be measured based on the portion that is available for appropriation at the end of the fiscal year. The Board's Fund Balance Policy is to have at least 12 percent in General Fund Unreserved/Undesignated Fund balance at fiscal year-end. Henderson County had \$23.5 million in Unreserved/Undesignated General Fund Balance or 22.01 percent of total General Fund expenditures including transfers to other funds. The Local Government Commission of the North Carolina Department of State Treasurer recommends that local governments have at least 8 percent of General Fund Expenditures in Unreserved/Undesignated General Fund Balance available for appropriation.

OTHER POSTEMPLOYMENT BENEFITS. Henderson County maintains a retiree medical plan in which the County pays 100 percent of the employee-only coverage for retirees until age 65. In general, retirees must have at least 30 years of service with the County or are at least 55, but not Medicare eligible, with a minimum of 10 years of service with the County and have a combined age and years of service total of at least 70. Retired employees meeting these criteria will be provided hospitalization in the same manner as active County employees. The County pays 100 percent of the payments for any retiree with 30 or more years of service with the County or a combined age and years of service total of at least 80. Reduced contribution rates are made by the County for retirees with a combined age and years of service that total 70 or 75 at retirement. In fiscal year ended June 30, 2009, the County adopted procedures under Governmental Accounting Standards Board (GASB) Statements No. 43 and 45 for reporting and accounting for other post-employment benefits (OPEB). This is the second year the County has been reporting according to these OPEB requirements.

OTHER INFORMATION

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

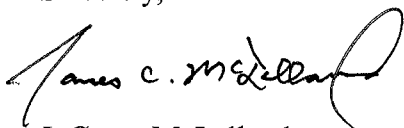
AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2009. This was the twenty-first consecutive year Henderson County received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

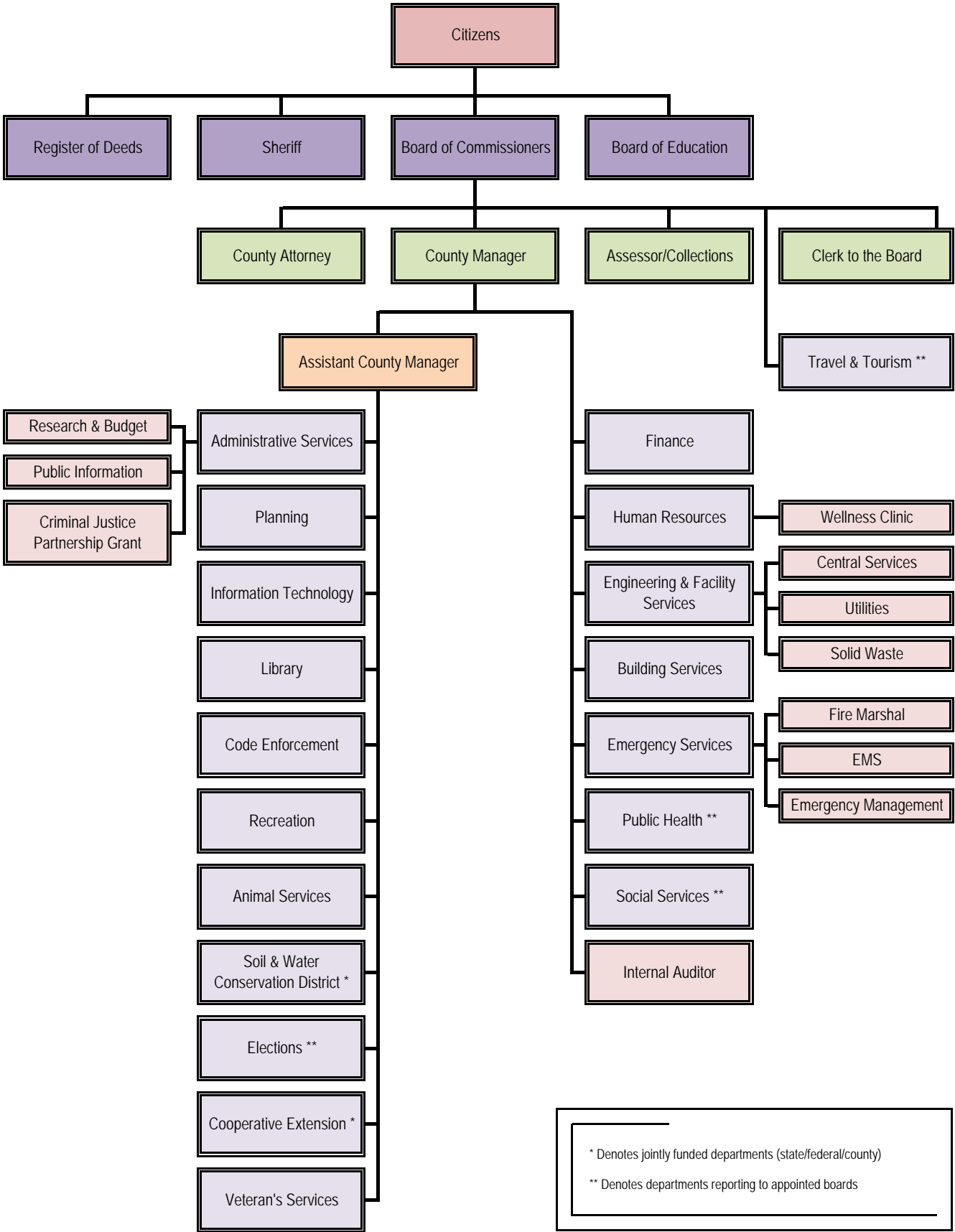
ACKNOWLEDGMENTS. A combined effort of Martin Starnes & Associates, CPAs, P.A., the Henderson County Finance Department Staff, the Internal Auditor and County Departments made preparation of this comprehensive annual financial report possible. Each has my sincere appreciation for their contributions made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

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

Sincerely,



J. Carey McLelland
Finance Director



HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2010

Board of Commissioners

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

County Officials

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Henderson County
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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FINANCIAL SECTION

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

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Henderson County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Henderson County Hospital Corporation. Those financial statements were audited by other auditors whose report thereon has been furnished to us and, our opinion, insofar as it relates to the amounts included for the Henderson County Hospital Corporation, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Henderson County Hospital Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund and the Fire District Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010 on our consideration of Henderson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of Henderson County, North Carolina. The introductory section, individual fund financial statements and schedules, combining nonmajor governmental statements, budgetary schedules, agency fund statements, other schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 22, 2010

HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2010

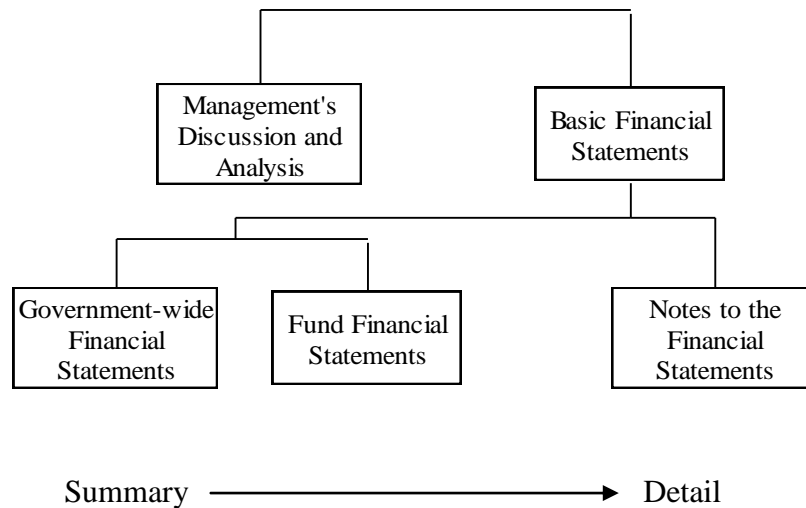
As management of Henderson County, we offer readers of Henderson County's financial statements this narrative overview and analysis of the financial activities of Henderson County for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with 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 \$18.6 million (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$84,091,642 and \$15,269,000 in long-term debt associated with assets belonging to the Henderson County Board of Public Education and Blue Ridge Community College, respectively. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County reports a net deficit in unrestricted net assets.
- The County's total net assets decreased by \$2.3 million. Net assets in the governmental activities decreased by \$2.8 million due primarily from the significant decrease in local option sales tax revenue. Net assets in the business-type activities increased by \$443 thousand as a result of an increase in charges for services in the Landfill Fund and the Cane Creek Water and Sewer District.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$52,439,469, an increase of \$6,537,774, in comparison with the prior year. Approximately 86 percent of this total amount, or \$44,875,724, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$23,498,852, or 22.01 percent of total General Fund expenditures, including transfers to other funds for the fiscal year.
- Henderson County's total general obligation, limited obligation and installment note debt increased \$5,048,329 (4.14 percent) during the current fiscal year primarily from current year debt issuance for new school and community college capital projects.

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, 2010 are modified to incorporate implementation of Governmental Accounting Standards Board Statement Number 34 (GASB 34). For many years, the primary focus of local government financial statements has been summarized by fund type information. GASB 34 added government-wide financial statements to the presentation, thus, providing two different pictures of the County's financial operations.

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through K) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The final section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's nonmajor governmental funds and nonmajor proprietary fund, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's Law Enforcement Officers' Special Separation Allowance.

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Henderson County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found beginning on page 69 of this report.

Government-Wide Financial Analysis

Figure 2

Henderson County's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 63,540,636	\$ 56,977,573	\$ 9,748,196	\$ 9,657,372	\$ 73,288,832	\$ 66,634,945
Capital assets	73,588,639	76,192,345	17,566,986	17,300,793	91,155,625	93,493,138
Total assets	137,129,275	133,169,918	27,315,182	26,958,165	164,444,457	160,128,083
Liabilities:						
Long-term liabilities	131,212,085	123,976,380	4,297,659	4,786,247	135,509,744	128,762,627
Other liabilities	9,413,837	9,868,121	857,725	455,848	10,271,562	10,323,969
Total liabilities	140,625,922	133,844,501	5,155,384	5,242,095	145,781,306	139,086,596
Net Assets:						
Invested in capital assets, net of related debt	45,283,045	46,920,197	15,562,023	14,917,293	60,845,068	61,837,490
Restricted	343,790	-	-	-	343,790	-
Unrestricted	(49,123,482)	(47,594,779)	6,597,775	6,798,777	(42,525,707)	(40,796,002)
Total net assets	\$ (3,496,647)	\$ (674,582)	\$ 22,159,798	\$ 21,716,070	\$ 18,663,151	\$ 21,041,488

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 \$18,663,151 as of June 30, 2010. The County's net assets decreased by \$2,378,337 for the fiscal year ended June 30, 2010. Net assets of the County are reported in three categories: invested in capital assets, net of related debt of \$60,845,068; restricted net assets of \$343,790; and unrestricted net assets of (\$42,525,707).

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.

Restricted net assets consist of restrictions for Register of Deeds.

Another category of net assets is unrestricted net assets. At June 30, 2010, the total net deficit of (\$42,525,707) is primarily attributable to the governmental activities unrestricted net deficit balance of (\$49,123,482).

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 \$99.4 million of outstanding debt on the County's financial statements was related to assets included in the school system and the community college's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

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

- Continued diligence in the collection of all revenue sources, both current and delinquent
- A strong property tax collection rate of 97.41 percent
- Other budgetary control efforts, including the cutoff of departmental spending prior to fiscal year-end
- Actual expenditures, transfer, and other financing uses in the General Fund were less than the budgeted amount by \$5.0 million
- Revenues and other financing sources in the General Fund exceeded expenditures, transfers and other financing uses by \$1.8 million

Governmental Activities. Governmental activities decreased the County's net assets by \$2,822,065, or 118.6 percent of the total decrease in the net assets of the Henderson County.

Business-Type Activities. Business-type activities increased the County's net assets by \$443,728, or an 18.7 percent increase in the net assets of the Henderson County. See figure 3.

Financial Analysis of the County's Funds

Figure 3

Henderson County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 7,506,401	\$ 9,366,480	\$ 5,590,190	\$ 5,616,874	\$ 13,096,591	\$ 14,983,354
Operating grants and contributions	21,998,250	24,142,255	135,743	201,061	22,133,993	24,343,316
Capital grants and contributions	1,669,138	-	162,590	228,096	1,831,728	228,096
General revenues:						
Property taxes	67,341,066	66,151,942	-	-	67,341,066	66,151,942
Other taxes	18,025,844	23,093,657	-	-	18,025,844	23,093,657
Other	614,221	1,220,152	48,271	446,576	662,492	1,666,728
Total revenues	117,154,920	123,974,486	5,936,794	6,492,607	123,091,714	130,467,093
Expenses:						
General government	12,790,053	17,377,905	-	-	12,790,053	17,377,905
Public safety	31,522,260	29,733,774	-	-	31,522,260	29,733,774
Environmental protection	620,661	819,015	-	-	620,661	819,015
Economic and physical development	3,019,284	3,131,673	-	-	3,019,284	3,131,673
Human services	29,464,315	32,525,413	-	-	29,464,315	32,525,413
Cultural and recreational	4,522,827	3,139,072	-	-	4,522,827	3,139,072
Education	32,884,958	48,916,897	-	-	32,884,958	48,916,897
Interest on long-term debt	5,331,691	5,502,008	-	-	5,331,691	5,502,008
Solid waste disposal	-	-	4,365,097	4,110,540	4,365,097	4,110,540
Other	-	-	948,905	894,491	948,905	894,491
Total expenses	120,156,049	141,145,757	5,314,002	5,005,031	125,470,051	146,150,788
Increase (decrease) in net assets before transfers	(3,001,129)	(17,171,301)	622,792	1,487,576	(2,378,337)	(15,683,725)
Transfers	179,064	165,492	(179,064)	(165,492)	-	-
Increase (decrease) in net assets	(2,822,065)	(17,005,809)	443,728	1,322,084	(2,378,337)	(15,683,725)
Net assets, beginning	(674,582)	16,331,227	21,716,070	20,393,986	21,041,488	18,549,927
Net assets, ending	\$ (3,496,647)	\$ (674,582)	\$ 22,159,798	\$ 21,716,070	\$ 18,663,151	\$ 21,041,488

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 \$23,498,852, while total fund balance was \$37,042,137. 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 22.20 percent of total General Fund expenditures, while total fund balance represents 35.45 percent of that same amount.

At June 30, 2010, the governmental funds of the County reported a combined fund balance of \$52,439,469, a 14.24 percent increase from last year. The primary reason for this increase was due to new loan proceeds being reported in the General and School Capital Project Funds from the issuance of new debt for school and community college capital projects.

General Fund Budgetary Highlights. The County experienced another successful year financially in FY2010 due in large part to the Board of Commissioner's approval of a very conservative, fiscally-responsible budget with little growth in revenues. Management's diligence in monitoring departmental budgets resulted in total expenditures being \$5.0 million under budget at fiscal year-end. These positive actions allowed the County to add \$1.8 million to General Fund Reserves during another year of slow economic recovery. On the revenue side, ad valorem property tax and sales tax revenues were a combined \$511,271 over budget. However, this positive variance was offset by a total of \$3.6 million in negative budget variances in all but one of the other General Fund revenue source categories.

Total fiscal year 2010 revenues decreased by \$6.2 million, or 5.5 percent over the prior fiscal year, as compared to expenditures which decreased by \$7.0 million or 6.3 percent over FY2009. The significant decrease in expenditures over the previous fiscal year is primarily within the General Government, Human Services, and Debt Service categories and is attributable to new cost allocations to other Governmental and Enterprise Funds, less federal and State grant funding received than anticipated and lower total debt service payments made compared to the previous fiscal year. Total General Fund balance increased \$1.8 million, while the amount of unreserved/undesignated fund balance that is available for appropriation decreased by \$3.2 million at fiscal year-end primarily from the appropriation of \$6.4 million to balance the FY2011 budget.

The County revised the budget on several occasions during the fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues and expenditures by \$2,205,726, or 2.0 percent of the original budget. Declining revenues collections were realized in seven out of nine major revenue categories. The negative revenue variances were due in large part to the current economy which produced lower sales tax receipts, higher unemployment, a continued slowdown in commercial and residential development activity, less federal and State grant funding received than anticipated, a significant decline in investment earnings due to very low interest rates, and unrealized revenues in the miscellaneous category.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of all the proprietary funds at the end of the fiscal year amounted to \$6,597,775. During the fiscal year 2010, proprietary fund net assets increased \$443,728. The increase in total net assets for the proprietary funds is primarily due to increase in charges for services in the Landfill Fund and the Cane Creek Water and Sewer District.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2010 totals \$91,155,625 (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	
	2010	2009	2010	2009	2010	2009
Land	\$ 10,731,187	\$ 10,731,187	\$ 1,965,974	\$ 1,965,974	\$ 12,697,161	\$ 12,697,161
Buildings	58,316,235	60,497,757	-	-	58,316,235	60,497,757
Plant and distribution systems	-	-	14,395,825	14,667,330	14,395,825	14,667,330
Equipment	1,973,597	1,913,590	590,924	342,955	2,564,521	2,256,545
Vehicles and motor equipment	1,814,406	2,040,715	10,881	30,017	1,825,287	2,070,732
Construction in progress	753,214	1,009,097	603,382	294,517	1,356,596	1,303,614
Total	\$ 73,588,639	\$ 76,192,346	\$ 17,566,986	\$ 17,300,793	\$ 91,155,625	\$ 93,493,139

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

Long-Term Debt. As of June 30, 2010, Henderson County had total bonded debt outstanding of \$18,880,000 backed by the full faith, credit and taxing power of the County. The County also has multiple installment notes outstanding, of which the majority is related to debt issued for the construction and renovation of school, county and community college facilities. A summary of long-term debt is shown in Figure 5.

Figure 5

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ -	\$ 1,060,000	\$ -	\$ -	\$ -	\$ 1,060,000
Limited obligation bonds	17,037,084	-	1,842,916	-	18,880,000	-
Installment notes payable	<u>108,095,713</u>	<u>118,563,334</u>	<u>79,450</u>	<u>2,383,500</u>	<u>108,175,163</u>	<u>120,946,834</u>
Total	<u>\$ 125,132,797</u>	<u>\$ 119,623,334</u>	<u>\$ 1,922,366</u>	<u>\$ 2,383,500</u>	<u>\$ 127,055,163</u>	<u>\$ 122,006,834</u>

Henderson County's total long-term debt increased by \$5,048,329 (4.14 percent) during the past fiscal year.

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

Standard & Poors	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 \$919,577,140.

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

Economic Factors and Next Year's Budget and Rates

The County of Henderson has approved a conservative \$111,189,176 General Fund budget for fiscal year 2011, which represents a 0.5 percent decrease from the final FY2010 budget. The ad valorem property tax rate remained unchanged from the previous fiscal year at 46.2 cents per \$100 of assessed valuation.

The following factors were considered when developing the FY2011 budget:

- Funding new debt service for school and community college capital projects
- Requests for additional schools and community college funding
- A continued slow economic recovery process locally and regionally
- Less than 1.5 percent growth anticipated in the ad valorem property tax base
- Lower sales tax revenue projections based on previous fiscal year collections and other factors
- Expected increases in the cost of utilities and fuel
- Maintaining an adequate unreserved fund balance meeting Board Policy requirements
- The continued rising cost of healthcare for employees

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities. A very small amount of growth was budgeted for current year property tax collections as the ad valorem property tax base is projected to grow less than 1.5 percent for FY2011. Downward adjustments were made in projected sales tax revenues as well based on previous fiscal year collections, a continued slow economic recovery, unemployment and less consumer spending expected. The State was also considering withholding a major restricted revenue source, North Carolina Education Lottery Funds, budgeted at \$900,000 in FY2011 and is used entirely by the County to pay schools debt service. Unreserved General Fund balance of \$6,418,905 was appropriated to cover primarily the decline in available revenues and increases in school and community college funding for new debt service and operations. County departments were charged with holding the line on operational expenditures with no cost of living increase and a very small amount for performance pay.

Business-Type Activities. The solid waste tipping fee of \$52 per ton for the Solid Waste Landfill Enterprise Fund will remain the same for FY2011. No growth in solid waste revenues is projected for FY2011 and while revenues are estimated to offset the projected operating costs for the facilities, they are not expected to add to reserves as significantly as in past fiscal years. A large capital project to improve the Landfill Transfer Station Facilities will commence during FY2011 and continue on into the following fiscal year. These capital improvements will be funded primarily from reserves in the Landfill Enterprise Fund. Also, a new contract for the transportation and disposal of the County's waste will begin in FY2011 with a minimal increase in the per ton cost.

The Cane Creek Water and Sewer District and Justice Academy Sewer Fund rates for service remain unchanged for FY2011. Residential and commercial growth in the District has continued to slow down due to current economic conditions. District user fees were again budgeted flat for

FY2011 based on actual fee collections in FY2010. The budgeted revenues are expected to cover operating expenses of the Fund while adding to reserves for future infrastructure needs. Operating revenues and expenses in the Justice Academy Sewer Fund are expected to remain constant in FY2011.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS – OVERVIEW

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HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS **JUNE 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation
Assets:				
Current assets:				
Cash and cash equivalents	\$ 52,744,496	\$ 9,075,709	\$ 61,820,205	\$ 8,911,373
Investments	-	-	-	43,409,560
Investment in affiliate	-	-	-	85,288
Taxes receivable, net	2,170,578	-	2,170,578	-
Receivables, net	7,304,796	672,487	7,977,283	25,023,735
Pledges receivable	-	-	-	242,955
Inventories	34,082	-	34,082	2,353,312
Prepaid items	136,140	-	136,140	1,014,261
Restricted cash and cash equivalents	1,150,544	-	1,150,544	34,148
Restricted investments	-	-	-	3,506,421
Total current assets	<u>63,540,636</u>	<u>9,748,196</u>	<u>73,288,832</u>	<u>84,581,053</u>
Capital assets:				
Land and construction in progress	11,484,401	2,569,356	14,053,757	5,716,039
Other capital assets, net of depreciation	<u>62,104,238</u>	<u>14,997,630</u>	<u>77,101,868</u>	<u>62,517,578</u>
Total capital assets	<u>73,588,639</u>	<u>17,566,986</u>	<u>91,155,625</u>	<u>68,233,617</u>
Other assets	-	-	-	47,887
Total assets	<u>137,129,275</u>	<u>27,315,182</u>	<u>164,444,457</u>	<u>152,862,557</u>
Liabilities:				
Accounts payable and accrued expenses	9,059,019	857,725	9,916,744	15,673,474
Third-party payer settlements	-	-	-	4,086,758
Unearned revenue	354,818	-	354,818	62,711
Long-term liabilities:				
Due within one year	10,008,808	308,903	10,317,711	1,327,115
Due in more than one year	<u>121,203,277</u>	<u>3,988,756</u>	<u>125,192,033</u>	<u>12,058,264</u>
Total liabilities	<u>140,625,922</u>	<u>5,155,384</u>	<u>145,781,306</u>	<u>33,208,322</u>
Net Assets:				
Invested in capital assets, net of related debt	45,283,045	15,562,023	60,845,068	54,848,238
Restricted for:				
Register of Deeds	343,790	-	343,790	-
Debt service	-	-	-	885,891
By donor	-	-	-	4,316,103
Unrestricted	<u>(49,123,482)</u>	<u>6,597,775</u>	<u>(42,525,707)</u>	<u>59,604,003</u>
Total net assets	<u>\$ (3,496,647)</u>	<u>\$ 22,159,798</u>	<u>\$ 18,663,151</u>	<u>\$ 119,654,235</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 12,790,053	\$ 565,665	\$ 974,454	\$ 48,242
Public safety	31,522,260	4,471,480	1,649,828	-
Environmental protection	620,661	-	47,252	740,216
Economic and physical development	3,019,284	1,687,452	81,645	880,680
Human services	29,464,315	536,580	17,675,287	-
Cultural and recreational	4,522,826	245,224	242,402	-
Education	32,884,958	-	1,327,382	-
Interest on long-term debt	5,331,692	-	-	-
Total governmental activities	<u>120,156,049</u>	<u>7,506,401</u>	<u>21,998,250</u>	<u>1,669,138</u>
Business-Type Activities:				
Landfill	4,365,097	4,188,696	135,743	-
Cane Creek Water and Sewer	907,057	1,335,494	-	162,590
Other business-type activities	41,848	66,000	-	-
Total business-type activities	<u>5,314,002</u>	<u>5,590,190</u>	<u>135,743</u>	<u>162,590</u>
Total primary government	<u>\$ 125,470,051</u>	<u>\$ 13,096,591</u>	<u>\$ 22,133,993</u>	<u>\$ 1,831,728</u>
Component Unit:				
Henderson County Hospital Corporation	<u>\$ 122,619,130</u>	<u>\$ 129,103,813</u>	<u>\$ -</u>	<u>\$ 350,090</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Miscellaneous, unrestricted

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation
\$ (11,201,692)	\$ -	\$ (11,201,692)	
(25,400,952)	-	(25,400,952)	
166,807	-	166,807	
(369,507)	-	(369,507)	
(11,252,448)	-	(11,252,448)	
(4,035,200)	-	(4,035,200)	
(31,557,576)	-	(31,557,576)	
<u>(5,331,692)</u>	<u>-</u>	<u>(5,331,692)</u>	
<u>(88,982,260)</u>	<u>-</u>	<u>(88,982,260)</u>	
-	(40,658)	(40,658)	
-	591,027	591,027	
<u>-</u>	<u>24,152</u>	<u>24,152</u>	
<u>-</u>	<u>574,521</u>	<u>574,521</u>	
<u>(88,982,260)</u>	<u>574,521</u>	<u>(88,407,739)</u>	
			<u>\$ 6,834,773</u>
67,341,066	-	67,341,066	-
16,265,083	-	16,265,083	-
1,760,761	-	1,760,761	-
614,221	48,271	662,492	737,008
-	-	-	391,305
<u>179,064</u>	<u>(179,064)</u>	<u>-</u>	<u>-</u>
<u>86,160,195</u>	<u>(130,793)</u>	<u>86,029,402</u>	<u>1,128,313</u>
(2,822,065)	443,728	(2,378,337)	7,963,086
<u>(674,582)</u>	<u>21,716,070</u>	<u>21,041,488</u>	<u>111,691,149</u>
<u>\$ (3,496,647)</u>	<u>\$ 22,159,798</u>	<u>\$ 18,663,151</u>	<u>\$ 119,654,235</u>

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

HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS **JUNE 30, 2010**

	<u>General</u>	<u>General Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Fire Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 36,217,534	\$ 1,773,191	\$ 8,538,566	\$ 1,564,196	\$ 4,651,009	\$ 52,744,496
Taxes receivable, net	2,170,578	-	-	-	-	2,170,578
Other receivables, net	6,493,948	96,202	142,250	-	572,396	7,304,796
Due from other funds	195,236	-	-	-	-	195,236
Inventories	34,082	-	-	-	-	34,082
Prepaid items	136,140	-	-	-	-	136,140
Restricted assets:						
Cash and investments	-	-	-	-	1,150,544	1,150,544
Total assets	<u>\$ 45,247,518</u>	<u>\$ 1,869,393</u>	<u>\$ 8,680,816</u>	<u>\$ 1,564,196</u>	<u>\$ 6,373,949</u>	<u>\$ 63,735,872</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,613,655	\$ 166,067	\$ 1,063,460	\$ 1,501,752	\$ 102,063	\$ 4,446,997
Accrued payroll liabilities	3,900,022	-	-	-	-	3,900,022
Due to other funds	-	-	-	-	195,236	195,236
Deferred revenues	2,691,704	-	-	62,444	-	2,754,148
Total liabilities	<u>8,205,381</u>	<u>166,067</u>	<u>1,063,460</u>	<u>1,564,196</u>	<u>297,299</u>	<u>11,296,403</u>
Fund Balances:						
Reserved for:						
State statute	6,522,876	-	-	-	526,857	7,049,733
Inventories	34,082	-	-	-	-	34,082
Prepaid items	136,140	-	-	-	-	136,140
Register of Deeds	343,790	-	-	-	-	343,790
Unreserved, designated for:						
Subsequent year's budget	6,418,905	-	-	-	-	6,418,905
Drug enforcement	87,492	-	-	-	-	87,492
Unreserved, undesignated:	23,498,852	1,703,326	7,617,356	-	-	32,819,534
Unreserved, reported in nonmajor:						
Debt service funds	-	-	-	-	1,593,049	1,593,049
Special revenue funds	-	-	-	-	3,956,744	3,956,744
Total fund balances	<u>37,042,137</u>	<u>1,703,326</u>	<u>7,617,356</u>	<u>-</u>	<u>6,076,650</u>	<u>52,439,469</u>
Total liabilities and fund balances	<u>\$ 45,247,518</u>	<u>\$ 1,869,393</u>	<u>\$ 8,680,816</u>	<u>\$ 1,564,196</u>	<u>\$ 6,373,949</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	73,588,639
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	2,399,330
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(131,212,085)
Some liabilities, including accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	(712,000)
Net assets of governmental activities	<u>\$ (3,496,647)</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	General Capital Projects Fund	School Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	\$ 60,577,626	\$ -	\$ -	\$ 6,530,712	\$ -	\$ 67,108,338
Local option sales taxes	16,265,083	-	-	-	-	16,265,083
Other taxes and licenses	828,879	-	-	-	887,775	1,716,654
Unrestricted intergovernmental revenues	44,107	-	-	-	-	44,107
Restricted intergovernmental revenues	20,865,971	48,242	-	-	1,620,896	22,535,109
Permits and fees	1,303,741	-	-	-	-	1,303,741
Sales and services	5,516,305	-	-	-	90,632	5,606,937
Investment earnings	470,856	33,456	22,312	10,658	76,939	614,221
Miscellaneous	908,511	47,960	175,808	-	559,878	1,692,157
Total revenues	<u>106,781,079</u>	<u>129,658</u>	<u>198,120</u>	<u>6,541,370</u>	<u>3,236,120</u>	<u>116,886,347</u>
Expenditures:						
Current:						
General government	8,696,085	1,238,245	-	-	572,320	10,506,650
Public safety	23,688,721	-	-	6,541,370	886,266	31,116,357
Environmental protection	573,159	-	-	-	39,380	612,539
Economic and physical development	1,216,066	-	-	-	1,748,171	2,964,237
Human services	28,816,389	-	-	-	-	28,816,389
Cultural and recreation	4,356,866	-	-	-	-	4,356,866
Intergovernmental:						
Education	23,247,961	-	9,636,997	-	-	32,884,958
Debt service:						
Principal retirement	8,808,647	-	-	-	138,576	8,947,223
Interest and other charges	5,099,807	509,674	-	-	3,354	5,612,835
Total expenditures	<u>104,503,701</u>	<u>1,747,919</u>	<u>9,636,997</u>	<u>6,541,370</u>	<u>3,388,067</u>	<u>125,818,054</u>
Revenues over (under) expenditures	<u>2,277,378</u>	<u>(1,618,261)</u>	<u>(9,438,877)</u>	<u>-</u>	<u>(151,947)</u>	<u>(8,931,707)</u>
Other Financing Sources (Uses):						
Transfers from other funds	1,786,390	-	-	-	1,733,596	3,519,986
From General Fund	-	481,000	-	-	-	481,000
Transfers to other funds	(2,233,595)	(1,508,000)	-	-	(80,327)	(3,821,922)
Installment financing issued	-	1,999,999	12,687,900	-	-	14,687,899
Refunding Bonds issued	-	17,037,084	-	-	-	17,037,084
Payments to escrow agents	-	(17,282,996)	-	-	-	(17,282,996)
Bond premium	-	848,430	-	-	-	848,430
Total other financing sources (uses)	<u>(447,205)</u>	<u>1,575,517</u>	<u>12,687,900</u>	<u>-</u>	<u>1,653,269</u>	<u>15,469,481</u>
Net change in fund balances	1,830,173	(42,744)	3,249,023	-	1,501,322	6,537,774
Fund Balances:						
Beginning of year - July 1	<u>35,211,964</u>	<u>1,746,070</u>	<u>4,368,333</u>	<u>-</u>	<u>4,575,328</u>	<u>45,901,695</u>
End of year - June 30	<u>\$ 37,042,137</u>	<u>\$ 1,703,326</u>	<u>\$ 7,617,356</u>	<u>\$ -</u>	<u>\$ 6,076,650</u>	<u>\$ 52,439,469</u>

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

HENDERSON COUNTY, NORTH CAROLINA**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B)
are different due to the following items:

Total net change in fund balances - total governmental funds	\$ 6,537,774
Property tax revenues and other fees and services in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	236,647
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized, when collected or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
EMS revenues and other revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	31,926
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(962,655)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,708,665
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,590,165)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(722,207)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	211,000
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(31,724,984)
Premiums on debt issues received in the current year are reported as a deferred revenue in the Statement of Net Assets.	(848,430)
Amortization of debt premiums is a reduction of expenses on the Statement of Activities.	84,843
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather are a decrease in liabilities.	<u>26,215,521</u>
Total changes in net assets of governmental activities	<u>\$ (2,822,065)</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2010

	General Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 59,352,467	\$ 59,352,467	\$ 60,577,626	\$ 1,225,159
Local option sales taxes	16,978,971	16,978,971	16,265,083	(713,888)
Other taxes and licenses	975,798	975,798	828,879	(146,919)
Unrestricted intergovernmental revenues	41,162	41,162	44,107	2,945
Restricted intergovernmental revenues	19,963,832	21,956,170	20,865,971	(1,090,199)
Permits and fees	1,356,300	1,357,723	1,303,741	(53,982)
Sales and services	5,532,876	5,559,814	5,516,305	(43,509)
Investment earnings	800,000	800,000	470,856	(329,144)
Miscellaneous	2,730,178	2,874,000	908,511	(1,965,489)
Total revenues	107,731,584	109,896,105	106,781,079	(3,115,026)
Expenditures:				
Current:				
General government	9,647,270	9,575,157	8,696,085	879,072
Public safety	24,198,554	24,838,025	23,688,721	1,149,304
Environmental protection	524,968	604,270	573,159	31,111
Economic and physical development	1,511,827	1,499,463	1,216,066	283,397
Human services	29,267,334	30,704,226	28,816,389	1,887,837
Cultural and recreational	4,587,741	4,707,279	4,356,866	350,413
Intergovernmental:				
Education	23,247,961	23,247,961	23,247,961	-
Debt service:				
Principal retirement	9,044,156	9,059,156	8,808,647	250,509
Interest and other charges	5,178,763	5,178,763	5,099,807	78,956
Total expenditures	107,208,574	109,414,300	104,503,701	4,910,599
Revenues over (under) expenditures	523,010	481,805	2,277,378	1,795,573
Other Financing Sources (Uses):				
Transfers from other funds	1,779,064	1,820,269	1,786,390	(33,879)
Transfers to other funds	(2,302,074)	(2,302,074)	(2,233,595)	68,479
Total other financing sources (uses)	(523,010)	(481,805)	(447,205)	34,600
Net change in fund balance	\$ -	\$ -	1,830,173	\$ 1,830,173
Fund Balance:				
Beginning of year - July 1			35,211,964	
End of year - June 30			\$ 37,042,137	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2010

	Fire Districts Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 6,406,789	\$ 6,506,789	\$ 6,530,712	\$ 23,923
Investment earnings	38,250	38,250	10,658	(27,592)
Total revenues	6,445,039	6,545,039	6,541,370	(3,669)
Expenditures:				
Current:				
Public safety	6,445,039	6,545,039	6,541,370	3,669
Total expenditures	6,445,039	6,545,039	6,541,370	3,669
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2010

	Business-Type Activities			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 3,896,712	\$ 4,585,189	\$ 593,808	\$ 9,075,709
Accounts receivable, net	329,022	337,920	5,545	672,487
Total current assets	4,225,734	4,923,109	599,353	9,748,196
Non-current assets:				
Capital assets:				
Land and construction in progress	1,929,344	640,012	-	2,569,356
Other capital assets, net of depreciation	2,884,812	11,796,976	315,842	14,997,630
Total non-current assets	4,814,156	12,436,988	315,842	17,566,986
Total assets	9,039,890	17,360,097	915,195	27,315,182
Liabilities:				
Current liabilities:				
Accounts payable	567,664	287,817	2,244	857,725
Current portion of compensated absences	1,846	1,550	-	3,396
Current portion of long-term obligations	102,971	202,536	-	305,507
Total current liabilities	672,481	491,903	2,244	1,166,628
Non-current liabilities:				
Liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care cost	2,128,335	-	-	2,128,335
Compensated absences	16,614	13,954	-	30,568
Other post-employment benefits	27,426	-	-	27,426
Long-term obligations	-	1,802,427	-	1,802,427
Total non-current liabilities	2,172,375	1,816,381	-	3,988,756
Total liabilities	2,844,856	2,308,284	2,244	5,155,384
Net Assets:				
Invested in capital assets, net of related debt	4,814,156	10,432,025	315,842	15,562,023
Unrestricted	1,380,878	4,619,788	597,109	6,597,775
Total net assets	\$ 6,195,034	\$ 15,051,813	\$ 912,951	\$ 22,159,798

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Operating Revenues:				
Charges for services	\$ 4,188,696	\$ 1,335,494	\$ 66,000	\$ 5,590,190
Total operating revenues	<u>4,188,696</u>	<u>1,335,494</u>	<u>66,000</u>	<u>5,590,190</u>
Operating Expenses:				
Salaries and employee benefits	688,758	-	-	688,758
Other operating expenses	3,531,165	367,103	31,402	3,929,670
Depreciation	145,174	396,936	10,446	552,556
Total operating expenses	<u>4,365,097</u>	<u>764,039</u>	<u>41,848</u>	<u>5,170,984</u>
Operating income (loss)	<u>(176,401)</u>	<u>571,455</u>	<u>24,152</u>	<u>419,206</u>
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	135,743	-	-	135,743
Interest income	21,400	23,801	3,070	48,271
Interest expense	-	(143,018)	-	(143,018)
Total non-operating revenues (expenses)	<u>157,143</u>	<u>(119,217)</u>	<u>3,070</u>	<u>40,996</u>
Income (loss) before capital contributions and transfers	<u>(19,258)</u>	<u>452,238</u>	<u>27,222</u>	<u>460,202</u>
Transfers:				
Transfers in	104,000	-	-	104,000
Transfers out	-	(283,064)	-	(283,064)
Net transfers	<u>104,000</u>	<u>(283,064)</u>	<u>-</u>	<u>(179,064)</u>
Capital contributions	<u>20,030</u>	<u>142,560</u>	<u>-</u>	<u>162,590</u>
Change in net assets	104,772	311,734	27,222	443,728
Net Assets:				
Beginning of year - July 1	<u>6,090,262</u>	<u>14,740,079</u>	<u>885,729</u>	<u>21,716,070</u>
End of year - June 30	<u>\$ 6,195,034</u>	<u>\$ 15,051,813</u>	<u>\$ 912,951</u>	<u>\$ 22,159,798</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,216,196	\$ 1,298,664	\$ 60,455	\$ 5,575,315
Cash paid for goods and services	(3,178,909)	(443,539)	(30,981)	(3,653,429)
Cash paid to employees for services	(673,173)	-	-	(673,173)
Net cash provided (used) by operating activities	364,114	855,125	29,474	1,248,713
Cash Flows from Non-Capital Financing:				
Transfers in	104,000	-	-	104,000
Transfers out	-	(283,064)	-	(283,064)
Proceeds from operating grants	135,743	-	-	135,743
Net cash provided (used) by non-capital financing activities	239,743	(283,064)	-	(43,321)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(611,186)	(44,973)	-	(656,159)
Premium received on issuance of long-term debt	-	9,178	-	9,178
Proceeds from bond refunding	-	1,842,916	-	1,842,916
Payments to escrow agent	-	(2,304,050)	-	(2,304,050)
Bond premium received	-	82,597	-	82,597
Interest paid	-	(143,018)	-	(143,018)
Net cash provided (used) for capital and related financing activities	(611,186)	(557,350)	-	(1,168,536)
Cash Flows from Investing Activities:				
Interest on investments	21,400	14,623	3,070	39,093
Net increase (decrease) in cash and cash equivalents	14,071	29,334	32,544	75,949
Cash and Cash Equivalents:				
Beginning of year - July 1	3,882,641	4,555,855	561,264	8,999,760
End of year - June 30	\$ 3,896,712	\$ 4,585,189	\$ 593,808	\$ 9,075,709
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (176,401)	\$ 571,455	\$ 24,152	\$ 419,206
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	145,174	396,936	10,446	552,556
Landfill closure and post-closure care costs	(125,222)	-	-	(125,222)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	27,500	(36,830)	(5,545)	(14,875)
Increase (decrease) in accounts payable and accrued liabilities	477,478	(76,022)	421	401,877
Increase (decrease) in other post-employment benefits	11,611	-	-	11,611
Increase (decrease) in accrued vacation pay	3,974	(414)	-	3,560
Total adjustments	540,515	283,670	5,322	829,507
Net cash provided (used) by operating activities	\$ 364,114	\$ 855,125	\$ 29,474	\$ 1,248,713
Capital assets contributed by developers	\$ 20,930	\$ 142,560	\$ -	\$ 163,490

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

HENDERSON COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****JUNE 30, 2010**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 494,698
Accounts receivable	<u>1,397</u>
Total assets	<u>\$ 496,095</u>
 Liabilities:	
Intergovernmental payable	<u>\$ 496,095</u>

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit

Cane Creek Water and Sewer District

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

Discretely Presented Component Units

Henderson County Hospital Corporation

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

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

Margaret R. Pardee Memorial Hospital
715 Fleming Street
Hendersonville, North Carolina 28791

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Henderson County Industrial Facility and Pollution Control Financing Authority

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

Henderson County Governmental Financing Corporation

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (1) fees and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise funds:

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

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

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

The County also reports the following fund types:

Special Revenue Funds. Special revenue funds are used to account for specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains ten special revenue funds: Revaluation Reserve, Travel and Tourism, Community Development Block Grant – Scattered Site Housing, Community Development Block Grant-The Warm Company SBEA Project, Mud Creek Watershed Restoration, Sheriff E-911, Public Transit, Immigration Customs Enforcement, Capital Reserve Fund, and Fire Districts Fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Capital Project Funds. The capital project funds account for financial resources to be used for the acquisition and construction for major capital facilities (other than those by proprietary funds, special assessments, or trust funds). The County has two capital project funds within the governmental fund types: School Capital Projects Fund and General Capital 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: School Fines and Forfeitures Fund, which accounts for the collection and payment of fines and forfeitures to the Board of Education in the County; Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; Agriculture Fund, which accounts for 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; Fireman's Association Fund, which accounts for assets held for the Fireman's Association; the Recreation Sponsorship Fund, which accounts for monies collected for advertising signs on display at the County's ball fields that is used for maintenance, repairs and improvements to recreation facilities; Land Development Fund, which accounts for a percentage of subdivision guarantee improvement funds that are held for developers until the improvements are completed; Motor Vehicle Tax Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and other agency funds, which account for miscellaneous funds held by the County for the benefit of others.

Measurement Focus, Basis of Accounting

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

C. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for all funds except the capital project funds and the special revenue funds listed below. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Community Development Block Grant – Scattered Site Housing Fund, the Community Development Block Grant - The Warm Company SBEA Project Fund, the General Capital Projects Fund, and the School Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Budget Officer is authorized to transfer authorized appropriations within a department and to amend the authorized budget for pass-through funds, including federal and State grants. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County and the Hospital's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Margaret R. Pardee Hospital considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Restricted Assets

The restricted assets of governmental activities consist of the following:

- \$1,314,906 in the Debt Service Fund for the balance in the sinking fund required by a financing contract to construct schools.

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, 2010. The County does not currently allow discounts that apply to taxes paid prior to the due date.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	20 years
Equipment	10 years
Leasehold improvements	10-20 years
Computers	3 years

Long-Term Obligations

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Compensated Absences

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

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts, depreciation lives, other post-employment benefits, and law enforcement officers' pension obligations.

Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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.

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

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

2. Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2010, the expenditures made in the Mud Creek Watershed Restoration Fund exceeded the authorized appropriations made by the governing board by \$24,372, transfers out exceeded the authorized appropriations made by the governing board by \$6,210. These over-expenditures occurred because budget amendments were not processed to appropriate funds for the completion of the project. Management and the Board will more closely review the budget reports to ensure compliance in future years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

For the fiscal year ended June 30, 2010, the expenditures made in the Cane Creek Water and Sewer District Fund exceeded the authorized appropriations made by the governing board by \$211,023. This over-expenditure occurred because a budget amendment was not processed to appropriate additional principal payments for principal paydown in October 2009 or for the additional payments related to the refunding which occurred in June 2010. Management and the Board will more closely review the budget reports to ensure compliance in future years.

For the fiscal year ended June 30, 2010, the Travel and Tourism Fund had a deficit fund balance of \$68,926. The deficit fund balance was a result of timing differences in the occurrence of costs for projects and reimbursement of funds from grantors. Subsequent to year-end, the County received the funds and corrected the fund deficit.

3. Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2010, the County's deposits had a carrying amount of \$47,232,504 and a bank balance of \$47,674,145. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$46,674,145 was covered by collateral held under the Pooling Method. At June 30, 2010, the County had \$4,731 cash on hand.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

At September 30, 2009, the Hospital's deposits had a carrying amount of approximately \$8,945,500 and a bank balance of approximately \$9,408,000. Of the bank balance, \$1,197,000 was covered by federal depository insurance and \$7,976,000 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2010, 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>
U.S. Government Agencies	\$ 12,239,315	\$ -	\$ -	\$ 12,239,315
North Carolina Capital Management				
Trust-Cash Portfolio	2,393,337	2,393,337	-	-
Commercial Paper	1,595,560	1,595,560	-	-
Total	<u>\$ 16,228,212</u>	<u>\$ 3,988,897</u>	<u>\$ -</u>	<u>\$ 12,239,315</u>

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

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, 2010, 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, 2010. The County has no formal policy on credit risk.

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

Concentration of Credit Risk. Concentration risk is the risk when one of issuers is 5% or greater of the total investment portfolio, excluding deposits. More than 5 percent of the County's investments are in HSBC Finance Corporation commercial paper. These investments are 100% of the County's total investment of \$1,595,560 in commercial paper. Also, more than 5 percent of the County's investments are in U.S. Government Agencies. Investments in Federal Home Loan Mortgage Corporation are 52% and Federal National Mortgage Agency are 48%. The County has no formal policy on the concentration of credit risk.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

At September 30, 2009, the Hospital's investment consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than Year</u>	<u>2-3 Years</u>	<u>4-7 Years</u>	<u>No Maturity Date</u>
U.S. Government securities	\$ 649,520	\$ 119,385	\$ 530,135	\$ -	\$ -
U.S. Government agencies	15,580,163	1,530,465	6,042,262	8,007,436	-
North Carolina Capital Management Trust	20,072,905	-	-	-	20,072,905
Equity securities and funds	9,857,671	5,480,068	-	-	4,377,603
Certificate of deposit	<u>755,722</u>	<u>755,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 46,915,981</u>	<u>\$ 7,885,640</u>	<u>\$ 6,572,397</u>	<u>\$ 8,007,436</u>	<u>\$ 24,450,508</u>

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

Credit Risk. The Hospital's investments in NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of September 30, 2009. The Hospital's investment in NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and also in high-grade money market instruments are permitted under North Carolina General Statutes 159-30 as amended. The Hospital's investments in US 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.

Property Tax – Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forest land may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Year Ended June 30	Tax	Interest	Total
2007	\$ 1,775,627	\$ 461,663	\$ 2,237,290
2008	1,817,228	308,929	2,126,157
2009	1,722,736	137,819	1,860,555
2010	1,729,782	-	1,729,782
Total	<u>\$ 7,045,373</u>	<u>\$ 908,411</u>	<u>\$ 7,953,784</u>

Receivables

Receivables at the government-wide level at June 30, 2010 were as follows:

	Accounts	Taxes and Accrued Interest	Due from other Governments	Other	Total
Governmental Activities:					
General	\$ 7,110,812	\$ 3,884,278	\$ 447,762	\$ 129,173	\$ 11,572,025
Other governmental	615,531	-	195,317	-	810,848
Total receivables	7,726,343	3,884,278	643,079	129,173	12,382,873
Allowance for doubtful accounts	(1,193,799)	(1,713,700)	-	-	(2,907,499)
Total governmental activities	<u>\$ 6,532,544</u>	<u>\$ 2,170,578</u>	<u>\$ 643,079</u>	<u>\$ 129,173</u>	<u>\$ 9,475,374</u>
Business-Type Activities:					
Landfill	\$ 345,009	\$ -	\$ -	\$ -	\$ 345,009
Water and sewer	388,589	-	-	-	388,589
Total receivables	733,598	-	-	-	733,598
Allowance for doubtful accounts	(61,111)	-	-	-	(61,111)
Total business-type activities	<u>\$ 672,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,487</u>

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

Local option sales tax \$ 643,079

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 10,731,187	\$ -	\$ -	\$ -	\$ 10,731,187
Construction in progress	1,009,097	730,914	-	(986,797)	753,214
Total capital assets not being depreciated	<u>11,740,284</u>	<u>730,914</u>	<u>-</u>	<u>(986,797)</u>	<u>11,484,401</u>
Capital Assets Being Depreciated:					
Buildings	78,351,918	-	(1,123,591)	986,797	78,215,124
Equipment	3,881,669	445,425	(15,455)	-	4,311,639
Vehicles and motor equipment	4,471,899	532,326	(179,683)	-	4,824,542
Total capital assets being depreciated	<u>86,705,486</u>	<u>977,751</u>	<u>(1,318,729)</u>	<u>986,797</u>	<u>87,351,305</u>
Less Accumulated Depreciation:					
Buildings	17,854,161	2,447,685	(402,957)	-	19,898,889
Equipment	1,968,079	385,418	(15,455)	-	2,338,042
Vehicles and motor equipment	2,431,184	757,062	(178,110)	-	3,010,136
Total accumulated depreciation	<u>22,253,424</u>	<u>3,590,165</u>	<u>(596,522)</u>	<u>-</u>	<u>25,247,067</u>
Total capital assets being depreciated , net	<u>64,452,062</u>	<u>(2,612,414)</u>	<u>(722,207)</u>	<u>986,797</u>	<u>62,104,238</u>
Governmental activities capital assets, net	<u>\$ 76,192,346</u>	<u>\$ (1,881,500)</u>	<u>\$ (722,207)</u>	<u>\$ -</u>	<u>\$ 73,588,639</u>

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

General government	\$ 1,729,501
Public safety	1,179,150
Economic and physical development	39,771
Human services	446,032
Cultural and recreational	195,711
Total	<u>\$ 3,590,165</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Business-Type Activities:					
Landfill:					
Capital Assets Not Being Depreciated:					
Land	\$ 1,656,979	\$ -	\$ -	\$ -	\$ 1,656,979
Construction in progress	-	272,365	-	-	272,365
Total capital assets not being depreciated	<u>1,656,979</u>	<u>272,365</u>	<u>-</u>	<u>-</u>	<u>1,929,344</u>
Capital Assets Being Depreciated:					
Plant and distribution systems	2,846,108	35,120	-	-	2,881,228
Furniture and maintenance equipment	650,015	303,701	(279,997)	-	673,719
Vehicles	1,099,338	20,930	(106,854)	-	1,013,414
Total capital assets being depreciated	<u>4,595,461</u>	<u>359,751</u>	<u>(386,851)</u>	<u>-</u>	<u>4,568,361</u>
Less Accumulated Depreciation:					
Plant and distribution systems	457,657	71,900	-	-	529,557
Furniture and maintenance equipment	401,816	28,855	(279,997)	-	150,674
Vehicles	1,064,853	44,869	(106,404)	-	1,003,318
Total accumulated depreciation	<u>1,924,326</u>	<u>145,624</u>	<u>(386,401)</u>	<u>-</u>	<u>1,683,549</u>
Total capital assets being depreciated, net	<u>2,671,135</u>	<u>214,127</u>	<u>(450)</u>	<u>-</u>	<u>2,884,812</u>
Landfill capital assets, net	<u>4,328,114</u>	<u>\$ 486,492</u>	<u>\$ (450)</u>	<u>\$ -</u>	<u>4,814,156</u>
Cane Creek Water and Sewer District:					
Capital Assets Not Being Depreciated:					
Land	308,995	\$ -	\$ -	\$ -	308,995
Construction in progress	294,517	36,500	-	-	331,017
Total capital assets not being depreciated	<u>603,512</u>	<u>36,500</u>	<u>-</u>	<u>-</u>	<u>640,012</u>
Capital Assets Being Depreciated:					
Plant and distribution systems	14,828,509	142,560	-	-	14,971,069
Furniture and maintenance equipment	310,600	8,473	-	-	319,073
Vehicles	88,790	-	-	-	88,790
Total capital assets being depreciated	<u>15,227,899</u>	<u>151,033</u>	<u>-</u>	<u>-</u>	<u>15,378,932</u>
Less Accumulated Depreciation:					
Plant and distribution systems	2,875,918	366,839	-	-	3,242,757
Furniture and maintenance equipment	221,953	29,241	-	-	251,194
Vehicles	87,149	856	-	-	88,005
Total accumulated depreciation	<u>3,185,020</u>	<u>396,936</u>	<u>-</u>	<u>-</u>	<u>3,581,956</u>
Total capital assets being depreciated, net	<u>12,042,879</u>	<u>(245,903)</u>	<u>-</u>	<u>-</u>	<u>11,796,976</u>
Cane Creek Water and Sewer District capital assets, net	<u>12,646,391</u>	<u>\$ (209,403)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,436,988</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Justice Academy Water and Sewer District:					
Capital Assets Being Depreciated:					
Plant and distribution systems	441,187	\$ -	\$ -	\$ -	441,187
Furniture and maintenance equipment	17,234	-	-	-	17,234
Total capital assets being depreciated	458,421	-	-	-	458,421
Less Accumulated Depreciation:					
Plant and distribution systems	114,899	10,446	-	-	125,345
Furniture and maintenance equipment	17,234	-	-	-	17,234
Total accumulated depreciation	132,133	10,446	-	-	142,579
Total capital assets being depreciated, net	315,842	(10,446)	-	-	315,842
Justice Academy Water and Sewer District capital assets, net	315,842	\$ (10,446)	\$ -	\$ -	315,842
Business-type activities capital assets, net	\$ 17,300,793				\$ 17,566,986

Construction Commitments

The government has active construction projects as of June 30, 2010. The projects include school and community college construction projects. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Apple Valley Middle-North High School Projects	5,024,166
School System Repair-Renovation Projects	497,517
Blue Ridge Community College Repair Projects	1,614,168
Total	\$ 7,135,851

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Activity for the Henderson County Hospital Corporation for the year ended September 30, 2009 was as follows:

	Balance October 1, 2008	Increases	Decreases	Transfers	Balance September 30, 2009
Capital Assets Not Being Depreciated:					
Land	\$ 3,908,862	\$ 991,865	\$ -	\$ -	\$ 4,900,727
Construction in progress	1,200,863	2,254,327	-	(2,639,878)	815,312
Capital Assets Being Depreciated:					
Land improvements	1,036,844	7,308	-	-	1,044,152
Buildings and fixed equipment	86,758,299	2,010,412	-	261,288	89,029,999
Moveable equipment	85,922,521	3,237,911	(480,951)	2,378,590	91,058,071
Total	<u>178,827,389</u>	<u>8,501,823</u>	<u>(480,951)</u>	<u>-</u>	<u>186,848,261</u>
Less Accumulated Depreciation:					
Land improvements					
Buildings	904,226	26,721	-	-	930,947
Equipment	39,972,451	3,469,521	-	-	43,441,972
Vehicles and motor equipment	68,271,612	6,417,246	(447,133)	-	74,241,725
Total accumulated depreciation	<u>109,148,289</u>	<u>9,913,488</u>	<u>(447,133)</u>	<u>-</u>	<u>118,614,644</u>
Total capital assets being depreciated, net	<u>\$ 69,679,100</u>	<u>\$ (1,411,665)</u>	<u>\$ (33,818)</u>	<u>\$ -</u>	<u>\$ 68,233,617</u>

B. Liabilities

Payables

Payables at government-wide level at June 30, 2010, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Insurance Claims Incurred But Not Reported	Total
Governmental Activities:					
General	\$ 1,613,655	\$ 3,582,371	\$ 712,000	\$ 317,651	\$ 6,225,677
Other governmental	2,833,342	-	-	-	2,833,342
Total governmental activities	<u>\$ 4,446,997</u>	<u>\$ 3,582,371</u>	<u>\$ 712,000</u>	<u>\$ 317,651</u>	<u>\$ 9,059,019</u>
Business-Type Activities:					
Landfill	\$ 548,225	\$ 12,713	\$ -	\$ 6,482	\$ 567,420
Water and Sewer Fund	286,368	-	1,693	-	288,061
Other	2,244	-	-	-	2,244
Total business-type activities	<u>\$ 836,837</u>	<u>\$ 12,713</u>	<u>\$ 1,693</u>	<u>\$ 6,482</u>	<u>\$ 857,725</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Pension Plan Obligation

Local Governmental Employees' Retirement System

Plan Description. The County contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.90% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$1,484,116, \$1,523,697, and \$1,444,938, respectively. The contributions made by the County equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of 133 active plan members and 9 retired members receiving benefits.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Summary of Significant Accounting Policies

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

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

Annual Pension Cost and Net Pension Obligation

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

Employer annual required contribution	\$ 265,518
Interest on net pension obligation	110,833
Adjustment to annual required contribution	<u>(96,300)</u>
Annual pension cost	280,051
Employer contributions made	<u>122,173</u>
Increase (decrease) in net pension obligation	157,878
Net pension obligation:	
Beginning of year - July 1	<u>1,528,732</u>
End of year - June 30	<u><u>\$ 1,686,610</u></u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 212,801	31.76%	\$ 1,396,745
2009	240,699	45.17%	1,528,732
2010	280,051	43.63%	1,686,610

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,001,892, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,001,892.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,119,533 and the ratio of the UAAL to the covered payroll was 49.05 percent.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires that the County contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010 were \$514,895, which consisted of \$393,022 from the County and \$121,873 from the law enforcement officers.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Register of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$9,275.

Post-Employment Benefits

Deferred Compensation Plan

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. In addition to providing pension benefits, the County has elected to provide healthcare benefits to retirees of the County who have at least thirty (30) years of service with the County or are at least 55, but not Medicare eligible, with a minimum of ten (10) years of service with the County and have a combined age and years of service total of at least 70. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active County employees. The County pays 100% of the payments for any retiree with thirty (30) or more years of service with the County or a combined age and years of service total of at least 80. Reduced contribution rates are made by the County for retirees with combined age and years of service that total 70 or 75 at retirement. Retirees can purchase coverage for their dependents at the County's group rates. Currently, 51 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2010, the County made payments for post-retirement health benefit premiums of \$422,546. The County is self-insured and contracts with a private carrier to administer the healthcare plan. A separate report was not issued for the plan. This is a single employer defined benefit plan.

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The current ARC rate is 4.48% of annual covered payroll. For the current year, the County contributed \$422,546, or 1.33% of annual covered payroll. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 4.48% and 4.48% of covered payroll, respectively. The total employee contributions including dependent coverage were \$60,576. The County's obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

Summary of Significant Accounting Policies

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

Annual OPEB Cost and Net Obligation

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

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 1,165,288	\$ 22,314	\$ 1,187,602
Interest on net OPEB obligation	-	-	-
Adjustments to annual required contribution	-	-	-
Annual OPEB cost (expense)	1,165,288	22,314	1,187,602
Contributions made	(411,843)	(10,703)	(422,546)
Increase (decrease) in net OPEB obligation	753,445	11,611	765,056
Net OPEB obligation:			
Beginning of year - July 1	825,890	15,815	841,705
End of year - June 30	\$ 1,579,335	\$ 27,426	\$ 1,606,761

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Year Ended June 30	Annual OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,187,602	35.6%	\$ 1,606,761
2009	1,187,602	29.1%	841,705

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Fund Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

As of June 30, 2010, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Board of Commissioners.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. Lump-sum death benefits are provided to beneficiaries 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. This payment is equal to the employee's 12 highest months' salary in a row during the 24 months prior to his or her death. The death benefit payments to beneficiaries must be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the County made immaterial contributions to the State for death benefits. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively.

Landfill Closure and Post-Closure Care Costs

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

Due to a redetermination of post-closure costs being performed after the landfill stopped accepting waste, the estimated post-closure costs decreased significantly from the amount estimated in prior years. The \$2,231,306 reported as landfill post-closure care liability at June 30, 2010, 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 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Henderson County Hospital Corporation Pension Plan

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Deferred/Unearned Revenues

The balance in deferred or unearned revenues on the fund statements and unearned revenues on the government-wide statements at June 30, 2010 is composed of the following elements:

	Deferred Revenues	Unearned Revenues
Prepaid revenue not yet earned (General Fund)	\$ 354,818	\$ 354,818
Taxes receivable, net (General Fund)	2,170,578	-
Other receivable (General Fund)	166,308	-
Taxes receivable, net (Special Revenue Fund)	<u>62,444</u>	<u>-</u>
Total	<u>\$ 2,754,148</u>	<u>\$ 354,818</u>

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two of the self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement value of real and personal owned property subject to a blanket limit of \$109.3 million per occurrence, general liability coverage of \$2 million per occurrence, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$500,000 of aggregate annual losses in excess of \$25,000 per occurrence for property coverage, and single occurrence losses up to \$350,000 for workers' compensation.

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

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

The County carries flood insurance through the National Flood Insurance Program (NFIP). Because the County is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County provides employee health and dental benefits through a self-insured plan provided by Blue Cross/Blue Shield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC. Specific stop-loss is set at \$100,000 per individual health insurance claim with a lifetime maximum of \$5,000,000. Aggregate stop-loss is set at the level of 120 percent with a minimum aggregate attachment point of \$7,535,342 and a contract period maximum of \$1,000,000.

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

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

	<u>2010</u>
Unpaid claims, beginning	\$ 300,000
Incurred claims	6,145,524
Claim payments	<u>(6,121,391)</u>
Unpaid claims, ending	<u>\$ 324,133</u>

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

Claims and Judgments

At June 30, 2010, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Long-Term Obligations

Installment Financing Contracts

The County has entered into four installment financing contracts with the Henderson County Governmental Financing Corporation, a component unit, for construction of educational and public safety facilities. These contracts were funded by execution and delivery of certificates of participation. The outstanding contracts at June 30, 2010 are as follows:

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

\$25,875,000 Projects Series 2005A, due in annual principal payments ranging from \$630,000 to \$1,430,000 on May 1 through 2025. Interest is payable semi-annually at rates ranging from 3.0% to 5.0%, fluctuating throughout the life of the certificates. 21,455,000

\$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. 34,920,000

Total installment contracts \$ 57,190,000

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

Year Ending		
June 30	Principal	Interest
2011	\$ 4,435,000	\$ 2,734,462
2012	3,615,000	2,526,937
2013	3,615,000	2,368,038
2014	3,615,000	2,197,687
2015	3,615,000	2,024,088
2016-2020	9,335,000	7,388,838
2021-2025	18,060,000	3,025,838
2026-2028	<u>10,900,000</u>	<u>99,037</u>
Total	<u>\$ 57,190,000</u>	<u>\$ 22,364,925</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Installment Purchases

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Other installment purchase contracts payable at June 30, 2010, are comprised of the following individual issues:

Governmental Activities:

\$1,750,000 library financing contract due in quarterly payments of \$53,332, including interest at an annual rate of 4.01%. Payments will continue through May 10, 2017. \$ 40,325

\$435,000 property financing contract due in quarterly payments of \$8,503, including interest at an annual rate of 4.75%. Payments will continue through December 29, 2026. 166,233

\$32,000,000 Elementary Schools Project financing contract due in semi-annual principal payments of \$914,286 including interest charged at an annual rate of 3.72%. Payments will continue through September 30, 2025. 28,342,858

\$5,092,000 Detention Center financing contract due in semi-annual payments, including interest at an annual rate of 3.64%. payments will continue through June 30, 2019. 4,189,000

\$553,000 Emergency 911 Center Project financing contract due in annual payments of \$122,873, including interest charged at an annual rate of 3.63%. Payments will continue through July 15, 2013. 450,202

\$4,270,400 2009 Qualified School Construction Bonds financing contract due in annual principal payments of \$427,050, including interest charged at of 1.87%. Payments will continue through December 16, 2019. 4,270,400

\$1,807,500 2010 Qualified Zone Academy Bonds financing contract due in annual principal payments of \$180,750, including interest charged at an annual rate of 5.46%. Payments will continue through June 9, 2020. 1,807,500

\$8,610,000 Series 2010 A Recovery Zone Economic Development Bonds financing contract due in annual principal payments ranging from \$860,000 to \$865,000 on December 1 through 2019. Interest is paid semi-annually at rates ranging from 1.0% to 4.4%, fluctuating throughout the life of the bonds. 8,610,000

\$3,000,000 Hendersonville Middle School Qualified Zone Academy Bonds requiring 12 annual deposits of \$164,363 into a Debt Service Fund. Final payment of the bonds is April 5, 2015. 3,000,000

Total installment purchases indebtedness \$ 50,876,518

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Business-Type Activities:

\$3,178,000 sewer installment contract due in quarterly installments of \$79,450, plus interest at 3.7321%; \$2,304,050 refunded in June 2010 final payment of \$79,450 due August 2010.

\$ 79,450

Long-Term Debt

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 4,032,058	\$ 1,617,588
2012	4,191,882	1,502,818
2013	4,082,268	1,382,800
2014	4,083,162	1,258,365
2015	3,960,791	1,129,343
2016-2020	19,112,839	3,669,064
2021-2025	9,964,670	1,105,371
2026-2029	<u>1,448,848</u>	<u>17,006</u>
Total	<u>\$ 50,876,518</u>	<u>\$ 11,682,355</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 79,450	\$ 741
Total	<u>\$ 79,450</u>	<u>\$ 741</u>

Limited Obligation Indebtedness

The County's Limited Obligation Bonds are serviced by the Cane Creek Water and Sewer District and by the General Capital Project Fund. They are collateralized by the full faith, credit, and taxing power of the County. Approximately 9% of the Limited Obligation Bonds were issued to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Cane Creek Water and Sewer District

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

The County's limited obligation bonds payable at June 30, 2010 are comprised of the following individual issues:

Governmental Activities:

\$18,880,000 Series 2010 B Limited Obligation Bonds due in annual principal payments ranging from \$654,229 to \$2,089,028 on December 1 through 2020. Interest is payable semi-annually at rates from 1.0% to 5.0%, fluctuating throughout the life of the bonds. \$ 17,037,084

Business-Type Activities:

Cane Creek Water and Sewer District:
\$18,880,000 Series 2010 B Limited Obligation Bonds due in annual principal payments ranging from \$70,770 to \$225,972 on December 1 through 2020. Interest is payable semi-annually at rates ranging from 1.0% to 5.0%, fluctuating throughout the life of the bonds. 1,842,916

Total Limited Obligation Bonds payable \$ 18,880,000

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

Governmental Activities:

Year Ending June 30	Principal	Interest
2011	\$ 1,222,736	\$ 578,840
2012	2,089,028	544,659
2013	2,070,980	482,259
2014	2,066,469	413,136
2015	2,066,469	333,748
2016-2020	6,867,173	656,467
2021-2025	654,229	13,085
Total	<u>\$ 17,037,084</u>	<u>\$ 3,022,194</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Business-Type Activities:

Year Ending June 30	Principal	Interest
2011	\$ 132,264	\$ 62,614
2012	225,972	58,916
2013	224,020	52,166
2014	223,531	44,689
2015	223,531	36,102
2016-2020	742,828	62,808
2021-2025	70,770	1,415
Total	<u>\$ 1,842,916</u>	<u>\$ 318,710</u>

At June 30, 2010, the County had no bonds authorized but unissued and a legal debt margin of \$919,577,140.

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, 2010 are comprised of the following individual issues:

\$60,000 financing agreement for economic development incentives for The Warm Company due in annual installments of \$60,000; payments will continue through August 2010. \$ 12,000

\$85,967 financing agreement for economic development incentives for Pepsi-Cola Bottling Company of Hickory, NC, Inc. due in annual installments of \$17,195; payments will continue through December 2010. 17,195

Total other long-term obligations \$ 29,195

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

Year Ending June 30	Principal	Interest
2011	\$ 29,195	\$ -
Total	<u>\$ 29,195</u>	<u>\$ -</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

B. Bond Refunding

The County issued Series 2010B Limited Obligation Refunding Bonds with a closing date of June 30, 2010. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Assets. The par amount of the bonds equaled \$18,880,000, plus a net premium of \$940,205 for total bond proceeds of \$19,820,205. The par amount exceeded the net carrying amount of the old debt by \$667,694. The true interest cost of the refunding bonds is approximately 2.69%. The net present value of the savings realized by the County is approximately \$1,022,255. Installments are due annually through December 1, 2020, with interest payments due on December 1 and June 1. The Series 2010B Limited Obligation Refunding Bonds extinguished the following debt:

\$4,512,084 Schools Installment Financing Contract dated April 2002

\$3,375,000 School Installment Financing Contract dated February 2000

\$1,869,516 Sanitary Sewer Installment Financing Contract dated November 2006

The Series 2010B Limited Obligation Refunding Bonds partially extinguished the following debt:

\$8,140,000 Schools Series 2001 Certificates of Participation date January 2001

\$ 1,255,911 Library Installment Financing Contract dated May 2007

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion of Balance
Governmental Activities:					
General obligation bonds	\$ 1,060,000	\$ -	\$ 1,060,000	\$ -	\$ -
Limited obligation bonds	-	17,037,084	-	17,037,084	1,222,736
Less unamortized bond discount	-	848,430	(84,843)	763,587	84,843
Total Limited obligation bonds	-	17,885,514	(84,843)	17,800,671	1,307,579
Other long-term obligations	58,388	-	29,193	29,195	29,195
Installment purchases	49,184,946	14,687,900	12,996,328	50,876,518	4,032,058
Installment contracts	69,320,000	-	12,130,000	57,190,000	4,435,000
Compensated absences	1,998,424	880,745	829,413	2,049,756	204,976
Other post-employment benefits	825,890	1,165,288	411,843	1,579,335	-
Pension benefit obligations	1,528,732	157,878	-	1,686,610	-
Total governmental activities	\$ 123,976,380	\$ 34,777,325	\$ 27,371,934	\$ 131,212,085	\$ 10,008,808
Business-Type Activities:					
Installment purchase	\$ 2,383,500	\$ -	\$ 2,304,050	\$ 79,450	\$ 79,450
Limited Obligation Bonds	-	1,842,916	-	1,842,916	132,264
Less unamortized bond discount	-	91,775	(9,178)	82,597	(9,178)
Total Limited Obligation Bonds	-	1,934,691	(9,178)	1,925,513	123,086
Accrued landfill closure and post-closure care cost	2,356,528	-	125,222	2,231,306	102,971
Other post-employment benefits	15,815	22,314	10,703	27,426	-
Compensated absences	30,404	14,457	10,897	33,964	3,396
Total business-type activities	\$ 4,786,247	\$ 1,971,462	\$ 2,441,694	\$ 4,297,659	\$ 308,903
Discretely Presented Component Unit:					
Revenue bonds	\$ 12,155,000	\$ -	\$ 620,000	\$ 11,535,000	\$ 650,000
Capitalized leases	2,626,061	-	627,668	1,998,393	677,115
Total	14,781,061	-	1,247,668	13,533,393	1,327,115
Less unamortized deferred loss on refunding	160,364	-	12,350	148,014	-
Total discretely presented component units and long-term liabilities	\$ 14,620,697	\$ -	\$ 1,260,018	\$ 13,385,379	\$ 1,327,115

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Capital Leases

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

At September 30, 2009, the cost of assets held under capital leases was approximately \$3,235,000, less accumulated depreciation and amortization of approximately \$1,562,000. At September 30, 2009, the future minimum payments under the Hospital's capital leases consist of the following:

Year Ending September 30	Principal
2010	\$ 793,114
2011	613,385
2012	497,333
2013	331,556
Total minimum lease payments	2,235,388
Less: amount representing interest	(236,995)
Less: current portion	(677,115)
Present value of the minimum lease payments	<u>\$ 1,321,278</u>

Revenue Bonds

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Year Ending		
September 30	Principal	Interest
2011	650,000	458,489
2012	685,000	431,188
2013	720,000	402,456
2014	755,000	372,292
2015-2019	4,370,000	1,354,813
2020-2022	4,355,000	367,180
Total	<u>\$ 11,535,000</u>	<u>\$ 3,386,418</u>

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

Capital Assets, Net of Related Debt

Capital assets, net of related debt at June 30, 2010 are computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 73,588,639	\$ 17,566,986
Long-term debt	(125,896,384)	(2,004,963)
Long-term debt for assets not owned by the County	97,590,790	-
Invested in capital assets, net of related debt	<u>\$ 45,283,045</u>	<u>\$ 15,562,023</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2010 consist of the following:

	Transfers		Purpose
	From	To	
General Fund	\$ 2,233,595	\$ 1,786,390	
Revaluation Reserve Fund	-	588,171	Revaluation of property
Public Transit Fund	-	208,384	Transportation services
Debt Service	-	164,364	Schools debt service
General Capital Projects Fund	1,508,000	481,000	County capital projects
Capital Reserve Fund	35,000	772,677	Reserve for capital projects
Travel and Tourism Fund	38,000	-	Administrative cost
CDBG Scattered Site Housing Fund	1,117	-	Project close-out
Mud Creek Watershed Restoration Fund	6,210	-	Project close-out
Landfill Fund	-	104,000	Personnel costs
Cane Creek Water and Sewer District Fund	283,064	-	Personnel and billing operations
Total	<u>\$ 4,104,986</u>	<u>\$ 4,104,986</u>	

The following is a summary of interfund receivables and payables.

Receivable Entity	Payable Entity	Amount	Purpose
General Fund	Other Governmental Funds	<u>\$ 195,236</u>	Temporary reimbursement of cash over drafts

3. Joint Ventures

The County, in conjunction with the State of North Carolina and Henderson County Board of Education, participates in a joint venture to operate Blue Ridge Community College. Each of the three participants appoints four members of the 13-member Board of Trustees of the community college. The president of the community college's student government association serves as a non-voting, ex-officio member of the Board of Trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college, because of the statutory responsibilities to provide funding for the

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

community college's facilities. The County contributed \$2,314,409 to the community college for operational expenses and \$476,556 for capital expenditures during the fiscal year ended June 30, 2010. In addition, the County made debt service payments of \$1,498,977 including interest, during the year ended June 30, 2010, on general obligation bonds and certificates of participation (COPs) issued for community college facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2010. 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 the County. The County contributed \$528,612 towards this maintenance of effort in the form of grants to service providers during the fiscal year ended June 30, 2010. 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, 2010. Complete financial statements for the Authority may be obtained from the Authority's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

4. Jointly Governed Organization

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

5. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

6. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 879,748	\$ -
Medicaid	73,713,446	25,811,160
WIC	1,528,716	-
Adoption Assistance	560,079	114,894
Low Income Energy Assistance	469,167	-
State/County Special Assistance for Adults	-	925,852
Total	<u>\$ 77,151,156</u>	<u>\$ 26,851,906</u>

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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HENDERSON COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2009	\$ -	\$ 3,001,892		0.00%	\$ 3,001,892	\$ 6,119,533	49.05%
12/31/2008	-	2,438,148		0.00%	2,438,148	6,536,146	37.30%
12/31/2007	-	2,045,918		0.00%	2,045,918	5,891,020	34.73%
12/31/2006	-	1,705,055		0.00%	1,705,055	5,625,074	30.31%
12/31/2005	-	1,426,389		0.00%	1,426,389	5,212,692	27.42%
12/31/2004	-	1,538,713		0.00%	1,538,713	4,964,811	30.99%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 265,518	46.01%
2009	227,709	47.74%
2008	198,970	33.97%
2007	174,778	30.02%
2006	158,440	18.47%
2005	150,619	23.32%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.25%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None

HENDERSON COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2008	\$ -	\$ 11,916,315		0.00%	\$ 11,916,315	\$ 26,464,590	45.0%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
2010	\$ 1,187,602	35.6%
2009	1,187,602	29.1%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical trend rate	10.50% - 5.00%
Year of Ultimate trend rate	2016

* Includes inflation at 3.75%

SUPPLEMENTARY INFORMATION

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

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The General Fund

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

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HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		2009
	Budget	Actual	Variance Over/Under
			Actual
Revenues:			
Ad Valorem Taxes:			
Taxes - current		\$ 60,085,660	59,032,369
Penalties, interest and advertising		491,966	485,146
Total	\$ 59,352,467	60,577,626	\$ 1,225,159
			\$ 59,517,515
Local Option Sales Taxes:			
Article 39 one percent		7,042,919	8,300,649
Article 40 one-half of one percent		4,848,662	5,040,632
Article 42 one-half of one percent		4,064,297	4,990,682
Article 44 one-half of one percent		309,205	2,460,398
Medicaid hold harmless		-	(117,550)
Total	16,978,971	16,265,083	(713,888)
			20,674,811
Other Taxes and Licenses:			
Deed stamp excise tax		795,073	859,977
Gross receipts rental tax		33,776	33,468
Privilege licenses		30	30
Total	975,798	828,879	(146,919)
			893,475
Unrestricted Intergovernmental Revenues:			
Payment in lieu of taxes	41,162	44,107	2,945
Total	41,162	44,107	2,945
			58,351
Restricted Intergovernmental Revenues:			
Federal and State grants		20,584,373	20,838,400
Controlled substance tax		23,053	55,633
Court facility fee		169,803	209,643
ABC net revenues		63,201	92,269
ABC bottles taxes		25,541	28,739
Total	21,956,170	20,865,971	(1,090,199)
			21,224,684
Permits and Fees:			
Inspection fees		687,513	682,364
Register of Deeds		452,783	529,240
Enforcement fees		163,445	47,545
Total	1,357,723	1,303,741	(53,982)
			1,259,149

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Rents, concessions, and fees		2,761,756		5,205,803
Jail fees		329,702		403,336
Ambulance fees		2,179,623		2,092,611
Recreation fees		245,224		243,102
Total	5,559,814	5,516,305	(43,509)	7,944,852
Investment Earnings	800,000	470,856	(329,144)	740,623
Miscellaneous:				
Sale of materials		54,329		51,594
Other		854,182		640,322
Total	2,874,000	908,511	(1,965,489)	691,916
Total revenues	109,896,105	106,781,079	(3,115,026)	113,005,376
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits		181,283		221,555
Operating expenditures		179,785		134,645
Donations and dues		395,634		391,020
Capital outlay		7,534		-
Total	864,072	764,236	99,836	747,220
Administration:				
Salaries and employee benefits		860,379		813,833
Operating expenditures		161,799		183,596
Total	1,170,684	1,022,178	148,506	997,429
Elections:				
Salaries and employee benefits		331,278		363,889
Operating expenditures		280,737		120,109
Total	829,387	612,015	217,372	483,998
Finance:				
Salaries and employee benefits		544,561		527,752
Operating expenditures		175,713		81,344
Total	729,454	720,274	9,180	609,096

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Taxes:				
Salaries and employee benefits		1,374,977		1,473,295
Operating expenditures		776,340		656,003
Capital outlay		7,916		-
Total	2,309,783	2,159,233	150,550	2,129,298
Legal:				
Salaries and employee benefits		535,902		497,462
Contracted services		49,833		48,995
Total	610,304	585,735	24,569	546,457
Register of Deeds:				
Salaries and employee benefits		776,392		811,518
Operating expenditures		162,777		169,961
Capital outlay		22,380		15,412
Total	1,019,684	961,549	58,135	996,891
Public Buildings:				
Salaries and employee benefits		673,800		607,383
Operating expenditures		141,905		1,492,626
Total	870,794	815,705	55,089	2,149,499
Garage and Grounds:				
Salaries and employee benefits		276,681		320,896
Operating expenditures		56,099		485,850
Total	385,753	332,780	52,973	806,746
Court Facilities:				
Operating expenditures		163,754		191,024
Total	190,000	163,754	26,246	191,024
Data Processing:				
Salaries and employee benefits		504,941		492,131
Operating expenditures		45,628		518,668
Capital outlay		8,057		-
Total	595,242	558,626	36,616	1,010,799
Total general government	9,575,157	8,696,085	879,072	10,668,457

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits		9,265,778		9,001,791
Operating expenditures		2,757,378		2,105,950
Capital outlay		605,753		933,743
Total	13,157,474	12,628,909	528,565	12,041,484
Jail:				
Salaries and employee benefits		3,040,068		2,953,646
Operating expenditures		1,046,731		1,143,762
Capital outlay		115,971		96,337
Total	4,472,998	4,202,770	270,228	4,193,745
Emergency Management:				
Salaries and employee benefits		160,160		159,349
Operating expenditures		31,451		338,429
Capital outlay		15,434		10,188
Total	245,532	207,045	38,487	507,966
Fire Services:				
Salaries and employee benefits		220,436		148,706
Operating expenditures		121,437		106,003
Total	361,008	341,873	19,135	254,709
Inspections:				
Salaries and employee benefits		711,437		702,273
Operating expenditures		119,441		169,842
Total	960,451	830,878	129,573	872,115
Code Enforcement Services:				
Salaries and employee benefits		246,631		272,347
Operating expenditures		59,534		21,502
Total	310,283	306,165	4,118	293,849
Erosion Control:				
Salaries and employee benefits		127,041		156,034
Operating expenditures		23,157		12,645
Total	152,426	150,198	2,228	168,679

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Risk Management:				
Salaries and employee benefits		194,751		-
Operating expenditures		125,128		-
Total	353,345	319,879	33,466	-
Emergency Medical Services:				
Salaries and employee benefits		3,246,501		3,101,783
Operating expenditures		624,580		554,741
Total	3,918,324	3,871,081	47,243	3,817,627
Animal Control:				
Salaries and employee benefits		297,971		298,486
Operating expenditures		195,934		152,790
Total	552,621	493,905	58,716	451,276
Day Reporting Center:				
Salaries and employee benefits		49,894		48,357
Operating expenditures		52,938		51,457
Total	103,734	102,832	902	99,814
Rescue Squad:				
Operating expenditures	106,650	104,418	2,232	95,450
Property Addressing:				
Salaries and employee benefits		115,440		115,303
Operating expenditures		13,328		11,961
Total	143,179	128,768	14,411	127,264
Total public safety	24,838,025	23,688,721	1,149,304	22,923,978
Environmental Protection:				
Soil and Water Conservation:				
Salaries and employee benefits		246,774		217,564
Operating expenditures		83,243		130,016
Total	358,610	330,017	28,593	347,580
Forestry Service	49,872	48,639	1,233	41,663

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Utilities:				
Salaries and employee benefits		192,127		192,073
Operating expenditures		2,376		4,472
Total	195,788	194,503	1,285	196,545
 Total environmental protection	 604,270	 573,159	 31,111	 585,788
 Economic and Physical Development:				
Planning:				
Salaries and employee benefits		422,370		469,397
Operating expenditures		90,241		129,866
Total	553,231	512,611	40,620	599,263
 Agricultural Extension:				
Salaries and employee benefits		287,606		264,094
Operating expenditures		89,029		78,667
Total	423,521	376,635	46,886	342,761
 Other Transfers:				
Economic development contracts	522,711	326,820	195,891	664,426
Total	522,711	326,820	195,891	664,426
 Total economic and physical development	 1,499,463	 1,216,066	 283,397	 1,606,450
 Human Services:				
Health:				
General and Administration:				
Salaries and employee benefits		1,537,601		1,488,308
Operating expenditures		900,760		737,496
Total	2,572,676	2,438,361	134,315	2,248,956
 Public Health:				
Bio-terrorism program				
Salaries and employee benefits		7,332		30,785
Operating expenditures		28,794		20,754
Capital outlay		6,672		-
Total	53,180	42,798	10,382	51,539

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
AIDS Grant:				
Salaries and employee benefits		12,114		8,450
Operating expenditures		526		462
Total	13,365	12,640	725	8,912
Tuberculosis Clinic:				
Salaries and employee benefits		38,106		12,330
Operating expenditures		4,965		6,218
Total	44,342	43,071	1,271	18,548
Maternal Health:				
Salaries and employee benefits		633,646		550,905
Operating expenditures		126,014		118,829
Total	819,034	759,660	59,374	669,734
Family Planning:				
Salaries and employee benefits		229,631		142,853
Operating expenditures		99,167		108,205
Total	379,331	328,798	50,533	251,058
Child Health:				
Salaries and employee benefits		444,123		584,683
Operating expenditures		65,217		102,354
Total	609,827	509,340	100,487	687,037
WIC:				
Salaries and employee benefits		427,837		401,560
Operating expenditures		41,037		15,954
Total	540,993	468,874	72,119	417,514
B&C Cancer Control:				
Salaries and employee benefits		29,970		6,443
Operating expenditures		32,978		33,476
Total	73,832	62,948	10,884	39,919
Risk Reduction:				
Salaries and employee benefits		21,680		25,027
Operating expenditures		9,104		1,129
Total	31,339	30,784	555	26,156

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
IAP Program:				
Salaries and employee benefits		46,986		18,616
Operating expenditures		10,795		6,989
Total	58,363	57,781	582	25,605
N.C. Cardiovascular Health:				
Operating expenditures	150,000	150,000	-	150,000
Total	150,000	150,000	-	150,000
Smart Start - Child Care:				
Salaries and employee benefits		74,227		75,792
Operating expenditures		4,943		6,515
Total	90,104	79,170	10,934	82,307
Smart Start - Preventive Dental:				
Salaries and employee benefits		63,556		63,351
Operating expenditures		29,800		38,602
Total	112,393	93,356	19,037	101,953
Behavioral Health Program:				
Salaries and employee benefits		28,184		52,793
Operating expenditures		6,767		2,012
Total	61,176	34,951	26,225	54,805
School Health Nurse Program:				
Salaries and employee benefits		538,251		523,845
Operating expenditures		24,626		18,536
Total	600,382	562,877	37,505	542,381
H1N1:				
Salaries and employee benefits		93,873		-
Operating expenditures		68,903		-
Capital outlay		6,672		-
Total	381,601	169,448	212,153	-
Total public health	6,591,938	5,844,857	747,081	5,756,425

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Environmental Health:				
Salaries and employee benefits		794,696		894,643
Operating expenditures		104,243		66,495
Total	1,024,768	898,939	125,829	961,138
Home and Community Block Grant:				
Salaries and employee benefits	-	250		-
Operating expenditures	722,595	722,595	-	701,169
Total	722,595	722,845	-	701,169
Youth Services:				
Salaries and employee benefits		388,628		386,757
Operating expenditures		75,302		62,746
Total	500,233	463,930	36,303	449,503
Social Services:				
Mental Health:				
Operating expenditures		536,433		528,612
Total	544,612	536,433	8,179	528,612
Administration:				
Salaries and employee benefits		9,695,782		9,343,861
Operating expenditures		1,491,897		3,628,766
Capital outlay		6,147		44,012
Total	11,703,299	11,193,826	509,473	13,016,639
Smart Start:				
Salaries and employee benefits		39,967		38,961
Operating expenditures		484,920		473,990
Total	547,394	524,887	22,507	512,951
TANF Program :				
County participation only	276,351	278,578	(2,227)	260,264
Income Maintenance Program:				
Supplemental aid to the aged		425,960		416,452
Supplemental aid to the disabled		501,060		518,812
Crisis intervention payments		328,050		311,085
Total	1,347,215	1,255,070	92,145	1,246,349

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Daycare Operations:				
Day care for children	4,199,191	4,153,714	45,477	3,882,156
Foster Care:				
State boarding home		323,390		287,874
Foster care - children		812,631		748,372
Adoption assistance		289,091		264,885
Total	1,708,452	1,425,112	283,340	1,301,131
Other Assistance:				
Social work contracts	58,880	67,533	(8,653)	60,200
Medicaid transportation	715,000	786,269	(71,269)	788,879
Aid to the blind	5,300	4,616	684	4,416
Adult day care	14,857	16,097	(1,240)	12,331
General assistance	57,000	38,997	18,003	50,585
JOBS Program	50,000	52,931	(2,931)	49,993
EDTAP program	267,294	264,110	3,184	247,871
Emergency assistance	25,000	3,962	21,038	7,953
Other assistance	30,652	6,348	24,304	93,151
Total	1,223,983	1,240,863	(16,880)	1,315,379
Total social services	21,550,497	20,608,483	942,014	24,277,766
Veteran Services:				
Salaries and employee benefits		22,418		21,673
Operating expenditures		4,217		2,548
Total	27,507	26,635	872	24,221
Juvenile Justice Grant:				
Operating expenditures	286,688	250,700	35,988	205,922
Total human services	30,704,226	28,816,389	1,888,087	32,376,144
Cultural and Recreation:				
Library:				
Salaries and employee benefits		1,928,858		2,021,652
Operating expenditures		932,463		770,894
Capital outlay		33,798		-
Total	3,137,087	2,895,119	241,968	2,792,546

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Parks and Recreation:				
Salaries and employee benefits		768,038		801,892
Operating expenditures		654,399		315,470
Capital outlay		39,310		-
Total	1,570,192	1,461,747	108,445	1,117,362
 Total cultural and recreation	 4,707,279	 4,356,866	 350,413	 3,909,908
Intergovernmental:				
Education:				
Public schools - current expense		20,392,939		20,205,922
Public schools - capital expense		449,889		2,255,339
Community colleges - current expense		2,405,133		2,405,133
Total education	23,247,961	23,247,961	-	24,866,394
 Debt Service:				
Principal	9,059,156	8,808,647	250,509	9,264,288
Interest	5,178,763	5,099,807	78,956	5,339,185
Total debt service	14,237,919	13,908,454	329,465	14,603,473
 Total expenditures	 109,414,300	 104,503,701	 4,910,849	 111,540,592
 Revenues over (under) expenditures	 481,805	 2,277,378	 1,795,573	 1,464,784
 Other Financing Sources (Uses):				
Installment financing issued	-	-	-	553,000
Transfers in	1,820,269	1,786,390	(33,879)	399,422
Transfers out	(2,302,074)	(2,233,595)	68,479	(1,175,253)
Total other financing sources (uses)	(481,805)	(447,205)	34,600	(222,831)
 Net changes in fund balance	 \$ -	 1,830,173	 \$ 1,830,173	 1,241,953
 Fund Balance:				
Beginning of year - July 1		35,211,964		33,970,011
 End of year - June 30		 \$ 37,042,137		 \$ 35,211,964

Other Major Governmental Funds

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

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

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

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HENDERSON COUNTY, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues	\$ 500,000	\$ 457,088	\$ 48,242	\$ 505,330
Investment earnings	-	2,004,152	33,456	2,037,608
Miscellaneous	330,000	918,326	47,960	966,286
Total	830,000	3,379,566	129,658	3,509,224
Expenditures:				
Capital outlay:				
General government	59,651,300	46,550,155	1,238,245	47,788,400
Total capital outlay	59,651,300	46,550,155	1,238,245	47,788,400
Debt Service:				
Interest and fees	-	-	509,674	509,674
Total debt service	-	-	509,674	509,674
Total expenditures	59,651,300	46,550,155	1,747,919	48,298,074
Revenues over (under) expenditures	(58,821,300)	(43,170,589)	(1,618,261)	(44,788,850)
Other Financing Sources (Uses):				
Transfers out				
To General Fund	(1,508,000)	-	(1,508,000)	(1,508,000)
Transfers in:				
From General Fund	2,706,000	2,444,494	481,000	2,925,494
From Capital Reserve Fund	300,000	300,000	-	300,000
From Travel and Tourism Fund	125,000	132,359	-	132,359
From Sewer District Fund	449,185	449,185	-	449,185
From Solid Waste Fund	800,000	800,000	-	800,000
From Trust and Agency Fund	21,085	21,085	-	21,085
Total transfers in (out)	2,893,270	4,147,123	(1,027,000)	3,120,123
Installment financing issued	54,420,030	40,769,536	1,999,999	42,769,535
Refunding Bonds issued	-	-	17,037,084	17,037,084
Payments to bond holders	-	-	(17,282,996)	(17,282,996)
Bond premium	-	-	848,430	848,430
Appropriated fund balance	1,508,000	-	-	-
Total other financing sources (uses)	58,821,300	44,916,659	1,575,517	46,492,176
Net change in fund balance	\$ -	\$ 1,746,070	(42,744)	\$ 1,703,326
Fund Balance:				
Beginning of year - July 1			1,746,070	
End of year - June 30			\$ 1,703,326	

HENDERSON COUNTY, NORTH CAROLINA**SCHOOL CAPITAL PROJECTS FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

		Actual		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,629,820	22,312	1,652,132
Miscellaneous	-	1,012,961	175,808	1,188,769
Total	<u>456,629</u>	<u>3,099,410</u>	<u>198,120</u>	<u>3,297,530</u>
Expenditures:				
Capital outlay:				
General education	<u>74,127,412</u>	<u>58,781,751</u>	<u>9,636,997</u>	<u>68,418,748</u>
Total	<u>74,127,412</u>	<u>58,781,751</u>	<u>9,636,997</u>	<u>68,418,748</u>
Revenues over (under) expenditures	<u>(73,670,783)</u>	<u>(55,682,341)</u>	<u>(9,438,877)</u>	<u>(65,121,218)</u>
Other Financing Sources (Uses):				
Installment financing issued	73,368,574	60,680,674	12,687,900	73,368,574
Transfers in:				
From General Fund	795,000	795,000	-	795,000
Transfers out:				
To General Fund	(1,425,000)	(1,425,000)	-	(1,425,000)
Appropriated fund balance	<u>932,209</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>73,670,783</u>	<u>60,050,674</u>	<u>12,687,900</u>	<u>72,738,574</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,368,333</u>	3,249,023	<u>\$ 7,617,356</u>
Fund Balance:				
Beginning of year - July 1			<u>4,368,333</u>	
End of year - June 30			<u>\$ 7,617,356</u>	

Nonmajor Governmental Funds

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Special Revenue Funds

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

Individual Fund Descriptions:

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

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

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

Community Development Block Grant – The Warm Company SBEA Project Fund— accounts for a Federal grant for construction and rehabilitation of facilities at the Warm Company, Inc.

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

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

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2010

	Revaluation Reserve Fund	Travel and Tourism Fund	Community Development Block Grant Scattered Site Housing Fund	Community Development Block Grant The Warm Company SBEA Project Fund	Mud Creek Watershed Restoration Fund
Assets:					
Cash and investments	\$ 37,598	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	880	101,425	45,539	-	-
Restricted cash	-	-	-	-	-
Total assets	<u>\$ 38,478</u>	<u>\$ 101,425</u>	<u>\$ 45,539</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 13,720	\$ 18,995	\$ 4,591	\$ -	\$ -
Due to other funds	-	151,356	40,948	-	-
Total liabilities	<u>13,720</u>	<u>170,351</u>	<u>45,539</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved by State statute	880	101,425	-	-	-
Unreserved:					
Undesignated	<u>23,878</u>	<u>(170,351)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>24,758</u>	<u>(68,926)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 38,478</u>	<u>\$ 101,425</u>	<u>\$ 45,539</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule C-1

Sheriff E-911 Fund	Public Transit Fund	Immigration Customs Enforcement Fund	Capital Reserve Fund	Totals June 30, 2010	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 514,512	\$ 146,107	\$ 332,483	\$ 3,174,872	\$ 4,205,572	\$ 445,437	\$ 4,651,009
50,295	225,759	148,498	-	572,396	-	572,396
-	-	-	-	-	1,150,544	1,150,544
<u>\$ 564,807</u>	<u>\$ 371,866</u>	<u>\$ 480,981</u>	<u>\$ 3,174,872</u>	<u>\$ 4,777,968</u>	<u>\$ 1,595,981</u>	<u>\$ 6,373,949</u>
\$ 19,795	\$ 40,089	\$ 4,873	\$ -	\$ 102,063	\$ -	\$ 102,063
-	-	-	-	192,304	2,932	195,236
19,795	40,089	4,873	-	294,367	2,932	297,299
50,295	225,759	148,498	-	526,857	-	526,857
494,717	106,018	327,610	3,174,872	3,956,744	1,593,049	5,549,793
545,012	331,777	476,108	3,174,872	4,483,601	1,593,049	6,076,650
<u>\$ 564,807</u>	<u>\$ 371,866</u>	<u>\$ 480,981</u>	<u>\$ 3,174,872</u>	<u>\$ 4,777,968</u>	<u>\$ 1,595,981</u>	<u>\$ 6,373,949</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	Revaluation Reserve Fund	Travel and Tourism Fund	Community Development Block Grant Scattered Site Housing Fund	Community Development Block Grant The Warm Company SBEA Project Fund	Mud Creek Watershed Restoration Fund
Revenues:					
Other taxes and licenses	\$ -	\$ 887,775	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	-	186,273	26,917	38,379
Sales and services	-	90,632	-	-	-
Investment earnings	358	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>358</u>	<u>978,407</u>	<u>186,273</u>	<u>26,917</u>	<u>38,379</u>
Expenditures:					
Current:					
General government	572,320	-	-	-	-
Public safety	-	-	-	-	-
Environmental protection	-	-	-	-	39,380
Economic and physical development	-	867,403	186,273	26,917	-
Debt service:					
Principal repayments	-	138,576	-	-	-
Interest	-	3,354	-	-	-
Total expenditures	<u>572,320</u>	<u>1,009,333</u>	<u>186,273</u>	<u>26,917</u>	<u>39,380</u>
Revenues over (under) expenditures	<u>(571,962)</u>	<u>(30,926)</u>	<u>-</u>	<u>-</u>	<u>(1,001)</u>
Other Financing Sources (Uses):					
Transfers from:					
General Fund	588,171	-	-	-	-
Transfers to:					
Public Transit Fund	-	-	-	-	-
General Fund	-	(38,000)	(1,117)	-	(6,210)
Total other financing sources (uses)	<u>588,171</u>	<u>(38,000)</u>	<u>(1,117)</u>	<u>-</u>	<u>(6,210)</u>
Net change in fund balances	16,209	(68,926)	(1,117)	-	(7,211)
Fund Balances:					
Beginning of year - July 1	<u>8,549</u>	<u>-</u>	<u>1,117</u>	<u>-</u>	<u>7,211</u>
End of year - June 30	<u>\$ 24,758</u>	<u>\$ (68,926)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule C-2

Sheriff E-911 Fund	Public Transit Fund	Immigration Customs Enforcement Fund	Capital Reserve Fund	Totals June 30, 2010	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 887,775	\$ -	\$ 887,775
-	667,490	701,837	-	1,620,896	-	1,620,896
-	-	-	-	90,632	-	90,632
2,538	-	-	-	2,896	74,043	76,939
559,878	-	-	-	559,878	-	559,878
562,416	667,490	701,837	-	3,162,077	74,043	3,236,120
-	-	-	-	572,320	-	572,320
476,197	-	410,069	-	886,266	-	886,266
-	-	-	-	39,380	-	39,380
-	667,578	-	-	1,748,171	-	1,748,171
-	-	-	-	138,576	-	138,576
-	-	-	-	3,354	-	3,354
476,197	667,578	410,069	-	3,388,067	-	3,388,067
86,219	(88)	291,768	-	(225,990)	74,043	(151,947)
-	208,384	-	772,677	1,569,232	164,364	1,733,596
-	-	-	(35,000)	(35,000)	-	(35,000)
-	-	-	-	(45,327)	-	(45,327)
-	208,384	-	737,677	1,488,905	164,364	1,653,269
86,219	208,296	291,768	737,677	1,262,915	238,407	1,501,322
458,793	123,481	184,340	2,437,195	3,220,686	1,354,642	4,575,328
\$ 545,012	\$ 331,777	\$ 476,108	\$ 3,174,872	\$ 4,483,601	\$ 1,593,049	\$ 6,076,650

HENDERSON COUNTY, NORTH CAROLINA**REVALUATION RESERVE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 358	\$ 358	\$ 2,176
Total revenues	-	358	358	2,176
Expenditures:				
Current:				
General government	641,641	572,320	69,321	593,213
Total expenditures	641,641	572,320	69,321	593,213
Revenues over (under) expenditures	(641,641)	(571,962)	69,679	(591,037)
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	641,641	588,171	(53,470)	594,729
Total other financing sources (uses)	641,641	588,171	(53,470)	594,729
Net change in fund balance	\$ -	16,209	\$ 16,209	3,692
Fund Balance:				
Beginning of year - July 1		8,549		4,857
End of year - June 30		\$ 24,758		\$ 8,549

HENDERSON COUNTY, NORTH CAROLINA**TRAVEL AND TOURISM FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses	\$ 991,121	\$ 887,775	\$ (103,346)	\$ 960,402
Sales and services	112,896	90,632	(22,264)	116,076
Investment earnings	1,000	-	(1,000)	4,356
Total revenues	<u>1,105,017</u>	<u>978,407</u>	<u>(126,610)</u>	<u>1,080,834</u>
Expenditures:				
Current:				
Economic and physical development	1,023,451	867,403	156,048	1,068,196
Debt service:				
Principal repayments	138,879	138,576	303	-
Interest	3,052	3,354	(302)	-
Total expenditures	<u>1,165,382</u>	<u>1,009,333</u>	<u>156,049</u>	<u>1,068,196</u>
Revenues over (under) expenditures	<u>(60,365)</u>	<u>(30,926)</u>	<u>29,439</u>	<u>12,638</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(38,000)	(38,000)	-	(187,289)
Appropriated fund balance	<u>98,365</u>	<u>-</u>	<u>(98,365)</u>	<u>-</u>
Total other financing sources (uses)	<u>60,365</u>	<u>(38,000)</u>	<u>(98,365)</u>	<u>(187,289)</u>
Net change in fund balance	<u>\$ -</u>	<u>(68,926)</u>	<u>\$ (68,926)</u>	<u>(174,651)</u>
Fund Balance:				
Beginning of year - July 1		<u>-</u>		<u>174,651</u>
End of year - June 30		<u>\$ (68,926)</u>		<u>\$ -</u>

HENDERSON COUNTY, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT - SCATTERED SITE HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 20,550	\$ 186,273	\$ 206,823
Total revenues	<u>400,000</u>	<u>20,550</u>	<u>186,273</u>	<u>206,823</u>
Expenditures:				
Current:				
Economic and physical development	<u>400,000</u>	<u>19,433</u>	<u>186,273</u>	<u>205,706</u>
Total expenditures	<u>400,000</u>	<u>19,433</u>	<u>186,273</u>	<u>205,706</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,117</u>	<u>-</u>	<u>1,117</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,117)</u>	<u>(1,117)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,117)</u>	<u>(1,117)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,117</u>	<u>(1,117)</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>1,117</u>	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

**COMMUNITY DEVELOPMENT BLOCK GRANT -
 THE WARM COMPANY SBEA PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 200,000	\$ 77,272	\$ 26,917	\$ 104,189
Total revenues	200,000	77,272	26,917	104,189
Expenditures:				
Current:				
Economic and physical development	200,000	77,272	26,917	104,189
Total expenditures	200,000	77,272	26,917	104,189
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

HENDERSON COUNTY, NORTH CAROLINA**MUD CREEK WATERSHED RESTORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:	\$ -	\$ 38,379	\$ 38,379	\$ 234,102
	-	38,379	38,379	234,102
Total revenues				
Expenditures:				
Current:	15,008	39,380	(24,372)	235,337
	15,008	39,380	(24,372)	235,337
Total expenditures				
	(15,008)	(1,001)	14,007	(1,235)
Revenues over (under) expenditures				
Other Financing Sources (Uses):	-	(6,210)	(6,210)	-
Transfers out	15,008	-	(15,008)	-
Transfers in	15,008	(6,210)	(21,218)	-
Total other financing sources (uses)				
	\$ -	(7,211)	\$ (7,211)	(1,235)
Net change in fund balance				
Fund Balance:		7,211		8,446
Beginning of year - July 1		\$ -		\$ 7,211

HENDERSON COUNTY, NORTH CAROLINA**SHERIFF E-911 FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 158,262	\$ 2,538	\$ (155,724)	\$ 13,272
Miscellaneous	411,430	559,878	148,448	559,878
Total revenues	<u>569,692</u>	<u>562,416</u>	<u>(7,276)</u>	<u>573,150</u>
Expenditures:				
Current:				
Public safety	<u>569,692</u>	<u>476,197</u>	<u>93,495</u>	<u>380,200</u>
Total expenditures	<u>569,692</u>	<u>476,197</u>	<u>93,495</u>	<u>380,200</u>
Net change in fund balance	<u>\$ -</u>	<u>86,219</u>	<u>\$ 86,219</u>	<u>192,950</u>
Fund Balance:				
Beginning of year - July 1		<u>458,793</u>		<u>265,843</u>
End of year - June 30		<u>\$ 545,012</u>		<u>\$ 458,793</u>

HENDERSON COUNTY, NORTH CAROLINA**PUBLIC TRANSIT FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 1,133,215	\$ 667,490	\$ (465,725)	\$ 429,471
Total revenues	<u>1,133,215</u>	<u>667,490</u>	<u>(465,725)</u>	<u>429,471</u>
Expenditures:				
Current:				
Economic and physical development	<u>1,341,599</u>	<u>667,578</u>	<u>674,021</u>	<u>472,872</u>
Total expenditures	<u>1,341,599</u>	<u>667,578</u>	<u>674,021</u>	<u>472,872</u>
Revenues over (under) expenditures	<u>(208,384)</u>	<u>(88)</u>	<u>208,296</u>	<u>(43,401)</u>
Other Financing Sources (Uses):				
Transfers in:				
General Fund	<u>208,384</u>	<u>208,384</u>	<u>-</u>	<u>89,009</u>
Total other financing sources (uses)	<u>208,384</u>	<u>208,384</u>	<u>-</u>	<u>89,009</u>
Net change in fund balance	<u>\$ -</u>	<u>208,296</u>	<u>\$ 208,296</u>	<u>45,608</u>
Fund Balance:				
Beginning of year - July 1		<u>123,481</u>		<u>77,873</u>
End of year - June 30		<u>\$ 331,777</u>		<u>\$ 123,481</u>

HENDERSON COUNTY, NORTH CAROLINA**IMMIGRATION CUSTOMS ENFORCEMENT FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenues	\$ 647,734	\$ 701,837	\$ 54,103	\$ 384,002
Total revenues	<u>647,734</u>	<u>701,837</u>	<u>54,103</u>	<u>384,002</u>
Expenditures:				
Current:				
Public safety	<u>647,734</u>	<u>410,069</u>	<u>237,665</u>	<u>199,662</u>
Total expenditures	<u>647,734</u>	<u>410,069</u>	<u>237,665</u>	<u>199,662</u>
Net change in fund balance	<u>\$ -</u>	<u>291,768</u>	<u>\$ 291,768</u>	<u>184,340</u>
Fund Balance:				
Beginning of year - July 1		<u>184,340</u>		<u>-</u>
End of year - June 30		<u>\$ 476,108</u>		<u>\$ 184,340</u>

HENDERSON COUNTY, NORTH CAROLINA**CAPITAL RESERVE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers out:				
To Transit Fund	\$ (35,000)	\$ (35,000)	\$ -	\$ -
To General Capital Projects Fund	(737,677)	-	737,677	(300,000)
Transfers in:				
From General Fund	772,677	772,677	-	-
Total other financing sources and (uses)	<u>-</u>	<u>737,677</u>	<u>737,677</u>	<u>(300,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>737,677</u>	<u>\$ 737,677</u>	<u>(300,000)</u>
Fund Balance:				
Beginning of year - July 1		<u>2,437,195</u>		<u>2,737,195</u>
End of year - June 30		<u>\$ 3,174,872</u>		<u>\$ 2,437,195</u>

Debt Service Fund

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

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HENDERSON COUNTY, NORTH CAROLINA**DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 74,043	\$ 74,043	\$ 62,847
Total revenues	-	74,043	74,043	62,847
Expenditures:				
Debt service:				
Principal repayments	164,364	-	164,364	5,060,300
Interest	-	-	-	166,523
Total expenditures	164,364	-	164,364	5,226,823
Revenues over (under) expenditures	(164,364)	74,043	238,407	(5,163,976)
Other Financing Sources (Uses):				
Installment financing issued	-	-	-	5,092,000
Transfers in:				
From General Fund	164,364	164,364	-	295,138
Total other financing sources (uses)	164,364	164,364	-	5,387,138
Net change in fund balance	\$ -	238,407	\$ 238,407	223,162
Fund Balance:				
Beginning of year - July 1		1,354,642		1,131,480
End of year - June 30		\$ 1,593,049		\$ 1,354,642

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Enterprise Fund

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

Individual Fund Descriptions:

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

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

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

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HENDERSON COUNTY, NORTH CAROLINA**LANDFILL FUND****SCHEDULE OF REVENUES AND EXPENDITURES****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPAARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 4,348,000	\$ 4,188,696	\$ (159,304)	\$ 4,457,415
Operating grants	175,000	135,743	(39,257)	201,061
Non-operating revenues:				
Interest income	155,100	21,400	(133,700)	197,588
Total revenues	<u>4,678,100</u>	<u>4,345,839</u>	<u>(332,261)</u>	<u>4,856,064</u>
Expenditures:				
Salaries and employee benefits	744,202	677,147	67,055	771,545
Other operating expenditures	3,653,111	3,656,387	(3,276)	3,217,953
Capital outlay	686,715	611,186	75,529	294,474
Total expenditures	<u>5,084,028</u>	<u>4,944,720</u>	<u>139,308</u>	<u>4,283,972</u>
Revenue over (under) expenditures	<u>(405,928)</u>	<u>(598,881)</u>	<u>(471,569)</u>	<u>572,092</u>
Other Financing Sources (Uses):				
Transfers in	104,000	104,000	-	104,000
Appropriated retained earnings	301,928	-	(301,928)	-
Total other financing sources (uses)	<u>405,928</u>	<u>104,000</u>	<u>(301,928)</u>	<u>104,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(494,881)</u>	<u>\$ (494,881)</u>	<u>\$ 676,092</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Other post-employment benefits		(11,611)		
Capital outlay, capitalized		611,186		
Capital contribution		20,030		
Post-closure care costs		125,222		
Depreciation		(145,174)		
Total reconciling items		<u>599,653</u>		
Change in net assets		<u>\$ 104,772</u>		

HENDERSON COUNTY, NORTH CAROLINA**CANE CREEK WATER AND SEWER DISTRICT FUND****SCHEDULE OF REVENUES AND EXPENDITURES****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPAARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 1,107,073	\$ 1,335,494	\$ 228,421	\$ 1,093,459
Non-operating revenues:				
Interest income	-	23,801	23,801	222,284
Total revenues	<u>1,107,073</u>	<u>1,359,295</u>	<u>252,222</u>	<u>1,315,743</u>
Expenditures:				
Water and sewer administration:				
Operating expenditures	466,729	367,103	99,626	357,178
Capital outlay	44,973	44,973	-	319,490
Total water and sewer administration	<u>511,702</u>	<u>412,076</u>	<u>99,626</u>	<u>676,668</u>
Debt Service:				
Interest paid	84,507	152,196	(67,689)	96,367
Principal retirement	317,800	461,134	(143,334)	317,800
Total debt service	<u>402,307</u>	<u>613,330</u>	<u>(211,023)</u>	<u>414,167</u>
Revenues over (under) expenditures	<u>193,064</u>	<u>333,889</u>	<u>140,825</u>	<u>224,908</u>
Other Financing Sources (Uses):				
Proceeds from long-term debt issued:				
Bond premium received	-	91,775	91,775	-
Transfers out:	(283,064)	(283,064)	-	(269,492)
Appropriated retained earnings	90,000	-	(90,000)	-
Total other financing sources (uses)	<u>(193,064)</u>	<u>(191,289)</u>	<u>1,775</u>	<u>(269,492)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>142,600</u>	<u>\$ 142,600</u>	<u>\$ (44,584)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital contribution		142,560		
Capital outlay		44,973		
Bond premium received, net of amortization		(82,597)		
Refunding bonds issued		(1,842,916)		
Payments to escrow agent		2,304,050		
Depreciation		(396,936)		
Total reconciling items		<u>169,134</u>		
Change in net assets		<u>\$ 311,734</u>		

HENDERSON COUNTY, NORTH CAROLINA**JUSTICE ACADEMY SEWER FUND****SCHEDULE OF REVENUES AND EXPENDITURES****BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2010****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 39,002	\$ 66,000	\$ 26,998	\$ 66,000
Non-operating revenues:				
Interest income	-	3,070	3,070	26,704
Total revenues	<u>39,002</u>	<u>69,070</u>	<u>30,068</u>	<u>92,704</u>
Expenditures:				
Water and sewer administration:				
Salaries and employee benefits				
Operating expenditures	36,977	31,402	5,575	31,832
Capital outlay	<u>2,025</u>	<u>-</u>	<u>2,025</u>	<u>-</u>
Total expenditures	<u>39,002</u>	<u>31,402</u>	<u>7,600</u>	<u>31,832</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>37,668</u>	<u>\$ 37,668</u>	<u>\$ 60,872</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Depreciation		<u>(10,446)</u>		
Change in net assets		<u>\$ 27,222</u>		

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Agency Funds

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

Individual Fund Descriptions:

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

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

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

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

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

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

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

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

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

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HENDERSON COUNTY, NORTH CAROLINA

AGENCY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 55,427	\$ 304,209	\$ 332,876	\$ 26,760
Liabilities:				
Accounts payable	\$ 55,427	\$ 304,209	\$ 332,876	\$ 26,760
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ 29,263	\$ 25,399	\$ 22,407	\$ 32,255
Liabilities:				
Intergovernmental payable	\$ 29,263	\$ 25,399	\$ 22,407	\$ 32,255
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ -	\$ 286,292	\$ 286,292	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 286,292	\$ 286,292	\$ -
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ 141,997	\$ 55,737	\$ 46,503	\$ 151,231
Liabilities:				
Intergovernmental payable	\$ 141,997	\$ 55,737	\$ 46,503	\$ 151,231
Recreation Sponsorship Fund:				
Assets:				
Cash and cash equivalents	\$ 37,196	\$ -	\$ 37,196	\$ -
Liabilities:				
Intergovernmental payable	\$ 37,196	\$ -	\$ 37,196	\$ -
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ 64,049	\$ 3,190	\$ 64,104	\$ 3,135
Liabilities:				
Intergovernmental payable	\$ 64,049	\$ 3,190	\$ 64,104	\$ 3,135

HENDERSON COUNTY, NORTH CAROLINA

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
School Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 576,812	\$ 576,812	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 576,812	\$ 576,812	\$ -
Motor Vehicle Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 2,622	\$ 31,640	\$ 31,826	\$ 2,436
Liabilities:				
Intergovernmental payable	\$ 2,622	\$ 31,640	\$ 31,826	\$ 2,436
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 205,169	\$ 2,582,524	\$ 2,507,415	\$ 280,278
Liabilities:				
Intergovernmental payable	\$ 205,169	\$ 2,582,524	\$ 2,507,415	\$ 280,278
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ 535,723	\$ 3,865,803	\$ 3,905,431	\$ 496,095
Liabilities:				
Intergovernmental payable	\$ 535,723	\$ 3,865,803	\$ 3,905,431	\$ 496,095

Additional Financial Data

This section contains additional information on taxes receivable, the tax levy, and schedule of revenues and expenditures for Henderson County Hospital Corporation, as of June 30, 2010.

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HENDERSON COUNTY, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2010**

Fiscal Year	Uncollected Balance July 1, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 60,569,658	\$ 58,726,603	\$ 1,843,055
2008-2009	1,519,992	-	1,139,438	380,554
2007-2008	460,814	-	150,813	310,001
2006-2007	400,046	-	67,930	332,116
2005-2006	224,042	-	26,514	197,528
2004-2005	161,676	-	14,280	147,396
2003-2004	198,724	-	14,938	183,786
2002-2003	197,290	-	11,415	185,875
2001-2002	154,886	-	9,193	145,693
2000-2001	166,922	-	8,648	158,274
1999-2000	161,427	-	161,427	-
Totals	\$ 3,645,819	\$ 60,569,658	\$ 60,331,199	3,884,278

Less: allowance for uncollectible accounts: General Fund (1,713,700)

Ad valorem taxes receivable net: General Fund \$ 2,170,578

Reconciliation with Revenues:

Ad valorem taxes - General Fund \$ 60,577,626

Reconciling items:

Interest (344,200)

Tax refunds 10,403

Other miscellaneous adjustments (74,057)

Amounts written off per statute of limitations 161,427

Total collections and credits \$ 60,331,199

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2010**

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 12,760,679,014	\$ 0.4620	\$ 58,954,341	\$ 56,606,714	\$ 2,347,627
Motor vehicles taxed at prior year's rate	304,126,549	0.4620	1,405,064	-	1,405,064
Total	13,064,805,563		60,359,405	56,606,714	3,752,691
Discoveries:					
Current year taxes	82,685,957	0.4620	382,009	314,381	67,628
Prior year taxes	4,829,666		25,273	23,857	1,416
Penalties	-		79,400	79,400	-
Total	87,515,623		486,682	417,638	69,044
Abatements	(59,833,190)	0.4620	(276,429)	(191,245)	(85,184)
Total property valuation	<u>\$ 13,092,487,996</u>				
Net Levy			60,569,658	56,833,107	3,736,551
Uncollected taxes at June 30, 2010			1,843,055	1,441,251	401,804
Current Year's Taxes Collected			<u>\$ 58,726,603</u>	<u>\$ 55,391,856</u>	<u>\$ 3,334,747</u>
Current Levy Collection Percentage			<u>96.96%</u>	<u>97.46%</u>	<u>89.25%</u>

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2010****Secondary Market Disclosures:**

Assessed Valuation:

Assessment ratio (1) 87.19%

Real Property	\$ 11,207,262,473
Personal Property	1,681,442,498
Public Service Companies (2)	<u>203,783,025</u>
Total assessed valuation	<u>\$ 13,092,487,996</u>

Tax rate per \$100	<u>0.462</u>
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Levy (includes discoveries, releases and abatements) (3)	\$ 60,569,658
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In addition to the County-wide rate, the following table lists the levies by the County
on behalf of fire protection districts for the fiscal year ended June 30, 2010.

Fire Protection Districts	<u>6,583,449</u>
Total	<u>\$ 67,153,107</u>

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

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

(3) The levy includes interest and penalties.

HENDERSON COUNTY, NORTH CAROLINA

**DISCRETELY PRESENTED COMPONENT UNIT
HENDERSON COUNTY HOSPITAL CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues	\$ 127,890,459	\$ 129,103,813	\$ 1,213,354
Non-operating revenues:			
Interest income	1,386,566	1,376,372	(10,194)
Miscellaneous income (expense)	(566,200)	(248,059)	318,141
Total non-operating revenues	820,366	1,128,313	307,947
Total revenues	128,710,825	130,232,126	1,521,301
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	63,865,173	65,970,594	(2,105,421)
Operating expenditures	48,870,381	46,735,048	2,135,333
Depreciation and amortization	10,509,701	9,913,488	596,213
Total expenditures	123,245,255	122,619,130	626,125
Revenues over (under) expenditures	5,465,570	7,612,996	2,147,426
Individuals and others	60,144	350,090	289,946
Net change in fund balance	\$ 5,525,714	\$ 7,963,086	\$ 2,437,372

Statistical Section

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

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities					
Invested in capital assets, net of related debt	\$ 17,886,041	\$ 25,994,918	\$ 42,917,076	\$ 46,920,197	\$ 45,283,045
Restricted	248,699	318,524	346,809	-	343,790
Unrestricted	<u>(13,350,654)</u>	<u>(12,992,312)</u>	<u>(26,932,658)</u>	<u>(47,594,779)</u>	<u>(49,123,482)</u>
Total governmental activities net assets	<u>\$ 4,784,086</u>	<u>\$ 13,321,130</u>	<u>\$ 16,331,227</u>	<u>\$ (674,582)</u>	<u>\$ (3,496,647)</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 10,125,836	\$ 13,452,142	\$ 14,332,671	\$ 14,917,293	\$ 15,562,023
Unrestricted	<u>3,640,005</u>	<u>4,359,366</u>	<u>6,061,315</u>	<u>6,798,777</u>	<u>6,597,775</u>
Total business-type activities	<u>\$ 13,765,841</u>	<u>\$ 17,811,508</u>	<u>\$ 20,393,986</u>	<u>\$ 21,716,070</u>	<u>\$ 22,159,798</u>
Primary government					
Invested in capital assets, net of related debt	\$ 28,011,877	\$ 39,447,060	\$ 57,249,747	\$ 61,837,490	\$ 60,845,068
Restricted	248,699	318,524	346,809	-	343,790
Unrestricted	<u>(9,710,649)</u>	<u>(8,632,946)</u>	<u>(20,871,343)</u>	<u>(40,796,002)</u>	<u>(42,525,707)</u>
Total primary government net assets	<u>\$ 18,549,927</u>	<u>\$ 31,132,638</u>	<u>\$ 36,725,213</u>	<u>\$ 21,041,488</u>	<u>\$ 18,663,151</u>

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented. The significant increase in total net assets from FY2006 to FY2008 is primarily due to the investment in capital assets net of any related debt. The decrease in total net assets of the County from FY2008 to FY2009 is primarily due to the significant deficit increase in unrestricted net assets from school and community college capital project expenditures incurred in FY2009 for new facilities that are not reported as assets of the County.

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

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Total primary government net (expense)/revenue	\$ <u>(75,826,209)</u>	\$ <u>(78,586,972)</u>	\$ <u>(89,320,675)</u>	\$ <u>(106,596,052)</u>	\$ <u>(88,407,739)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 51,743,823	\$ 58,929,080	\$ 64,331,927	\$ 66,151,942	\$ 67,341,066
Local option sales tax	20,540,587	23,920,538	24,547,750	21,161,570	16,265,083
Other taxes and licenses	2,892,255	2,965,246	2,908,890	1,932,087	1,760,761
Grants and contributions not restricted	27,469	27,349	27,035	58,351	-
Investment earnings	1,463,391	3,602,951	2,780,131	1,161,801	614,221
Miscellaneous	524,079	1,368,999	-	-	-
Transfers	245,075	211,488	218,144	165,492	179,064
Total governmental activities:	<u>77,436,679</u>	<u>91,025,651</u>	<u>94,813,877</u>	<u>90,631,243</u>	<u>86,160,195</u>
Business-type activities:					
Investment earnings	217,882	355,520	317,517	446,576	48,271
Miscellaneous	-	-	-	-	-
Transfers	(245,075)	(211,488)	(218,144)	(165,492)	(179,064)
Total business-type activities	<u>(27,193)</u>	<u>144,032</u>	<u>99,373</u>	<u>281,084</u>	<u>(130,793)</u>
Total primary government	\$ <u>77,409,486</u>	\$ <u>91,169,683</u>	\$ <u>94,913,250</u>	\$ <u>90,912,327</u>	\$ <u>86,029,402</u>
Change in Net Assets					
Governmental activities	\$ (463,459)	\$ 8,537,044	\$ 3,010,097	\$ (17,005,809)	\$ (2,822,065)
Business-type activities	<u>2,046,187</u>	<u>4,045,667</u>	<u>2,582,478</u>	<u>1,322,084</u>	<u>443,728</u>
Total primary government	\$ <u>1,582,728</u>	\$ <u>12,582,711</u>	\$ <u>5,592,575</u>	\$ <u>(15,683,725)</u>	\$ <u>(2,378,337)</u>

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

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

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

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 6,085,013	\$ 7,542,377	\$ 8,972,465	\$ 9,257,898	\$ 7,263,179	\$ 6,522,876
18,295	14,998	16,333	14,386	25,843	34,082
67,145	56,110	53,335	98,803	92,671	136,140
160,729	248,699	318,524	346,809	324,500	343,790
<u>6,331,182</u>	<u>7,862,184</u>	<u>9,360,657</u>	<u>9,717,896</u>	<u>7,706,193</u>	<u>7,036,888</u>
-	515,000	1,841,778	2,352,740	720,778	6,418,905
-	-	99,126	26,996	37,422	87,492
<u>9,932,388</u>	<u>12,902,473</u>	<u>15,381,495</u>	<u>21,872,379</u>	<u>26,747,571</u>	<u>23,498,852</u>
<u>\$ 16,263,570</u>	<u>\$ 21,279,657</u>	<u>\$ 26,683,056</u>	<u>\$ 33,970,011</u>	<u>\$ 35,211,964</u>	<u>\$ 37,042,137</u>
\$ 159,701	\$ 401,060	\$ 153,693	\$ 273,611	\$ 409,967	\$ 526,857
-	-	5,986	-	-	-
781,540	942,744	2,663,109	4,127,851	4,165,361	1,593,049
<u>23,357,918</u>	<u>42,402,936</u>	<u>26,184,220</u>	<u>32,637,787</u>	<u>6,114,403</u>	<u>3,956,744</u>
<u>\$ 24,299,159</u>	<u>\$ 43,746,740</u>	<u>\$ 29,007,008</u>	<u>\$ 37,039,249</u>	<u>\$ 10,689,731</u>	<u>\$ 6,076,650</u>

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

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

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 47,851,376	\$ 52,074,680	\$ 58,637,892	\$ 64,439,584	\$ 66,018,584	\$ 67,108,338
19,730,435	20,540,587	22,661,455	23,380,137	20,674,811	16,265,083
2,210,814	2,892,255	2,752,039	2,646,547	1,853,877	1,716,654
69,792,625	75,507,522	84,051,386	90,466,268	88,547,272	85,090,075
16,307,844	18,472,353	18,113,945	19,838,087	23,056,971	22,579,216
1,945,291	2,081,006	2,295,267	2,555,970	1,259,149	1,303,741
3,899,319	5,909,591	7,500,403	7,395,847	8,060,928	5,606,937
558,999	1,463,391	3,602,951	2,780,131	1,161,801	614,221
1,566,357	2,945,274	3,925,450	2,732,901	1,708,592	1,692,157
94,070,435	106,379,137	119,489,402	125,769,204	123,794,713	116,886,347
9,569,567	10,166,052	11,479,942	13,046,727	14,533,347	10,460,904
22,169,007	23,090,778	23,989,110	27,503,940	28,865,600	30,198,709
744,817	2,777,434	725,323	715,577	821,125	612,539
3,250,597	2,901,890	3,235,715	2,900,510	3,096,497	2,823,059
25,769,902	27,968,583	31,276,781	31,776,627	32,308,980	28,796,898
3,308,167	3,529,766	3,561,998	3,618,956	3,018,141	4,283,758
19,770,627	20,418,061	22,038,249	36,524,184	48,916,897	32,435,069
6,069,945	24,539,541	23,222,119	14,678,560	3,321,887	1,647,060
4,888,061	5,587,776	7,680,164	7,535,472	14,324,588	8,947,223
1,746,726	2,808,404	4,702,820	4,640,599	5,505,708	5,612,835
97,287,416	123,788,285	131,912,221	142,941,152	154,712,770	125,818,054
(3,216,981)	(17,409,148)	(12,422,819)	(17,171,948)	(30,918,057)	(8,931,707)
3,742,448	1,060,357	1,077,587	2,540,801	1,828,034	4,000,986
(2,086,473)	(797,541)	(866,099)	(2,322,657)	(1,662,542)	(3,821,922)
25,837,296	41,610,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	17,037,084
-	-	-	-	-	(17,282,996)
-	-	-	-	-	848,430
-	-	-	-	-	-
-	-	2,875,000	32,273,000	5,645,000	14,687,899
27,493,271	41,872,816	3,086,488	32,491,144	5,810,492	15,469,481
\$ 24,276,290	\$ 24,463,668	\$ (9,336,331)	\$ 15,319,196	\$ (25,107,565)	\$ 6,537,774
7.27%	8.46%	11.39%	9.49%	13.10%	11.73%

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

Fiscal Year	Real Property			Present-use Value (1)	Personal Property
	Residential Property	Commercial Property	Industrial Property		
2001	\$ 4,155,601,400	\$ 1,125,136,100	* \$	\$ 96,471,000	\$ 1,340,312,075
2002	4,312,158,328	956,913,679	199,250,268	102,544,235	1,468,210,940
2003	4,866,476,349	827,146,680	168,707,200	135,732,300	1,347,359,271
2004	5,938,575,453	984,707,640	186,990,000	175,533,400	1,304,635,023
2005	6,116,732,717	1,042,055,875	*	175,077,500	1,373,596,646
2006	6,300,234,699	1,103,108,886	*	176,733,520	1,406,919,730
2007 (5)	6,202,171,841	1,201,065,700	177,020,530	115,788,123	1,722,357,586
2008	9,117,452,386	1,287,653,289	*	153,220,366	1,769,324,843
2009	8,934,833,585	1,748,314,967	220,892,345	142,880,776	1,715,327,765
2010	9,092,887,260	1,763,941,443	203,969,345	146,464,425	1,681,442,498

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

Notes:

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

Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 162,610,825	\$ 6,880,131,400	0.500	\$ 7,778,554,438
167,366,750	7,206,444,200	0.500	8,391,295,063
162,593,200	7,508,015,000	0.500	7,548,019,503
160,976,534	8,751,418,050	0.475	9,470,206,742
161,003,632	8,868,466,370	0.475	10,257,305,540
168,808,340	9,155,805,175	0.515	10,921,871,854
193,340,879	9,611,744,659	0.565	9,813,911,230
198,266,344	12,525,917,228	0.462	13,802,663,612
198,684,287	12,960,933,725	0.462	14,865,160,827
203,783,025	13,092,487,996	0.462	15,016,043,120

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

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

Source: Henderson County Tax Collector

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 0.475	\$ 0.515	\$ 0.565	\$ 0.462	\$ 0.462	\$ 0.462
0.430	0.430	0.430	0.380	0.380	0.380
0.310	0.310	0.335	0.270	0.270	0.310
0.270	0.270	0.220	0.270	0.270	0.320
0.075	0.075	0.075	0.075	0.075	0.075
0.000	0.085	0.085	0.075	0.075	0.075
0.500	0.500	0.540	0.605	0.605	0.515
0.300	0.300	0.300	0.250	0.250	0.250
0.100	0.100	0.100	0.100	0.080	0.080
0.090	0.090	0.090	0.080	0.009	0.009
0.095	0.095	0.095	0.085	0.085	0.085
0.090	0.090	0.100	0.100	0.100	0.100
0.090	0.093	0.095	0.085	0.085	0.085
0.075	0.085	0.085	0.080	0.085	0.085
0.095	0.095	0.095	0.095	0.095	0.095
0.115	0.115	0.115	0.115	0.115	0.115
0.075	0.075	0.075	0.060	0.060	0.060
0.065	0.065	0.065	0.065	0.065	0.065
0.105	0.105	0.105	0.095	0.095	0.095
0.090	0.090	0.090	0.075	0.075	0.075
0.080	0.080	0.080	0.070	0.070	0.070
0.080	0.080	0.080	0.070	0.070	0.070

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

Taxpayer	Type of Business	Fiscal Year 2010		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy	Electric utility	\$ 117,649,427	1	0.89%
Meritor Heavy Vehicle Systems	Truck axles	68,145,828	2	0.52%
Continental Teves, Inc.	Automobile brake systems	59,280,738	3	0.45%
UPM Raflatac, Inc.	Paper products	54,518,925	4	0.41%
Berkley Mills	Textiles	51,419,653	5	0.39%
BellSouth	Telephone utility	33,957,638	6	0.26%
Public Service Company of NC	Natural gas utility	23,651,796	7	0.24%
Wilsonart International, Inc.	Laminate products	30,973,653	8	0.20%
Borg-Warner Automotive Cooling	Automobile cooling systems	19,355,741	9	0.18%
General Electric Lighting Systems	Lighting systems	26,265,373	10	0.15%
Totals		\$ 485,218,772		3.69%

Source: Henderson County Assessor

Fiscal Year 2001		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$ 77,317,837	1	1.12%
76,192,652	2	1.11%
67,649,610	3	0.98%
52,919,450	4	0.77%
44,016,271	6	0.64%
48,057,800	5	0.70%
21,710,360	10	0.32%
26,943,980	8	0.39%
23,713,319	9	0.34%
40,419,390	7	<u>0.29%</u>
<hr/>		
\$ <u>478,940,669</u>		6.96%

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
					Amount	Percentage of Original Levy	
2001	\$	34,612,864	\$ (138,710)	\$ 34,474,154	\$ 33,234,919	96.41%	\$ 1,072,313
2002		36,307,004	(222,388)	36,084,616	34,972,030	96.92%	957,700
2003		37,683,586	(89,150)	37,594,436	36,389,317	96.79%	1,007,829
2004		41,378,068	210,365	41,588,433	40,302,593	96.91%	1,087,116
2005		42,241,452	51,043	42,292,495	41,166,934	97.34%	963,885
2006		46,981,907	229,493	47,211,400	45,835,220	97.09%	1,152,138
2007		54,697,004	(357,661)	54,339,343	52,721,515	97.02%	1,217,782
2008		58,186,499	64,973	58,251,472	56,887,367	97.66%	903,291
2009		60,238,220	(244,892)	59,993,328	58,473,336	97.47%	1,118,387
2010		60,846,087	(276,429)	60,569,658	58,726,603	96.96%	-

Source: Henderson County Tax Collector

Total Collections to Date			-
Amount	Percentage of Adjusted Levy	Uncollected	
\$ 34,307,232	99.52%	\$ 166,922	
35,929,730	99.57%	154,886	
37,397,146	99.48%	197,290	
41,389,709	99.52%	198,724	
42,130,819	99.62%	161,676	
46,987,358	99.53%	224,042	
53,939,297	99.26%	400,046	
57,790,658	99.21%	460,814	
58,473,336	97.47%	1,519,992	
58,726,603	96.96%	1,843,055	
		<u>\$ 5,327,447</u>	

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

Fiscal Year	Governmental Activities					General Obligation Bonds
	General Obligation Bonds	Limited Obligation Bonds	Certificates of Participation	Installment Loans	Other	
2001	\$ 16,895,000	\$ -	\$ 24,445,000	\$ 9,441,189	\$ 1,167,635	\$ 1,318,000
2002	14,775,000	-	23,175,000	20,814,486	796,680	1,293,000
2003	12,690,000	-	21,905,000	19,598,121	1,352,317	1,266,000
2004	10,645,000	-	20,635,000	18,415,037	1,425,550	1,238,000
2005	8,640,000	-	45,240,000	16,751,301	1,054,197	1,209,000
2006	6,680,000	-	84,950,000	15,473,676	532,952	1,178,000
2007	4,760,000	-	81,485,000	16,983,567	323,466	-
2008	2,885,000	-	77,780,000	47,445,041	187,581	-
2009	1,060,000	-	69,320,000	49,184,096	58,388	-
2010	-	17,800,671	57,190,000	50,876,518	29,195	-

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

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar year 2009 personal income not available to calculate FY2010.

Business - Type Activities					
Limited Obligation Bonds	Installment Loans	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)	
- \$	- \$	53,266,824	\$ 594	2.14%	
-	-	60,854,166	666	2.40%	
-	-	56,811,438	612	2.24%	
-	-	52,358,587	554	2.02%	
-	-	72,894,498	758	2.65%	
-	-	108,814,628	1,113	3.70%	
-	3,019,100	106,571,133	1,065	3.33%	
-	2,701,300	130,998,922	1,283	3.89%	
-	2,383,500	122,005,984	1,175	3.32%	
1,925,513	79,450	127,901,347	1,216	*	

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
2001	\$ 18,213,000	\$ 2,145,000	\$ 16,068,000	0.65%	0.23%	\$ 179
2002	16,068,000	2,112,000	13,956,000	0.55%	0.19%	153
2003	13,956,000	2,073,000	11,883,000	0.47%	0.16%	128
2004	11,883,000	2,034,000	9,849,000	0.38%	0.11%	104
2005	9,849,000	1,991,000	7,858,000	0.29%	0.09%	82
2006	7,858,000	1,952,000	5,906,000	0.20%	0.06%	60
2007	4,760,000	1,875,000	2,885,000	0.09%	0.03%	29
2008	2,885,000	1,825,000	1,060,000	0.03%	0.01%	10
2009	1,060,000	1,060,000	-	0.00%	0.00%	-
2010	-	-	-	0.00%	0.00%	-

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

- (1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
(2) See Schedule 5 for property valuation data.

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

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

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

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 8,868,466	\$ 9,155,805	\$ 9,611,745	\$ 12,525,917	\$ 12,960,934	\$ 13,092,488
709,477	732,464	768,940	1,002,073	1,036,874	1,047,399
72,894	108,815	106,571	130,998	122,006	127,901
1,209	1,178	3,019	2,701	2,384	79
71,685	107,637	103,552	128,297	119,622	127,822
\$ 637,792	\$ 624,827	\$ 665,388	\$ 873,776	\$ 917,252	\$ 919,577
10.10%	14.70%	13.47%	12.80%	11.54%	12.20%

Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010
(dollars in thousands)

<u>Governmental Unit</u>	<u>Net General Bonded Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
County direct debt	\$ 127,821,897	100.00%	\$ 127,821,897
Overlapping:			
City of Hendersonville	2,770,000	100.00%	2,770,000
Town of Fletcher	530,364	100.00%	<u>530,364</u>
Total direct and overlapping debt			<u><u>\$ 131,122,261</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.

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

Year	Population(1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Public School Enrollment(3)	Unemployment Rate(4)	Number of Building Inspections Performed(5)
2001	89,680	2,487,683	27,752	11,257	4.30%	29,858
2002	91,416	2,540,130	27,923	11,610	5.20%	31,433
2003	92,856	2,536,341	27,469	11,574	5.30%	29,223
2004	94,538	2,592,505	27,689	11,918	4.50%	33,554
2005	96,158	2,751,038	28,958	12,292	4.70%	35,835
2006	97,792	2,939,450	30,440	12,578	3.70%	34,795
2007	100,107	3,197,591	32,431	12,792	3.60%	36,680
2008	102,142	3,364,943	33,500	12,887	4.60%	39,544
2009	103,836	3,675,697	35,901	13,069	9.50%	25,123
2010	105,221	*	*	13,107	8.20%	18,642

Notes:

(1) N.C. State Data Center. Estimates are as of the beginning of the fiscal year

(2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year

(3) N.C. Department of Public Instruction, Final Average Daily Membership for fiscal year

(4) N. C. Employment Security Commission, Unemployment Rate at end of fiscal year

(5) Total number of inspections performed by Henderson County Inspections Department. Does not include inspections by municipalities

* Information not yet available.

Schedule 14
Henderson County
Principal Employers
Current Year

Employer	2010		
	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1852	1	4.26%
Margaret R. Pardee Hospital	1253	2	2.88%
Park Ridge Hospital	1125	3	2.59%
Ingles	750	4	1.72%
Henderson County	738	5	1.70%
Wilsonart International, Inc.	680	6	1.56%
Meritor Heavy Vehicle Systems	550	7	1.26%
Wal-Mart Associates Inc.	450	8	1.03%
UPM Raflatac, Inc.	447	9	1.03%
General Electric Lighting Systems	395	10	0.91%

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

Function/Program	Full-t				
	2001	2002	2003	2004	2005
General government	83	87	88	89	93
Public safety	210	220	223	228	236
Environmental protection	22	22	22	22	22
Economic and physical development	21	18	19	20	21
Human Services	233	232	236	239	251
Cultural and recreation	47	47	46	49	48
Total	0 616	626	634	647	671

Source: Human Resources Department

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

ime Equivalent Employees as of June 30

2006	2007	2008	2009	2010
97	103	104	106	98
258	271	265	271	266
23	23	21	23	18
21	21	22	22	23
263	273	272	281	285
50	50	54	56	48
<u>712</u>	<u>741</u>	<u>738</u>	<u>759</u>	<u>738</u>

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

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

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

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

Fiscal Year					
2005	2006	2007	2008	2009	2010
67,992	70,510	71,431	74,823	74,581	76,117
4,158	4,433	4,014	4,990	4,471	4,915
87,875	88,884	103,320	133,644	120,202	117,422
1,654	1,701	1,745	1,461	1,431	1,492
9,503	9,317	9,038	9,580	10,250	13,210
36	44	50	29	11	4
818,842	916,649	929,304	955,670	952,439	972,262
1,820 \$	1,920 \$	2,151 \$	2,286 \$	2,426 \$	2,265
280	343	314	255	272	245

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

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

Sources: Various County Departments

Fiscal Year					
2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
124	130	130	136	159	162
305	320	320	320	320	320
7	7	7	7	8	8
27	31	31	31	31	31
6	6	6	6	6	6

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