

HENDERSON COUNTY NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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

HENDERSON COUNTY, NORTH CAROLINA

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INTRODUCTORY SECTION

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HENDERSON COUNTY
FINANCE DEPARTMENT

HISTORIC COURTHOUSE ANNEX
113 NORTH MAIN STREET
HENDERSONVILLE, NC 28792

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

November 14, 2016

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, 2016 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, 2016 are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unmodified

opinion that Henderson County's financial statements for the year ended June 30, 2016 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 Uniform Guidance designed to meet the needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on not only the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state grant awards. These reports, along with the schedule of expenditures of Federal and State awards, findings and recommendations, if any, are published in a separate compliance report.

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, 2016, there is one blended component unit, the Cane Creek Water and Sewer District, and two discretely presented component units, the Henderson County Hospital Corporation and the Henderson County Tourism Development Authority, 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.

The Henderson County Hospital Corporation (the "Hospital") is a not-for-profit corporation that operates Margaret R. Pardee Memorial Hospital. The Hospital is governed by a ten-member Board of Trustees, one of which is a County Commissioner. The Board of County Commissioners appoints all trustees of the Hospital Board. The Hospital, which has a September 30 year-end, is reported in the financial statements in a manner similar to a Proprietary Fund. 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 County has also issued revenue bond debt on behalf of the Hospital.

The Henderson County Tourism Development Authority (the "TDA") is authorized by State statute to collect an occupancy tax of 5 percent on gross revenues from hotel/motel/bed and breakfast occupancy within the corporate limits. Collections are remitted to the Henderson County Tourism Development Authority. The TDA, which has a June 30 year-end, is presented as if it were a governmental type fund. The County is financially accountable for the TDA, which is reported as a discrete component unit separate from the financial information of the primary government. The Chairman and members of the TDA are appointed by the County Commissioners and other municipalities within the County.

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

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

DESCRIPTION OF THE COUNTY

Henderson County was established in 1838 and is located in the western portion of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. It has land area of 375 square miles and a population of 112,116. 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 to serve as Chief Executive Officer. The County Manager is responsible for the enforcement of laws and ordinances, preparation and administration of the annual budget, delivery of services, implementing policies, managing daily operations, and the appointment of department heads and employees.

The County provides the citizens with a wide range of services that include public safety, health and human services, environmental protection, cultural and recreational programs, community and economic development and education. This report encompasses the County's activities in maintaining these services and includes financial support to outside agencies, boards 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, the Henderson County Partnership for Economic Development and the Smoky Mountain Center Local Management Entity (LME).

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 468 farms that generate receipts totaling over \$600 million in cash receipts annually. There are 35,752 acres of active farmland which utilizes 16 percent of the County's 375 square mile land base. The main agricultural income in the County is produced from vegetables, tree fruits and commercial cranberry production at \$44.6 million on 7,549 acres of

farmland and the Green Industry (greenhouses, nurseries, ornamentals and sod production) at \$42.8 million on 1,845 acres. The total annual income from all agriculture/agribusiness industries is \$600 million which employs over 4,730 or 19 percent of the total employment in Henderson County.

Travel and tourism continues to be the second largest industry in North Carolina. The County's tourism industry has experienced strong growth due to its location, seasonal climate, variety of activities to experience and its encompassing marketing strategy. The tourism industry employs more than 2,200 in Henderson County which ranks 15th in travel impact, among North Carolina's 100 Counties. The benefit derived from tourists visiting the County increased by 4.7 percent over the previous fiscal year. Henderson County tied for third in North Carolina for the largest growth over the previous fiscal year. The Henderson County Tourism Development Authority does an excellent job of promoting the County and surrounding areas. The County is home to the Flat Rock Playhouse - State Theater of North Carolina, the Carl Sandburg Home National Historic Site, special events, outdoor experiences, numerous camps, agri-tourism and many other attractions and cultural experiences. The most current value determined by the Economic Development Partnership of NC, VisitNC.org, of the economic impact of tourism to the County is estimated to be \$257.95 million. This provides an annual tax savings of approximately \$201.73 to each County resident.

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>
2016	598	\$133,800,121	4.3%
2015	625	\$163,289,635	5.1%
2014	592	\$116,820,046	4.9%
2013	586	\$108,243,259	6.6%
2012	398	\$86,808,682	8.2%

The number of permits issued for new residential and commercial construction was down by 4.3 percent from FY2015 and the total dollar value of those new permits decreased by \$29.5 million or 18.1 percent. The local unemployment rate has decreased as the economy continued to improve both locally and regionally.

Healthcare and social assistance ranks first in County employment with an estimated current value of \$272.7 million and manufacturing ranks second with an estimated value of \$271.3 million. The County continues to offer and provide economic incentive payments to companies based on the number of new hires and the total new taxable investment planned in an effort to attract new industry and to help existing industry to expand. The primary reasons and criteria for offering these incentives are to attract industry with higher paying jobs that have operations which will cause little

or no environmental impact. The expansion of existing industry has been the primary focus and recipient of economic incentive payments provided by the Board of Commissioners in the recent past.

The following table lists the major manufacturing employers in the County:

<u>Company Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Continental Teves, Inc.	Automotive brake systems	668
Wilsonart International	Laminated plastics	576
Meritor Vehicle Systems	Truck axles	441
General Electric	Utility	425
UPM Raflatac, Inc.	Paper products	340
Borg-Warner	Automotive cooling systems	321
Manual Woodworkers	Wooden crafts and woven products	223

MAJOR INITIATIVES

FOR THE YEAR. The Board of Commissioners adopted a balanced budget for the fiscal year with no increase in the county-wide ad valorem property tax rate of 51.36 cents per \$100 dollars of taxable valuation. Total General Fund revenues increased by \$4.8 million over the previous fiscal year or 4.1 percent. Total General Fund expenditures increased by \$3.7 million or 3.3 percent over FY2015 primarily due to increased expenditures for general government, public safety and education. Total General Fund Balance increased by \$2,841,911 to \$45,033,107. Unassigned Fund Balance, the amount available for appropriation in the General Fund, increased by \$4,049,614 to \$27,732,716. This increase was primarily due to a \$3.5 million increase in total assets and a \$2.2 million decrease in General Fund Balance being assigned to balance the FY2017 budget. All other Governmental Funds ended the fiscal year in a positive financial position. The net position of the Solid Waste Landfill Fund and the Cane Creek Water and Sewer District Fund increased in FY2016. The Solid Waste Landfill Fund's net position increased over FY2015 primarily due to increased flow into the transfer station and lower fuel costs for hauling that were incurred during the fiscal year. The net position of the Cane Creek Water and Sewer District increased due to the continued expansion of residential and commercial properties requiring sewer service during FY2016. The net position of the Justice Academy Sewer Fund increased slightly in FY2016 due to operating revenues and other sources of revenue exceeding operating expenditures for the fiscal year.

Construction of the new Health Sciences Center continued during the fiscal year and is scheduled to be completed in early FY2017. The cost for this new 90,000 square foot facility is \$32 million with the majority being financed by the County. The Henderson County Hospital Corporation is contributing in excess of \$3 million towards the project. Wingate University has a presence in

Henderson County and required more space due to growth. The Board of Commissioners are committed to keeping Wingate here in the County and have provided the additional space needed in this new facility. Blue Ridge Community College will be housing their Allied Health Programs in the facility as well. And lastly, the Henderson County Hospital Corporation is constructing a new Cancer Center in the facility.

Several new capital projects were approved by the Board of Commissioners to begin design work in FY2016. The design work for these capital projects is being completed by Clark Nexsen, Inc., the County's architect of record.

Architectural design work began on a new Innovative High School to be located on the campus of Blue Ridge Community College. This 50,000 square foot facility will house the Henderson County Public Schools Early College and Career Academy programs. Both programs will share common spaces to include a dining area, multipurpose space and a media center. The project budget for this school facility, which will be financed by the County, is \$15.7 million.

Also, architectural design began on a new Emergency Services Facility to include Emergency Management, Emergency Medical Services and the Henderson County Rescue Squad. The new facility will be located on the existing Balfour School property which will be conveyed to the County by the Board of Education. This planned 50,000 square foot facility to be financed by the County is expected to cost \$13.7 million.

A new Hendersonville High School approved by the Board of Commissioners is also currently under design. The current high school has been in need of repair or replacement for some time. This new school is a high priority capital project for the Henderson County Board of Public Education. The current projected cost of this new 161,500 square foot school, which will also be financed by the County, is \$52.5 million.

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 FY2016.

FOR THE FUTURE. For FY2017, the Board increased the ad valorem tax rate to 56.5 cents per \$100 dollars of assessed valuation on taxable property. This increase was primarily to fund education, personnel costs and future capital projects. Of the 5.14 cent tax increase, one cent was dedicated to be reserved for debt service required to construct a new Law Enforcement Training Center. Sales tax revenues were budgeted conservatively and at the same level as total receipts received in prior years. Operating expenditures for most County departments and other outside agencies were essentially held flat, but additional personnel were added in areas experiencing increased service demands, including emergency medical services, public health and social services. Funding for the public schools was increased over FY2016 levels while funding for the community college decreased slightly. Debt service rolling off in FY2016 is being transferred to the Debt Service Fund in FY2017 to fund future capital projects. The Board budgeted \$7.3 million in Unassigned General Fund Balance to balance the FY2017 budget. For employees, a cost of living increase and performance pay was included in the FY2017 budget.

FACTORS AFFECTING FINANCIAL CONDITION

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

FUND BALANCE. Fund balance should always be measured based on the portion that is available for appropriation at the end of the fiscal year. The Board's Fund Balance Policy is to have at least 12 percent in General Fund Unassigned Fund Balance available for appropriation at fiscal year-end. Henderson County had \$27.7 million in Unassigned General Fund Balance or 23.4 percent of total General Fund expenditures including transfers out to other funds. The Local Government Commission of the North Carolina Department of State Treasurer recommends that local governments have at least 8 percent of General Fund Expenditures in Unassigned General Fund Balance available for appropriation.

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

OTHER INFORMATION

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

AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Henderson County, North Carolina, for the year ended June 30, 2015. This was the 27th consecutive year Henderson County has 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. This report continues to conform to the Certificate of Achievement program requirements and will be submitted to the GFOA for consideration thereof.

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. Each County department's commitment to the goals, vision, and mission of Henderson County is reflected in the services provided to the citizens. The cooperation of all County departments in carrying out the financial activities encompassed in this report is appreciated. A combined effort of Martin Starnes & Associates, CPAs, P.A., the Henderson County Finance Department Staff 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 and support in positioning Henderson County as a fiscally sound, well-governed community. Without the support of the Board of Commissioners and County Management, preparation of this report would not have been possible.

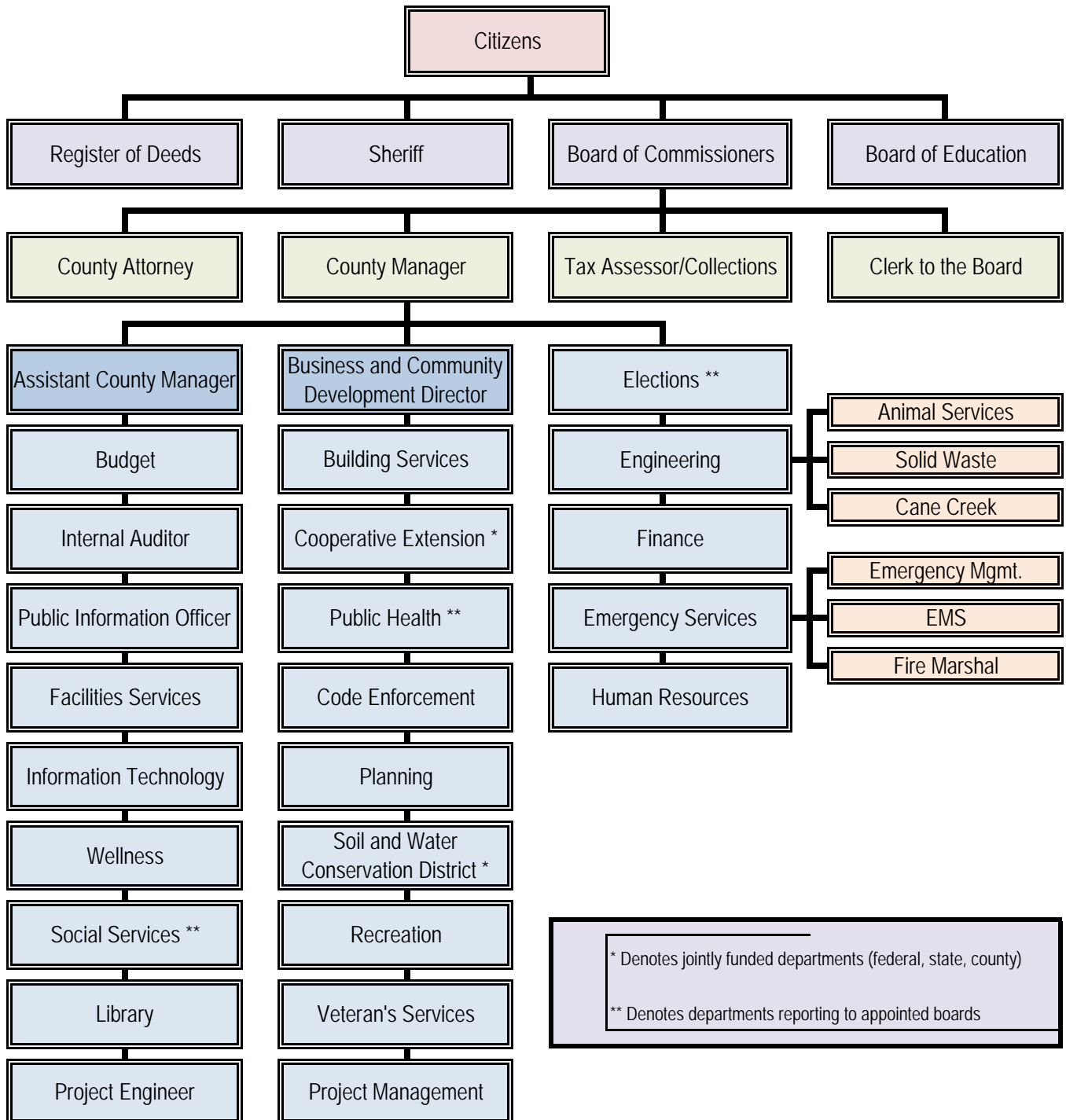
Sincerely,

A handwritten signature in black ink, reading "James C. McLelland". The signature is fluid and cursive, with a large loop at the end of the last name.

J. Carey McLelland
Finance Director

Henderson County Organizational Chart

June 30, 2016



HENDERSON COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2016

Board of Commissioners

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

County Officials

County Manager.....	Steven D. Wyatt
Assistant County Manager.....	Amy Brantley
Animal Services Director.....	Brad Rayfield
Building Services Director.....	Thomas Staufer
Business and Community Development Director.....	John Mitchell
Clerk to the Board.....	Teresa L. Wilson
Clerk of Superior Court	Kimberly G. Justice
Code Enforcement Director	Toby Linville
County Attorney.....	C. Russell Burrell
County Cooperative Extension Director	Marvin Owings, Jr.
County Engineer	Marcus Jones
Assistant County Engineer.....	Natalie Berry
County Tax Administrator.....	Darlene Burgess
Elections Director	Beverly Cunningham
Emergency Services Director/Fire Marshal	Rocky D. Hyder
Emergency Management/Rescue Coordinator.....	Jimmy Brissie
EMS Manager	Michael Barnett
Environmental Programs Coordinator	Rachel A. Hodge
Facilities Services Director	Jerry Tucker
Finance Director.....	J. Carey McLelland
Human Resources Director	Janice Prichard
Information Technology Director	Becky Snyder
Internal Auditor	Vacant
Library Director	Trina Rushing
Management Assistant	Megan Powell
Planning	Autumn Radcliff
Property Addressing Coordinator.....	Curtis Griffin
Public Health Director	Steven E. Smith
Public Information Officer.....	Kathryn Finotti
Public Transit Manager/Transportation Planner	Matthew Champion
Purchasing Agent	Randall L. Cox
Recreation Director	Tim Hopkin
Register of Deeds.....	Lee King
Sheriff	Charles S. McDonald
Social Services Director.....	Jerri McFalls
Soil and Water Conservation District Director	Jonathan Wallin
Solid Waste & Utilities Manager	Greg Wiggins
Veteran Services Officer	Michael A. Murdock
Wellness Clinic Director	Jamie Gibbs



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Henderson County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive style with a large, stylized 'J' and 'E'.

Executive Director/CEO

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FINANCIAL SECTION

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Henderson County
Hendersonville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Henderson County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Henderson County Hospital Corporation, which represents 99.2%, 99.0%, and 98.9%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson County Hospital Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Henderson County Hospital Corporation and the Henderson County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Henderson County, North Carolina, as of June 30, 2016, and the respective changes in financial position, and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund and the Fire Districts Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of County's Proportionate Share of Net Pension Asset (Liability) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Henderson County, North Carolina. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of Henderson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 14, 2016

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HENDERSON COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2016

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, 2016. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

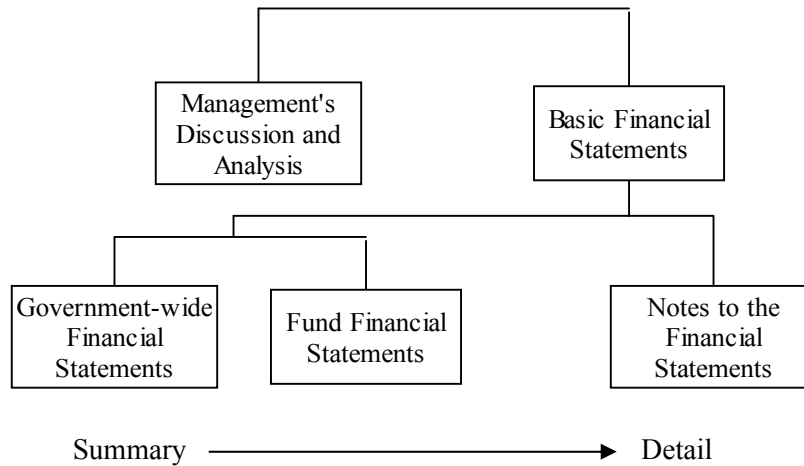
- The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$80,052,001. (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$66,039,525 in long-term debt associated with assets belonging to the Henderson County Board of Public Education and Blue Ridge Community College, respectively. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County reports a net deficit in unrestricted net position.
- The County's total net position increased by \$9,958,896. Net position in the governmental activities increased by \$7,955,928. This increase was due primarily to management's focus on monitoring spending and maximizing revenue collection. Net position in the business-type activities increased by \$2,002,968.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$62,143,046, an increase of \$6,794,264, in comparison with the prior year. Approximately 31% of this total amount, or \$19,008,724, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$35,361,323, or 21.88%, of total General Fund expenditures.
- Henderson County's total general obligation, limited obligation, and installment note debt increased \$17,932,317 (20.7%) during the current fiscal year primarily from current year debt service payments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The final section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **Required Supplemental Information**. This section contains funding information about the County's pension plans. After the required supplemental information, **Supplemental Schedules** are provided to show details about the County's nonmajor governmental funds and the Internal Service Fund, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Government-Wide Financial Statements

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

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

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

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

Component Units. The government-wide financial statements include not only the County of Henderson itself (known as the primary government), but also a legally separate Hospital Corporation and Tourism Development Authority for which Henderson County is financially accountable. Financial information for these component units are reported separately from the financial information for the primary government itself.

The government-wide financial statements directly follow the Management's Discussion and Analysis of this report.

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Henderson County's Net Position Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows:						
Current and other assets	\$ 76,848,051	\$ 69,581,577	\$ 5,371,291	\$ 5,601,776	\$ 82,219,342	\$ 75,183,353
Restricted non-current assets	316,304	3,440,126	-	79,553	316,304	3,519,679
Capital assets	101,615,756	81,973,698	24,248,809	22,248,449	125,864,565	104,222,147
Deferred outflows of resources	<u>6,105,310</u>	<u>6,485,760</u>	<u>64,403</u>	<u>63,904</u>	<u>6,169,713</u>	<u>6,549,664</u>
Total assets and deferred outflows	<u>184,885,421</u>	<u>161,481,161</u>	<u>29,684,503</u>	<u>27,993,682</u>	<u>214,569,924</u>	<u>189,474,843</u>
Liabilities and Deferred Outflows:						
Long-term liabilities	102,962,061	82,116,391	3,848,141	4,298,072	106,810,202	86,414,463
Other liabilities	25,081,588	24,110,345	1,160,468	891,777	26,242,056	25,002,122
Deferred inflows of resources	<u>1,402,681</u>	<u>7,771,262</u>	<u>62,984</u>	<u>193,891</u>	<u>1,465,665</u>	<u>7,965,153</u>
Total liabilities and deferred inflows	<u>129,446,330</u>	<u>113,997,998</u>	<u>5,071,593</u>	<u>5,383,740</u>	<u>134,517,923</u>	<u>119,381,738</u>
Net Position:						
Net investment in						
capital assets	76,145,803	77,601,835	22,164,549	19,798,146	98,310,352	97,399,981
Restricted	11,451,067	10,346,944	-	-	11,451,067	10,346,944
Unrestricted	<u>(32,157,779)</u>	<u>(40,465,616)</u>	<u>2,448,361</u>	<u>2,811,796</u>	<u>(29,709,418)</u>	<u>(37,653,820)</u>
Total net position	<u>\$ 55,439,091</u>	<u>\$ 47,483,163</u>	<u>\$ 24,612,910</u>	<u>\$ 22,609,942</u>	<u>\$ 80,052,001</u>	<u>\$ 70,093,105</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources by \$80,052,001, as of June 30, 2016. The County's net position increased by \$9,958,896 for the fiscal year ended June 30, 2016. Net position of the County is reported in three categories: net investment in capital assets of \$98,310,352, restricted net position of \$11,451,067, and unrestricted net position of \$29,709,418.

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

Restricted net position consists of restrictions for Register of Deeds, stabilization for State statute, emergency telephone, public transit, and education.

Another category of net position is unrestricted net position. At June 30, 2016, the total net deficit is \$29,709,418.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the Henderson County Board of Public Education (the "school system") and Blue Ridge Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system and the community college capital funding by using a mixture of County funds and the issuance of debt. These assets funded by the County are owned by the County and leased to the school system and the community college over the term of the debt, but are recorded as assets of the school system and the community college, which are the primary users of the assets. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$61 million of outstanding debt on the County's financial statements was related to assets included in the school system and the community college's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

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

- Continued diligence in the collection of all revenue sources, both current and delinquent
- A strong property tax collection rate of 98.62%
- 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 \$5,244,825.
- Revenues, transfers, and other financing uses in the General Fund exceeded expenditures and other financing sources by \$2,841,911.

Governmental Activities. Governmental activities increased the County's net position by \$7,955,928, or 79.9%, of the total increase in the net position of the Henderson County.

Business-Type Activities. Business-type activities increased the County's net position by \$2,002,968, or a 20.1%, of the total increase in the net position of the Henderson County. (See Figure 3.)

Financial Analysis of the County's Funds

Henderson County's Change in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,792,056	\$ 8,564,253	\$ 7,297,142	\$ 6,601,142	\$ 16,089,198	\$15,165,395
Operating grants and contributions	21,615,147	25,766,368	157,751	168,144	21,772,898	25,934,512
Capital grants and contributions	1,125,364	100	945,795	182,952	2,071,159	183,052
General revenues:						
Property taxes	77,117,336	71,844,544	-	-	77,117,336	71,844,544
Other taxes	24,546,457	22,697,211	-	-	24,546,457	22,697,211
Other	674,764	3,851,817	57,550	45,850	732,314	3,897,667
Total revenues	<u>133,871,124</u>	<u>132,724,293</u>	<u>8,458,238</u>	<u>6,998,088</u>	<u>142,329,362</u>	<u>139,722,381</u>
Expenses:						
General government	21,583,048	16,786,995	-	-	21,583,048	16,786,995
Public safety	35,139,967	32,758,736	-	-	35,139,967	32,758,736
Environmental protection	531,160	338,819	-	-	531,160	338,819
Economic and physical development	3,460,283	3,704,639	-	-	3,460,283	3,704,639
Human services	28,776,382	27,818,854	-	-	28,776,382	27,818,854
Cultural and recreational	4,598,332	4,553,125	-	-	4,598,332	4,553,125
Education	28,853,556	26,745,692	-	-	28,853,556	26,745,692
Interest on long-term debt	2,918,468	2,459,209	-	-	2,918,468	2,459,209
Solid waste disposal	-	-	5,003,935	4,976,754	5,003,935	4,976,754
Other	-	-	1,505,335	1,359,143	1,505,335	1,359,143
Total expenses	<u>125,861,196</u>	<u>115,166,069</u>	<u>6,509,270</u>	<u>6,335,897</u>	<u>132,370,466</u>	<u>121,501,966</u>
Increase (decrease) in net position before transfers	8,009,928	17,558,224	1,948,968	662,191	9,958,896	18,220,415
Transfers	(54,000)	(49,480)	54,000	49,480	-	-
Change in net position	<u>7,955,928</u>	<u>17,508,744</u>	<u>2,002,968</u>	<u>711,671</u>	<u>9,958,896</u>	<u>18,220,415</u>
Net Position:						
Beginning of year - July 1	47,483,163	33,732,472	22,609,942	22,000,499	70,093,105	55,732,971
Restatement	-	(3,758,053)	-	(102,228)	-	(3,860,281)
Beginning, restated	<u>47,483,163</u>	<u>29,974,419</u>	<u>22,609,942</u>	<u>21,898,271</u>	<u>70,093,105</u>	<u>51,872,690</u>
End of year - June 30	<u>\$55,439,091</u>	<u>\$47,483,163</u>	<u>\$24,612,910</u>	<u>\$22,609,942</u>	<u>\$ 80,052,001</u>	<u>\$70,093,105</u>

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

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

The General Fund is the chief operating fund of Henderson County. At the end of the current fiscal year, available fund balance of the General Fund was \$35,361,323, while total fund balance was \$45,033,107. The governing body of Henderson County has determined that the county should maintain an available fund balance of 12% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of \$21.88, while total fund balance represents 37.96% of that same amount.

At June 30, 2016, the governmental funds of the County reported a combined fund balance of \$62,143,046, a 12.28% increase from last year. This increase was primarily due to the positive budget to actual variance in the County's General Fund for FY2016 as compared to the previous fiscal year.

The General Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The Fire Districts Fund accounts for financial resources remitted to the Fire Districts of the County to provide fire protection within each district.

General Fund Budgetary Highlights. The County's financial position improved for FY2016 due to better than anticipated revenue collections in all but one of the major revenue categories coupled with actual General Fund expenditures coming in well under budget at fiscal year-end. County departments' diligence in monitoring their operational budgets resulted in total expenditures being \$5.2 million under budget at fiscal year-end. On the revenue side, the largest positive budget variances were in the ad valorem property taxes, local option sales taxes, other taxes and licenses, permits and fees, and sales and services categories, which combined to be \$6,886,061 over budget. Separately, a total of \$9.7 million in General Fund balance was appropriated to balance the FY2016 budget. None of the \$9.7 million ended up having to be utilized due to total revenues and other financing sources having a positive budget variance of \$7.3 million combined with total expenditures and other financing uses having a significant positive budget variance of \$5.2 million.

Total fiscal year 2016 General Fund revenues increased by \$5.1 million, or 4.4%, over the prior fiscal year, as compared to General Fund expenditures, which decreased by \$5.0 million, or 4.4%, over fiscal year 2015. The significant increase in expenditures over the previous fiscal year is primarily within the Public Safety, Human Services and Education categories. This can be attributed in large part to providing an increased level of services needed for public safety departments, an increase in service demands for the Department of Social Services with the addition of NCFast and increases in certain federal and state programs. The public schools and the community college were provided the increased funding they requested for education. Total General Fund balance increased \$2,841,911, while the amount of unassigned fund balance that is available for appropriation increased by over \$4.2 million at fiscal year-end.

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

Total amendments to the General Fund increased revenues and expenditures by \$1,512,391, or 1.2%, of the original budget. Increasing revenue collections were realized in all but one out of nine major revenue categories with the largest variance being in the Local Option Sales Taxes category. This category had a positive actual to budget variance of \$4,427,807. The second largest variance was in Ad Valorem Taxes, which had a positive actual to budget variance of \$1,517,523. Total General Fund revenues had a total positive actual to budget variance of \$7,351,912.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of all the proprietary funds at the end of the fiscal year amounted to \$2,448,361. During the fiscal year 2016, proprietary fund net position increased \$2,002,968. The increase in total net position for the proprietary funds is due primarily from total operating expenditures exceeding total operating revenues for the fiscal year in the Landfill Fund.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$125,864,565 (net of accumulated depreciation). These assets include land, buildings, plant and distribution systems, equipment, automotive equipment, and construction in progress.

Henderson County's Capital Assets (net of depreciation)

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 15,349,827	\$15,349,827	\$ 6,362,485	\$ 6,362,485	\$ 21,712,312	\$ 21,712,312
Buildings	55,258,540	5,537,349	-	-	55,258,540	5,537,349
Plant and distribution systems	-	-	15,594,539	13,309,036	15,594,539	13,309,036
Equipment	2,431,660	2,175,799	726,301	758,103	3,157,961	2,933,902
Vehicles and motor equipment	2,264,279	1,949,660	144,800	77,545	2,409,079	2,027,205
Construction in progress	<u>26,311,450</u>	<u>6,961,063</u>	<u>1,420,684</u>	<u>1,741,280</u>	<u>27,732,134</u>	<u>8,702,343</u>
Total	<u>\$ 101,615,756</u>	<u>\$31,973,698</u>	<u>\$24,248,809</u>	<u>\$22,248,449</u>	<u>\$125,864,565</u>	<u>\$ 54,222,147</u>

Additional information on the County's capital assets can be found in the note 3A to the basic financial statements.

Long-Term Debt. As of June 30, 2016, Henderson County had total bonded debt outstanding of \$72,990,120 backed by the full faith credit and taxing power of the County. The County also has multiple installment notes outstanding of which the majority is related to debt issued for the construction and renovation of school, County, and community college facilities.

A summary of long-term debt is shown in Figure 5.

**Henderson County's Limited Obligation Bonds
And Installment Notes Payable**

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Limited obligation bonds	\$ 72,372,527	\$ 47,326,776	\$ 617,593	\$ 850,303	\$ 72,990,120	\$ 48,177,079
Installment notes payable	29,957,834	36,705,225	1,466,667	1,600,000	31,424,501	38,305,225
Total	<u>\$ 102,330,361</u>	<u>\$ 84,032,001</u>	<u>\$ 2,084,260</u>	<u>\$ 2,450,303</u>	<u>\$ 104,414,621</u>	<u>\$ 86,482,304</u>

Henderson County's total long-term debt increased by \$17,932,317 during the past fiscal year.

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

Standard & Poor's	AA
Moody's	Aa3
Fitch	AA-

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Henderson County is \$950,828,949.

Additional information regarding Henderson County's long-term debt can be found in the note 3B to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The County of Henderson has approved a \$130,287,224 General Fund budget for fiscal year 2017. The fiscal year 2017 ad valorem property tax rate was increased by 5.14 cents to 56.50 cents per \$100 of assessed property valuation to primarily fund education, public safety, increased personnel costs and future capital projects. Sales tax was budgeted at \$20,685,933, a 9.2 percent increase over the FY2016 budget amount. Most County departments and outside agencies were essentially held flat, but additional personnel were added in areas experiencing increased service demands, including emergency medical services and public health. The following factors were considered when developing the FY2017 budget:

- An essentially flat operational budget for most County departments and other outside agencies
- An increase in funding for the public schools
- An increase in sales tax revenue projections based on prior year actual receipts
- Maintaining an adequate Unassigned General Fund balance meeting Board Policy and Local Government Commission requirements

- Transfer of debt service roll-off into the Debt Service Fund for future capital projects
- An increase in service demands on some County departments including emergency medical services, law enforcement, public health and recreation

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities. For FY2017, the Board increased the General Fund ad valorem tax rate by 5.14 cents to 56.50 cents per \$100 of assessed property valuation. As mentioned previously, this rate increase was primarily to fund increases in several major categories. Sales tax revenues were increased and budgeted conservatively based on prior fiscal year actual receipts. Unassigned General Fund Balance of \$7.26 million was appropriated to balance the budget and to primarily cover increases for education, emergency services and law enforcement. County departments were charged with essentially holding their operating budgets flat. A cost of living increase and performance pay were included in the FY2017 budget for employees. The Board budgeted revenues and expenditures for all other Governmental Activity Funds conservatively.

Business-Type Activities. The solid waste tipping fee for the Solid Waste Landfill Enterprise Fund remained constant at \$60 per ton for FY2017. This fee was increased in the prior fiscal year to offset three years of contractual cost of living increases included in the current hauling contract. After several years of Fund retained earnings being reduced due to a loss of tonnage coming into the transfer station and increased fuel costs, the Fund increased its cash position and reserves during the previous fiscal year. This led to a more optimistic but conservative operating budget being approved for FY2017. The Fund is also charged with covering the annual debt service required on \$2 million in financing that was secured for a major capital improvements project which has been completed. Solid waste revenues are estimated to offset the projected operating costs for the waste facilities during FY2017.

The Cane Creek Water and Sewer District rates for service remain unchanged for FY2017 with the exception of the rate being charged by the Metropolitan Sewage District of Buncombe County to treat the waste that is passed on to the users. Additional growth is anticipated in residential and commercial construction activity for FY2017 that will impact the system. District user fees were increased to account for this anticipated growth in the district. Retained earnings of \$1.4 million were also appropriated to pay for several ongoing sewer capital improvement projects that are expected to be completed in FY2017. Budgeted operating revenues are expected to cover operating expenses of the fund while adding to reserves for future infrastructure needs. The Justice Academy Sewer Fund rates for service paid by the State of North Carolina remain unchanged for FY2016. Budgeted operating revenues are expected to cover operating expenses for this Fund.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS – OVERVIEW

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
Assets:					
Current assets:					
Cash and cash equivalents	\$ 57,477,525	\$ 4,215,617	\$ 61,693,142	\$ 7,436,994	\$ 1,211,790
Investments	-	-	-	45,997,813	-
Investment in affiliate	-	-	-	85,288	-
Taxes receivable, net	1,365,332	-	1,365,332	-	-
Receivables, net	10,167,811	1,155,674	11,323,485	33,903,794	196,382
Pledges receivable	-	-	-	739,694	-
Inventories	54,995	-	54,995	3,291,419	-
Prepaid items	212,816	-	212,816	1,522,849	-
Restricted cash and cash equivalents	7,569,572	-	7,569,572	-	-
Restricted investments	-	-	-	5,796,954	-
Total current assets	76,848,051	5,371,291	82,219,342	98,774,805	1,408,172
Net pension asset	316,304	-	316,304	-	-
Capital assets:					
Land and construction in progress	41,661,277	7,783,169	49,444,446	9,615,671	-
Other capital assets, net of depreciation	59,954,479	16,465,640	76,420,119	60,141,339	26,060
Total capital assets	101,615,756	24,248,809	125,864,565	69,757,010	26,060
Other assets	-	-	-	15,139	-
Total assets	178,780,111	29,620,100	208,400,211	168,546,954	1,434,232
Deferred Outflows of Resources:					
Contributions to pension plan in current fiscal year RODSPF	11,612	-	11,612	-	-
RODSPF pension deferral	17,236	-	17,236	-	-
Contributions to pension plan in current fiscal year LGERS	2,245,935	45,835	2,291,770	-	-
LGERS pension deferral	301,827	18,568	320,395	-	-
Charge on refunding	3,528,700	-	3,528,700	-	-
Total deferred outflows of resources	6,105,310	64,403	6,169,713	-	-
Total assets and deferred outflows of resources	184,885,421	29,684,503	214,569,924	168,546,954	1,434,232
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	13,294,125	1,160,468	14,454,593	14,776,625	22,660
Liabilities to be paid from restricted assets	22,478	-	22,478	-	-
Third-party payer settlements	-	-	-	2,693,658	-
Due within one year	11,764,985	460,962	12,225,947	2,290,726	2,015
Total current liabilities	25,081,588	1,621,430	26,703,018	19,761,009	24,675
Long-term liabilities:					
Net pension liability	2,474,732	35,058	2,509,790	-	-
Due in more than one year	100,487,329	3,352,121	103,839,450	12,299,965	18,130
Total liabilities	128,043,649	5,008,609	133,052,258	32,060,974	42,805
Deferred Inflows of Resources:					
Prepaid taxes	143,505	-	143,505	-	-
Other deferred inflows	1,259,176	62,984	1,322,160	466,667	-
Total deferred inflows of resources	1,402,681	62,984	1,465,665	466,667	-

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
Net Position:					
Net investment in capital assets	76,145,803	22,164,549	98,310,352	55,166,319	26,060
Restricted for:					
Stabilization for State statute	10,068,663	-	10,068,663	-	196,382
Register of Deeds	181,130	-	181,130	-	-
Emergency telephone	124,581	-	124,581	-	-
Public transit	1,076,693	-	1,076,693	-	-
Debt service	-	-	-	1,360,401	-
By donor	-	-	-	1,707,939	-
Tourism promotion	-	-	-	-	1,168,985
Unrestricted	(32,157,779)	2,448,361	(29,709,418)	77,784,654	-
Total net position	<u>\$ 55,439,091</u>	<u>\$ 24,612,910</u>	<u>\$ 80,052,001</u>	<u>\$ 136,019,313</u>	<u>\$ 1,391,427</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, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 21,583,048	\$ 798,409	\$ 730,585	\$ 1,125,364
Public safety	35,139,967	5,837,106	802,363	-
Environmental protection	531,160	-	-	-
Economic and physical development	3,460,283	1,329,370	1,557,603	-
Human services	28,776,382	599,761	16,964,187	-
Cultural and recreational	4,598,332	227,410	298,926	-
Education	28,853,556	-	1,261,483	-
Interest on long-term debt	2,918,468	-	-	-
Total governmental activities	<u>125,861,196</u>	<u>8,792,056</u>	<u>21,615,147</u>	<u>1,125,364</u>
Business-Type Activities:				
Landfill	5,003,935	5,621,286	157,751	-
Cane Creek Water and Sewer	1,460,943	1,636,976	-	945,795
Justice Academy Sewer	44,392	38,880	-	-
Total business-type activities	<u>6,509,270</u>	<u>7,297,142</u>	<u>157,751</u>	<u>945,795</u>
Total primary government	<u>\$ 132,370,466</u>	<u>\$ 16,089,198</u>	<u>\$ 21,772,898</u>	<u>\$ 2,071,159</u>
Component Units:				
Henderson County Hospital Corporation	\$ 171,017,462	\$ 174,502,720	\$ -	\$ -
Henderson County Tourism Development Authority	1,645,836	119,941	-	-
Total	<u>\$ 172,663,298</u>	<u>\$ 174,622,661</u>	<u>\$ -</u>	<u>\$ -</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General government	\$ (18,928,690)	\$ -	\$ (18,928,690)		
Public safety	(28,500,498)	-	(28,500,498)		
Environmental protection	(531,160)	-	(531,160)		
Economic and physical development	(573,310)	-	(573,310)		
Human services	(11,212,434)	-	(11,212,434)		
Cultural and recreational	(4,071,996)	-	(4,071,996)		
Education	(27,592,073)	-	(27,592,073)		
Interest on long-term debt	(2,918,468)	-	(2,918,468)		
Total governmental activities	(94,328,629)	-	(94,328,629)		
Business-Type Activities:					
Landfill	-	775,102	775,102		
Cane Creek Water and Sewer	-	1,121,828	1,121,828		
Justice Academy Sewer	-	(5,512)	(5,512)		
Total business-type activities	-	1,891,418	1,891,418		
Total primary government	(94,328,629)	1,891,418	(92,437,211)		
Component Units:					
Henderson County Hospital Corporation				\$ 3,485,258	\$ -
Henderson County Tourism Development Authority				-	(1,525,895)
Total				3,485,258	(1,525,895)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose	77,117,336	-	77,117,336	-	-
Local option sales tax	23,366,239	-	23,366,239	-	-
Other taxes and licenses	1,180,218	-	1,180,218	-	1,866,663
Investment earnings, unrestricted	674,764	57,550	732,314	556,345	13,789
Total general revenues	102,338,557	57,550	102,396,107	556,345	1,880,452
Transfers	(54,000)	54,000	-	-	-
Total general revenues and transfers	102,284,557	111,550	102,396,107	556,345	1,880,452
Change in net position	7,955,928	2,002,968	9,958,896	4,041,603	354,557
Net Position:					
Beginning of year - July 1	47,483,163	22,609,942	70,093,105	131,977,710	1,036,870
End of year - June 30	\$ 55,439,091	\$ 24,612,910	\$ 80,052,001	\$ 136,019,313	\$ 1,391,427

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

HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016

	General	General Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 46,340,810	\$ 4,829,704	\$ 1,712,403	\$ 4,594,608	\$ 57,477,525
Taxes receivable, net	1,365,332	-	-	-	1,365,332
Other receivables, net	9,505,458	289,673	67,321	305,359	10,167,811
Due from other funds	180,417	-	-	-	180,417
Inventories	54,995	-	-	-	54,995
Prepaid items	210,479	-	2,337	-	212,816
Restricted assets:					
Cash and investments	-	7,292,183	-	277,389	7,569,572
Total assets	<u>\$ 57,657,491</u>	<u>\$ 12,411,560</u>	<u>\$ 1,782,061</u>	<u>\$ 5,177,356</u>	<u>\$ 77,028,468</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,110,762	\$ 192,048	\$ 1,778,605	\$ 84,034	\$ 4,165,449
Liabilities to be paid from restricted assets	-	-	-	22,478	22,478
Accrued payroll liabilities	8,728,676	-	-	-	8,728,676
Due to other funds	-	-	-	180,417	180,417
Total liabilities	<u>10,839,438</u>	<u>192,048</u>	<u>1,778,605</u>	<u>286,929</u>	<u>13,097,020</u>
Deferred Inflows of Resources:					
Property taxes receivable	1,365,332	-	-	-	1,365,332
Prepaid taxes	140,049	-	3,456	-	143,505
Other receivables	279,565	-	-	-	279,565
Total deferred inflows of resources	<u>1,784,946</u>	<u>-</u>	<u>3,456</u>	<u>-</u>	<u>1,788,402</u>
Fund Balances:					
Non-spendable:	-	-	-	-	-
Inventory	54,995	-	-	-	54,995
Prepays	210,479	-	2,337	-	212,816
Restricted:					
Stabilization for State statute	9,406,310	289,673	67,321	305,359	10,068,663
Restricted, all other	181,130	7,292,183	-	1,201,274	8,674,587
Committed	-	4,637,656	-	3,564,211	8,201,867
Assigned for subsequent year's expenditures	7,267,852	-	-	-	7,267,852
Assigned, all other	179,625	-	-	-	179,625
Unassigned	<u>27,732,716</u>	<u>-</u>	<u>(69,658)</u>	<u>(180,417)</u>	<u>27,482,641</u>
Total fund balances	<u>45,033,107</u>	<u>12,219,512</u>	<u>-</u>	<u>4,890,427</u>	<u>62,143,046</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 57,657,491</u>	<u>\$ 12,411,560</u>	<u>\$ 1,782,061</u>	<u>\$ 5,177,356</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	101,615,756
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	1,644,897
Net pension asset	316,304
Net pension liability	(2,474,732)
Contributions to pension plans in the current fiscal year and pension related deferrals are deferred outflows of resources on the Statement of Net Position.	2,576,610
Long-term liabilities and compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(112,252,314)
Pension related deferrals	(1,259,176)
Deferred charges related to advance refunding bond issued - included on government-wide Statement of Net Position, but are not current financial resources.	3,528,700
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(400,000)
Net position of governmental activities	<u>\$ 55,439,091</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, 2016

	General Fund	General Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 67,515,589	\$ -	\$ 8,754,672	\$ 900,629	\$ 77,170,890
Local option sales taxes	23,366,239	-	-	-	23,366,239
Other taxes and licenses	1,140,741	-	-	-	1,140,741
Unrestricted intergovernmental revenues	39,477	-	-	-	39,477
Restricted intergovernmental revenues	19,497,426	-	-	1,108,824	20,606,250
Permits and fees	1,733,166	-	-	-	1,733,166
Sales and services	6,437,558	-	-	641,495	7,079,053
Investment earnings	605,743	31,524	29,640	7,857	674,764
Contribution from Henderson County Hospital Corporation	-	1,125,364	-	-	1,125,364
Miscellaneous	838,907	227,614	-	-	1,066,521
Total revenues	<u>121,174,846</u>	<u>1,384,502</u>	<u>8,784,312</u>	<u>2,658,805</u>	<u>134,002,465</u>
Expenditures:					
Current:					
General government	14,205,573	-	-	807,645	15,013,218
Public safety	25,412,617	-	8,784,319	914,181	35,111,117
Environmental protection	535,599	-	-	-	535,599
Economic and physical development	2,366,685	-	-	1,067,971	3,434,656
Human services	28,615,327	-	-	-	28,615,327
Cultural and recreational	4,472,608	-	-	-	4,472,608
Education	27,933,606	-	-	911,972	28,845,578
Capital outlay	-	26,458,990	-	-	26,458,990
Debt service:					
Principal retirement	10,937,860	-	-	-	10,937,860
Interest and other charges	2,873,182	318,021	-	-	3,191,203
Total expenditures	<u>117,353,057</u>	<u>26,777,011</u>	<u>8,784,319</u>	<u>3,701,769</u>	<u>156,616,156</u>
Revenues over (under) expenditures	<u>3,821,789</u>	<u>(25,392,509)</u>	<u>(7)</u>	<u>(1,042,964)</u>	<u>(22,613,691)</u>
Other Financing Sources (Uses):					
Transfers from other funds	308,081	61,683	-	-	369,764
From General Fund	-	375,000	-	858,959	1,233,959
Transfers to other funds	(1,287,959)	(100,300)	-	(269,464)	(1,657,723)
Debt issued	-	26,785,000	-	-	26,785,000
Bond premium	-	2,676,955	-	-	2,676,955
Total other financing sources (uses)	<u>(979,878)</u>	<u>29,798,338</u>	<u>-</u>	<u>589,495</u>	<u>29,407,955</u>
Net change in fund balances	2,841,911	4,405,829	(7)	(453,469)	6,794,264
Fund Balances:					
Beginning of year - July 1	<u>42,191,196</u>	<u>7,813,683</u>	<u>7</u>	<u>5,343,896</u>	<u>55,348,782</u>
End of year - June 30	<u>\$ 45,033,107</u>	<u>\$ 12,219,512</u>	<u>\$ -</u>	<u>\$ 4,890,427</u>	<u>\$ 62,143,046</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, 2016**

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	\$ 6,794,264
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.	(53,554)
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.	(20,163)
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, Other Post-Employment Benefits and net pension obligation that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(584,269)
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.	23,685,090
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,985,408)
Gain/loss on the disposal of capital assets, and transfer of asset not recognized on modified accrual basis	(57,624)
Change in deferred outflows - pension	39,633
Change in deferred inflows - pension	6,407,956
Change in net pension asset and liability	(5,598,554)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	47,000
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(26,785,000)
Issuance and amortization of debt premiums is a reduction of expenses on the Statement of Activities.	(2,451,220)
Expenses reported on fund financial statements that are capitalized on government-wide statements - refunding costs	(420,083)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>10,937,860</u>
Total change in net position of governmental activities	<u>\$ 7,955,928</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, 2016

	General Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 65,998,066	\$ 65,998,066	\$ 67,515,589	\$ 1,517,523
Local option sales taxes	18,938,432	18,938,432	23,366,239	4,427,807
Other taxes and licenses	859,000	859,000	1,140,741	281,741
Unrestricted intergovernmental revenues	18,000	18,000	39,477	21,477
Restricted intergovernmental revenues	18,567,939	19,440,049	19,497,426	57,377
Permits and fees	1,731,360	1,731,360	1,733,166	1,806
Sales and services	5,694,834	5,778,568	6,437,558	658,990
Investment earnings	500,000	500,000	605,743	105,743
Miscellaneous	298,976	559,459	838,907	279,448
Total revenues	112,606,607	113,822,934	121,174,846	7,351,912
Expenditures:				
Current:				
General government	14,394,804	14,599,835	14,205,573	394,262
Public safety	27,225,595	27,572,409	25,412,617	2,159,792
Environmental protection	381,898	566,898	535,599	31,299
Economic and physical development	2,366,769	2,622,185	2,366,685	255,500
Human services	30,332,533	30,707,765	28,615,327	2,092,438
Cultural and recreational	4,547,794	4,692,692	4,472,608	220,084
Intergovernmental:				
Education	27,933,606	27,933,606	27,933,606	-
Debt service:				
Principal retirement	10,937,276	10,937,276	10,937,860	(584)
Interest and other charges	2,965,216	2,965,216	2,873,182	92,034
Total expenditures	121,085,491	122,597,882	117,353,057	5,244,825
Revenues over (under) expenditures	(8,478,884)	(8,774,948)	3,821,789	12,596,737
Other Financing Sources (Uses):				
Transfers from other funds	200,000	300,300	308,081	7,781
Transfers to other funds	(1,287,959)	(1,287,959)	(1,287,959)	-
Appropriated fund balance	9,566,843	9,762,607	-	(9,762,607)
Total other financing sources (uses)	8,478,884	8,774,948	(979,878)	(9,754,826)
Net change in fund balance	\$ -	\$ -	2,841,911	\$ 2,841,911
Fund Balance:				
Beginning of year - July 1			42,191,196	
End of year - June 30			\$ 45,033,107	

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, 2016

	Fire Districts Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 8,466,665	\$ 8,767,165	\$ 8,754,672	\$ (12,493)
Investment earnings	19,875	19,875	29,640	9,765
Total revenues	8,486,540	8,787,040	8,784,312	(2,728)
Expenditures:				
Current:				
Public safety	8,486,540	8,787,040	8,784,319	2,721
Total expenditures	8,486,540	8,787,040	8,784,319	2,721
Net change in fund balance	\$ -	\$ -	(7)	\$ (7)
Fund Balance:				
Beginning of year - July 1			7	
End of year - June 30			\$ -	

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2016

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District Fund	Justice Academy Sewer Fund	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 892,795	\$ 2,636,423	\$ 686,399	\$ 4,215,617
Accounts receivable, net	468,244	687,430	-	1,155,674
Total current assets	1,361,039	3,323,853	686,399	5,371,291
Capital assets:				
Land and construction in progress	6,031,371	1,745,134	6,664	7,783,169
Other capital assets, net of depreciation	2,720,057	13,506,595	238,988	16,465,640
Total non-current assets	8,751,428	15,251,729	245,652	24,248,809
Total assets	10,112,467	18,575,582	932,051	29,620,100
Deferred Outflows of Resources:				
Contributions to the pension plan	45,835	-	-	45,835
Pension deferrals	18,568	-	-	18,568
Total deferred outflows of resources	64,403	-	-	64,403
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	458,487	700,626	1,355	1,160,468
Current portion of compensated absences	2,914	2,499	-	5,413
Current portion of long-term obligations	249,195	206,354	-	455,549
Total current liabilities	710,596	909,479	1,355	1,621,430
Non-current liabilities:				
Liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care costs	1,454,985	-	-	1,454,985
Compensated absences	26,225	22,494	-	48,719
Other post-employment benefits	103,844	-	-	103,844
Net pension liability	35,058	-	-	35,058
Long-term obligations	1,333,334	411,239	-	1,744,573
Total non-current liabilities	2,953,446	433,733	-	3,387,179
Total liabilities	3,664,042	1,343,212	1,355	5,008,609
Deferred Inflows of Resources	62,984	-	-	62,984
Net Position:				
Net investment in capital assets	7,284,761	14,634,136	245,652	22,164,549
Unrestricted	(834,917)	2,598,234	685,044	2,448,361
Total net position	\$ 6,449,844	\$ 17,232,370	\$ 930,696	\$ 24,612,910

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Operating Revenues:				
Charges for services	\$ 5,621,286	\$ 1,436,976	\$ 38,880	\$ 7,097,142
Restricted intergovernmental	-	200,000	-	200,000
Total operating revenues	<u>5,621,286</u>	<u>1,636,976</u>	<u>38,880</u>	<u>7,297,142</u>
Operating Expenses:				
Salaries and employee benefits	786,076	-	-	786,076
Other operating expenses	3,752,099	830,214	29,591	4,611,904
Repairs and maintenance	174,510	88,057	3,938	266,505
Depreciation	244,797	479,163	10,863	734,823
Total operating expenses	<u>4,957,482</u>	<u>1,397,434</u>	<u>44,392</u>	<u>6,399,308</u>
Operating income (loss)	<u>663,804</u>	<u>239,542</u>	<u>(5,512)</u>	<u>897,834</u>
Non-Operating Revenues (Expenses):				
Miscellaneous revenue	157,751	-	-	157,751
Interest income	7,258	41,793	8,499	57,550
Interest expense	(46,453)	(16,642)	-	(63,095)
Gain/(loss) on sale of capital assets	-	(46,867)	-	(46,867)
Total non-operating revenues (expenses)	<u>118,556</u>	<u>(21,716)</u>	<u>8,499</u>	<u>105,339</u>
Income (loss) before capital contributions and transfers	<u>782,360</u>	<u>217,826</u>	<u>2,987</u>	<u>1,003,173</u>
Transfers:				
Transfers in	54,000	-	-	54,000
Total transfers	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Capital contributions	<u>-</u>	<u>945,795</u>	<u>-</u>	<u>945,795</u>
Change in net position	836,360	1,163,621	2,987	2,002,968
Net Position:				
Beginning of year - July 1	<u>5,613,484</u>	<u>16,068,749</u>	<u>927,709</u>	<u>22,609,942</u>
End of year - June 30	<u>\$ 6,449,844</u>	<u>\$ 17,232,370</u>	<u>\$ 930,696</u>	<u>\$ 24,612,910</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, 2016

	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	\$ 5,565,034	\$ 1,595,770	\$ 38,880	\$ 7,199,684
Cash paid for goods and services	(4,013,901)	(679,181)	(34,748)	(4,727,830)
Cash paid to employees for services	(803,705)	-	-	(803,705)
Net cash provided (used) by operating activities	<u>747,428</u>	<u>916,589</u>	<u>4,132</u>	<u>1,668,149</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	54,000	-	-	54,000
Proceeds from non-capital grants	157,751	-	-	157,751
Net cash provided (used) by non-capital financing activities	<u>211,751</u>	<u>-</u>	<u>-</u>	<u>211,751</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(192,952)	(1,643,305)	-	(1,836,257)
Long-term debt payments	(133,333)	(223,532)	-	(356,865)
Interest paid	(46,453)	(25,820)	-	(72,273)
Net cash provided (used) by capital and related financing activities	<u>(372,738)</u>	<u>(1,892,657)</u>	<u>-</u>	<u>(2,265,395)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>7,258</u>	<u>41,793</u>	<u>8,499</u>	<u>57,550</u>
Net increase (decrease) in cash and cash equivalents	593,699	(934,275)	12,631	(327,945)
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>299,096</u>	<u>3,570,698</u>	<u>673,768</u>	<u>4,543,562</u>
End of year - June 30	<u>\$ 892,795</u>	<u>\$ 2,636,423</u>	<u>\$ 686,399</u>	<u>\$ 4,215,617</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, 2016

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 663,804	\$ 239,542	\$ (5,512)	\$ 897,834
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	244,797	479,163	10,863	734,823
(Increase) decrease in deferred outflows of resources for pensions	(499)	-	-	(499)
(Increase) decrease in net pension asset	79,553	-	-	79,553
(Increase) decrease in net pension liability	35,058	-	-	35,058
Increase (decrease) in deferred inflows of resources for pensions	(130,907)	-	-	(130,907)
Landfill closure and post-closure care costs	(121,501)	-	-	(121,501)
(Increase) decrease in accounts receivable	(56,252)	(41,206)	-	(97,458)
Increase (decrease) in accounts payable and accrued liabilities	34,209	235,701	(1,219)	268,691
Increase (decrease) in other post-employment benefits	8,568	-	-	8,568
Increase (decrease) in accrued vacation pay	(9,402)	3,389	-	(6,013)
Total adjustments	83,624	677,047	9,644	770,315
Net cash provided (used) by operating activities	\$ 747,428	\$ 916,589	\$ 4,132	\$ 1,668,149
Non-Cash Capital and Related Financing Activities:				
Capital assets contributed by developers	\$ -	\$ 945,795	\$ -	\$ 945,795
Transfer of assets from governmental funds	\$ (16,784)	\$ -	\$ -	\$ (16,784)

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

HENDERSON COUNTY, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2016**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 602,439
Total assets	<u>\$ 602,439</u>
Liabilities:	
Intergovernmental payable	\$ 602,439
Total liabilities	<u>\$ 602,439</u>

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

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HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit

Cane Creek Water and Sewer District

The Cane Creek Water and Sewer District (the "District") exists to provide and maintain water and sewer systems for County residents within the District. Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the District; thus, the District's governing body is substantially the same as the governing body of the County. The County provides financial resources that are not available from other remedies. Therefore, the District is reported as an enterprise fund in the County's basic financial statements (blended component unit). The District does not issue separate financial statements.

Discretely Presented Component Units

Henderson County Hospital Corporation

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Henderson County Tourism Development Authority

The Henderson County Tourism Development Authority (the "TDA") is authorized by State statute, SL 1987-172, to collect an occupancy tax of 5.0% on gross revenues from hotel/motel room occupancy within the corporate limits. Collections are remitted to the Henderson County Tourism Development Authority. The TDA, which has a June 30 year-end, is presented as if it were a governmental fund type. The County is financially accountable for the TDA, which is reported as a discrete component unit separate from the financial information of the primary government. The members of the TDA Board are appointed by the County Commissioners, the municipalities and the Henderson County Chamber of Commerce. The County Commissioners appoint the TDA board chairman.

Complete financial statements for the TDA can be obtained from the TDA's administrative offices:

Henderson County Tourism Development Authority
201 South Main Street
Hendersonville, NC 28792

Henderson County Industrial Facility and Pollution Control Financing Authority

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

Henderson County Governmental Financing Corporation

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

The County reports the following major enterprise funds:

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

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

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

The County also reports the following fund types:

Special Revenue Funds. Special revenue funds are used to account for specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains five nonmajor special revenue funds: Revaluation Reserve Fund; Community Development Block Grant – Dodd Meadows Habitat for Humanity Catalyst Project Fund; Emergency Telephone Systems Fund (E-911); Public Transit Fund; and the Immigration and Customs Enforcement (ICE) Fund.

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

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

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for position the County holds on behalf of others. The County maintains the following agency funds: School Fines and Forfeitures Fund, which accounts for the collection and payment of fines and forfeitures to the Board of Education in the County; Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; Agriculture Fund, which accounts for position held by the County for the benefit of certain individuals in the County; Flexible Spending Fund, which accounts for position held for County employees in accordance with the provisions of Internal Revenue Code Section 125; Fireman's Association Fund, which

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

accounts for position held for the Fireman's Association; Land Development Fund, which accounts for a percentage of subdivision guarantee improvement funds that are held for developers until the improvements are completed; Deed of Trust Fund, which accounts for the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage that the County is required to remit to the State Treasurer on a monthly basis; and other agency funds, which account for miscellaneous funds held by the County for the benefit of others.

Measurement Focus, Basis of Accounting

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

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for all funds except the capital project funds and the special revenue funds listed below. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Community Development Block Grant – Dodd Meadows Project Fund, the General Capital Projects Fund, and the School Capital Projects Fund.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Restricted Assets

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

- \$277,389 in the Tax Revaluation Fund is classified as a restricted asset because its use is restricted per North Carolina General Statute 153A-150.
- \$7,292,183 in the General Capital Projects Fund is classified as a restricted asset because it represents unspent debt proceeds that are restricted for the purpose of the installment debt.

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, 2015. The County does not currently allow discounts that apply to taxes paid prior to the due date.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

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

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization cost is \$5,000. General infrastructure position acquired prior to July 1, 2003 consist of water and sewer system position that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

Assets	Estimated Useful Lives
Buildings	20 years
Equipment	10 years
Leasehold improvements	10-20 years
Computers	3 years

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Compensated Absences

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criteria – a charge on refunding, pension related deferrals, and contributions made to the pension plans in the current fiscal year.

In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet the criteria for this category – property taxes receivable, prepaid taxes, other receivables, and other pension related deferrals.

Estimates

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

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Stabilization by State Statute - portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Register of Deeds – portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation, but are legally restricted for computer and imaging technology in the Register of Deeds' office.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities, such as police, fire, EMS, and E-911.

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

Restricted fund balance at June 30, 2016 is as follows:

Purpose	General Fund	General Capital Projects Fund	Other Governmental Funds	Total Restricted
Restricted, all other:				
Register of Deeds	\$ 181,130	\$ -	\$ -	\$ 181,130
Public safety	-	-	124,581	124,581
Economic and physical development	-	7,292,183	1,076,693	8,368,876
Total	<u>\$ 181,130</u>	<u>\$ 7,292,183</u>	<u>\$ 1,201,274</u>	<u>\$ 8,674,587</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing body is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Revaluation – represents the portion of fund balance committed by the governing body for future tax revaluation purposes.

Committed for General Government – represents the portion of fund balance committed by the governing body for future debt service purposes.

Committed for Economic and Physical Development – portion of fund balance committed by the governing board for economic development incentives and projects.

Committed for Education – portion of fund balance committed by the governing board for education purposes.

Committed fund balance at June 30, 2016 is as follows:

Purpose	Revaluation Reserve	Debt Service Fund	School Capital Project Fund	General Capital Projects Fund	General Capital Reserve Fund	Total Governmental Funds
Committed:						
Revaluation	\$ 254,911	\$ -	\$ -	\$ -	\$ -	\$ 254,911
General government	-	590,997	-	-	-	590,997
Economic and physical development	-	-	-	4,637,656	1,653,065	6,290,721
Education	-	-	1,065,238	-	-	1,065,238
Total	<u>\$ 254,911</u>	<u>\$ 590,997</u>	<u>\$ 1,065,238</u>	<u>\$ 4,637,656</u>	<u>\$ 1,653,065</u>	<u>\$ 8,201,867</u>

Assigned Fund Balance

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Assigned for Public Safety – portion of fund balance budgeted by the Board for public safety related activities such as police, fire, and EMS.

Assigned fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Assigned:	
Subsequent year's expenditures	\$ 7,267,852
Public safety	<u>179,625</u>
Total	<u>\$ 7,447,477</u>

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

Henderson County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

Henderson County has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the County in such a manner that available fund balance is at least equal to or greater than 12% of actual expenditures. Any portion of the General Fund balance in excess of 12% of actual expenditures may be appropriated for future use for a specific purpose.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 45,033,107
Less:	
Inventories	(54,995)
Prepays	(210,479)
Stabilization by State statute	<u>(9,406,310)</u>
Total available fund balance	<u>\$ 35,361,323</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Defined Benefit Pension Plans

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2016, the County made expenditures in excess of the approved budget in the following funds:

Stewardship	Amount
School Capital Projects Fund	\$ 788,531
Emergency Telephone System Fund (E-911)	131,793

Corrective Action/Management's Response: The County will be more diligent in the future in monitoring the budget of the General Fund along with pre-auditing before approval.

3. Detail Notes On All Funds

A. Assets

Deposits

All of the County's and the Hospital's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County or the Hospital's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Hospital, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

information with the County or the Hospital, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Hospital under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and to monitor them for compliance. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and the Hospital rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the County's deposits had a carrying amount of \$38,988,902 and a bank balance of \$40,662,931. Of the bank balance, \$1,010,535 was covered by federal depository insurance, and \$39,652,396 was covered by collateral held under the Pooling Method. At June 30, 2016, the County had \$6,077 cash on hand.

At September 30, 2015, the Hospital's deposits had a carrying amount of approximately \$7,436,994 and a bank balance of approximately \$7,652,000. Of the bank balance, approximately \$500,000 was covered by federal depository insurance, and \$7,152,000 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2016, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation</u>	<u>Book Value</u>	<u>Less Than</u>
	<u>Measurement Method</u>		<u>6 Months</u>
U.S. government agencies	Fair Value-Level 1	\$ 29,452,579	\$ -
North Carolina Capital Management Trust Cash Portfolio	Amortized Cost	1,417,595	1,417,595
Total		<u>\$ 30,870,174</u>	<u>\$ 1,417,595</u>

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016. The County's investment in U.S. government agencies (Federal Home Loan Mortgage Company) and (Federal National Mortgage Agency) were rated AAA by Standard & Poor's and Aaa by Moody's Investment Service as of June 30, 2016. The County has no formal policy on credit risk.

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

Concentration of Credit Risk. Concentration risk is the risk when one of the issuers is 5% or greater of the total investment portfolio, excluding deposits. More than 5% of the County's investments are in U.S. Government Agencies. Investments in Federal Home Loan Mortgage Corporation are 36%, Federal National Mortgage Association are 57%, and Federal Home Loan Bank are 7%. The County has no formal policy on the concentration of credit risk.

At September 30, 2015, the Hospital's investments consisted of the following:

						No
	Valuation		Less Than	2-3	4-7	Maturity
Investment Type	Measurement Method	Fair Value	Year	Years	Years	Date
U.S. government securities	Fair Value-Level 1	\$ 2,492,358	\$ 118,419	\$ -	\$ 2,373,939	\$ -
U.S. government agencies	Fair Value-Level 1	6,678,903	3,038,130	2,114,163	1,526,610	-
North Carolina Capital						
Management Trust	Fair Value-Level 1	4,421	-	-	-	4,421
Equity securities and funds	Fair Value-Level 1	15,587,311	3,990,215	-	-	11,597,096
Other investments	Fair Value-Level 1	364,606	-	-	-	364,606
Cash and cash equivalents	Fair Value-Level 1	26,667,168	-	-	-	26,667,168
Total		\$ 51,794,767	\$ 7,146,764	\$ 2,114,163	\$ 3,900,549	\$ 38,633,291

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy requires purchases of all securities with a final maturity date longer than 12 months to be approved by the Hospital's Board of Directors.

Custodial Risk. The Hospital manages its custodial credit risk by ensuring its deposits are either insured or collateralized.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The Hospital manages credit risk through quarterly reviews of the portfolio by the Finance Committee of the Hospital's Board of Directors and limits the credit risk of investments through its investment policy. The Hospital's investments in the NC Capital Management Trust Portfolio carried a credit rating of AAA by Standard & Poor's as of September 30, 2015. The Hospital is authorized to invest in obligations of the U.S. government and agencies, and also in high-grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. During the year ended September 30, 2007, the Hospital began investing in common and preferred stocks through North Carolina Department of State Treasurer's Public Equity portfolio, as permitted by North Carolina General Statute 147-69.2(b)(8). The Hospital's investments in US Government Agencies (Fannie Mae) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Property Tax – Use-Value Assessment on Certain Lands

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

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

Year Ended June 30	Tax	Interest	Total
2013	\$ 1,697,848	\$ 441,440	\$ 2,139,288
2014	1,656,496	281,604	1,938,100
2015	2,077,391	166,191	2,243,582
2016	2,291,416	-	2,291,416
Total	<u>\$ 7,723,151</u>	<u>\$ 889,235</u>	<u>\$ 8,612,386</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Receivables

Receivables at the government-wide level at June 30, 2016 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Total</u>
Governmental Activities:			
General	\$ 10,694,769	\$ 2,705,878	\$ 13,400,647
Other governmental	<u>662,353</u>	<u>-</u>	<u>662,353</u>
Total receivables	11,357,122	2,705,878	14,063,000
Allowance for doubtful accounts	<u>(1,189,311)</u>	<u>(1,340,546)</u>	<u>(2,529,857)</u>
Total governmental activities	<u>\$ 10,167,811</u>	<u>\$ 1,365,332</u>	<u>\$ 11,533,143</u>
Business-Type Activities:			
Landfill	\$ 469,220	\$ -	\$ 469,220
Cane Creek	<u>959,220</u>	<u>-</u>	<u>959,220</u>
Total receivables	1,428,440	-	1,428,440
Allowance for doubtful accounts	<u>(272,766)</u>	<u>-</u>	<u>(272,766)</u>
Total business-type activities	<u>\$ 1,155,674</u>	<u>\$ -</u>	<u>\$ 1,155,674</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 15,349,827	\$ -	\$ -	\$ -	\$ 15,349,827
Construction in progress	6,961,063	21,561,004	(8,819)	(2,201,798)	26,311,450
Total non-depreciable capital assets	<u>22,310,890</u>	<u>21,561,004</u>	<u>(8,819)</u>	<u>(2,201,798)</u>	<u>41,661,277</u>
Depreciable Capital Assets:					
Buildings	87,668,269	204,600	-	2,201,798	90,074,667
Equipment	6,133,383	822,437	(175,690)	-	6,780,130
Vehicles and motor equipment	7,185,358	1,097,049	(619,115)	16,784	7,680,076
Total depreciable capital assets	<u>100,987,010</u>	<u>2,124,086</u>	<u>(794,805)</u>	<u>2,218,582</u>	<u>104,534,873</u>
Less Accumulated Depreciation:					
Buildings	32,130,920	2,685,207	-	-	34,816,127
Equipment	3,957,584	563,559	(172,673)	-	4,348,470
Vehicles and motor equipment	5,235,698	736,642	(573,327)	16,784	5,415,797
Total accumulated depreciation	<u>41,324,202</u>	<u>3,985,408</u>	<u>(746,000)</u>	<u>16,784</u>	<u>44,580,394</u>
Total depreciable capital assets	<u>59,662,808</u>	<u>\$ (1,861,322)</u>	<u>\$ (48,805)</u>	<u>\$ -</u>	<u>59,954,479</u>
Total depreciable capital assets, net	<u>\$ 81,973,698</u>				<u>\$ 101,615,756</u>

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

General government	\$ 1,744,704
Public safety	1,662,359
Economic and physical development	32,237
Human services	386,679
Cultural and recreational	159,429
Total	<u>\$ 3,985,408</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Business-Type Activities:					
Landfill:					
Non-Depreciable Capital Assets:					
Land	\$ 6,031,371	\$ -	\$ -	\$ -	\$ 6,031,371
Total non-depreciable capital assets	<u>6,031,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,031,371</u>
Depreciable Capital Assets:					
Plant and distribution systems	3,408,012	-	-	-	3,408,012
Furniture and maintenance equipment	911,265	192,952	(3,886)	-	1,100,331
Vehicles	786,036	-	(15,650)	(16,784)	753,602
Total depreciable capital assets	<u>5,105,313</u>	<u>192,952</u>	<u>(19,536)</u>	<u>(16,784)</u>	<u>5,261,945</u>
Less Accumulated Depreciation:					
Plant and distribution systems	1,334,261	77,597	-	-	1,411,858
Furniture and maintenance equipment	405,264	101,512	(3,886)	-	502,890
Vehicles	593,886	65,688	(15,650)	(16,784)	627,140
Total accumulated depreciation	<u>2,333,411</u>	<u>244,797</u>	<u>(19,536)</u>	<u>(16,784)</u>	<u>2,541,888</u>
Total depreciable capital assets, net	<u>2,771,902</u>	<u>(51,845)</u>	<u>-</u>	<u>-</u>	<u>2,720,057</u>
Landfill capital assets, net	<u>8,803,273</u>	<u>\$ (51,845)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,751,428</u>
Cane Creek Water and Sewer District:					
Non-Depreciable Capital Assets:					
Land	324,450	\$ -	\$ -	\$ -	324,450
Construction in progress	1,741,280	1,607,880	-	(1,928,476)	1,420,684
Total non-depreciable capital assets	<u>2,065,730</u>	<u>1,607,880</u>	<u>-</u>	<u>(1,928,476)</u>	<u>1,745,134</u>
Depreciable Capital Assets:					
Plant and distribution systems	16,161,577	920,795	(72,106)	1,928,476	18,938,742
Furniture and maintenance equipment	434,943	60,425	(54,269)	-	441,099
Vehicles	143,446	-	-	-	143,446
Total depreciable capital assets	<u>16,739,966</u>	<u>981,220</u>	<u>(126,375)</u>	<u>1,928,476</u>	<u>19,523,287</u>
Less Accumulated Depreciation:					
Plant and distribution systems	5,172,512	432,070	(25,237)	-	5,579,345
Furniture and maintenance equipment	336,273	30,235	(54,269)	-	312,239
Vehicles	108,250	16,858	-	-	125,108
Total accumulated depreciation	<u>5,617,035</u>	<u>479,163</u>	<u>(79,506)</u>	<u>-</u>	<u>6,016,692</u>
Total depreciable capital assets, net	<u>11,122,931</u>	<u>502,057</u>	<u>(46,869)</u>	<u>1,928,476</u>	<u>13,506,595</u>
Cane Creek Water and Sewer District capital assets, net	<u>13,188,661</u>	<u>\$ 2,109,937</u>	<u>\$ (46,869)</u>	<u>\$ -</u>	<u>15,251,729</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Justice Academy Water and Sewer District:					
Non-Depreciable Capital Assets:					
Land	6,664	\$ -	\$ -	\$ -	6,664
Depreciable Capital Assets:					
Plant and distribution systems	434,523	-	-	-	434,523
Furniture and maintenance equipment	17,234	-	-	-	17,234
Total depreciable capital assets	451,757	-	-	-	451,757
Less Accumulated Depreciation:					
Plant and distribution systems	184,672	10,863	-	-	195,535
Furniture and maintenance equipment	17,234	-	-	-	17,234
Total accumulated depreciation	201,906	10,863	-	-	212,769
Total depreciable capital assets, net	249,851	(10,863)	-	-	238,988
Justice Academy Water and Sewer District capital assets, net	256,515	\$ (10,863)	\$ -	\$ -	245,652
Business-type activities capital assets, net	<u>\$ 22,248,449</u>				<u>\$ 24,248,809</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Capital asset activity for the Henderson County Hospital Corporation for the year ended September 30, 2015 was as follows:

	Balance October 1, 2014	Increases	Decreases	Transfers	Balance September 30, 2015
Non-Depreciable Capital Assets:					
Land	\$ 6,028,057	\$ 336,885	\$ -	\$ 9,500	\$ 6,374,442
Construction in progress	<u>167,242</u>	<u>3,979,956</u>	<u>-</u>	<u>(905,969)</u>	<u>3,241,229</u>
Total non-depreciable capital assets	<u>6,195,299</u>	<u>4,316,841</u>	<u>-</u>	<u>(896,469)</u>	<u>9,615,671</u>
Depreciable Capital Assets:					
Land improvements	1,337,524	6,720	-	6,701	1,350,945
Buildings and fixed equipment	99,946,842	38,417	-	515,289	100,500,548
Moveable equipment	<u>123,316,514</u>	<u>4,561,118</u>	<u>(1,857,718)</u>	<u>374,479</u>	<u>126,394,393</u>
Total depreciable capital assets	<u>224,600,880</u>	<u>4,606,255</u>	<u>(1,857,718)</u>	<u>896,469</u>	<u>228,245,886</u>
Less Accumulated Depreciation:					
Land improvements	1,076,575	30,786	-	-	1,107,361
Buildings and fixed equipment	60,842,576	3,276,398	-	259	64,119,233
Moveable equipment	<u>98,691,288</u>	<u>6,044,642</u>	<u>(1,857,718)</u>	<u>(259)</u>	<u>102,877,953</u>
Total accumulated depreciation	<u>160,610,439</u>	<u>9,351,826</u>	<u>(1,857,718)</u>	<u>-</u>	<u>168,104,547</u>
Total depreciable capital assets, net	<u>63,990,441</u>	<u>\$ (428,730)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>60,141,339</u>
Total capital assets, net	<u>\$ 70,185,740</u>				<u>\$ 69,757,010</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Insurance Claims Incurred, But Not Reported</u>	<u>Total</u>
Governmental Activities:					
General	\$ 2,110,762	\$ 8,421,589	\$ 400,000	\$ 329,565	\$ 11,261,916
Other governmental	<u>2,054,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,054,687</u>
Total governmental activities	<u>\$ 4,165,449</u>	<u>\$ 8,421,589</u>	<u>\$ 400,000</u>	<u>\$ 329,565</u>	<u>\$ 13,316,603</u>
Business-Type Activities:					
Landfill	\$ 392,129	\$ 40,256	\$ 26,102	\$ -	\$ 458,487
Water and Sewer Fund	698,735	-	1,891	-	700,626
Justice Academy Sewer	<u>1,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,355</u>
Total business-type activities	<u>\$ 1,092,219</u>	<u>\$ 40,256</u>	<u>\$ 27,993</u>	<u>\$ -</u>	<u>\$ 1,160,468</u>

Pension Plan Obligation

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or a www.osc.nc.gov.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2016 was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the plan from the County were \$2,291,770 for the year ended June 30, 2016.

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

At June 30, 2016, the County reported a liability of \$2,509,790 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .559%, which was an increase of .013% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$1,452,043. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 589,944
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	714,527
Changes in proportion and differences between County contributions and proportionate share of contributions	320,395	-
County's contributions subsequent to the measurement date	<u>2,291,770</u>	<u>-</u>
Total	<u>\$ 2,612,165</u>	<u>\$ 1,304,471</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$2,291,770 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2017	\$ (736,124)
2018	(736,124)
2019	(735,798)
2020	1,223,970
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	Long-Term	
	Target	Expected Real
	Allocation	Rate of Return
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	<u>6.0%</u>	3.4%
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	<u>\$ 17,501,123</u>	<u>\$ 2,509,790</u>	<u>\$ (10,120,074)</u>

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

Law Enforcement Officers' Special Separation Allowance

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of 133 active plan members and 20 retired members receiving benefits.

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return, and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of position was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized on a level dollar closed basis. The remaining amortization period at December 31, 2014 was 16 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	\$ 412,046
Interest on net pension obligation	113,856
Adjustment to annual required contribution	<u>(200,104)</u>
Annual pension cost	325,798
Employer contributions made	<u>264,214</u>
Increase (decrease) in net pension obligation	61,584
Net pension obligation:	
Beginning of year - July 1	<u>2,277,114</u>
End of year - June 30	<u><u>\$ 2,338,698</u></u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 252,327	85.67%	\$ 2,188,964
2015	357,510	75.34%	2,277,114
2016	325,798	81.10%	2,338,698

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$4,609,945, and the actuarial value of position was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,609,945.

The covered payroll (annual payroll of active employees covered by the plan) was \$7,221,929, and the ratio of the UAAL to the covered payroll was 63.83%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires that the County contribute each month an amount equal to 5% 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, 2016 were \$535,316, which consisted of \$400,301 from the County and \$135,015 from the law enforcement officers.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined benefit plan administered by the North Carolina Department of State Treasurer. The RODSPF provides supplemental pension benefits to any eligible county Register of Deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by the General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$11,612 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$316,304 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was 1.36%, which was an increase of .04% from its proportion measured as of June 30, 2014.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

For the year ended June 30, 2016, the County recognized pension expense of \$(14,476). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,549	\$ 5,236
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	15,687	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	12,453
County's contributions subsequent to the measurement date	<u>11,612</u>	<u>-</u>
Total	<u>\$ 28,848</u>	<u>\$ 17,689</u>

\$11,612 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2017. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2017	\$ (4,913)
2018	(2,459)
2019	2,685
2020	4,234

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	<u>\$ (285,375)</u>	<u>\$ (316,304)</u>	<u>\$ (342,920)</u>

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

Post-Employment Benefits

Deferred Compensation Plan

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

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

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Other Post-Employment Benefits - Healthcare Benefits

Plan Description. In addition to providing pension benefits, the County has elected to provide healthcare benefits to retirees of the County who have at least thirty (30) years of service with the County or are at least 55, but not Medicare eligible, with a minimum of ten (10) years of service with the County and have a combined age and years of service total of at least 70. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active County employees. The County pays 100% of the payments for any retiree with thirty (30) or more years of service with the County or a combined age and years of service total of at least 80. The plan is available to qualified retirees until age 65 or until Medicare eligible, whichever is sooner. Reduced contribution rates are made by the County for retirees with combined age and years of service that total 70 or 75 at retirement. Retirees can purchase coverage for their dependents at the County's group rates. Currently, 74 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2016, the County made payments for post-retirement health benefit premiums of \$784,127. The County is self-insured and contracts with a private carrier to administer the healthcare plan. A separate report was not issued for the plan. This is a single employer defined benefit plan.

County Contributions Based on Years of Creditable Service

<u>Years of Creditable Service</u>	
Less than 10 years of actual service w/ HC	0%
Age plus years of service is 70-74 w/ 10 years actual service w/ HC	50%
Age plus years of service is 75-79 w/ 10 years actual service w/ HC	75%
Age plus years of service is 80 or greater w/ 10 years actual service w/ HC	100%

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

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	74	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	618	130
Total	<u>692</u>	<u>130</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

The current ARC rate is 3.88% of annual covered payroll. For the current year, the County contributed \$1,014,985, or 3.05% of annual covered payroll. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 3.88% and 3.88% of covered payroll, respectively. The total employee contributions, including dependent coverage, were \$106,567. 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	\$ 1,350,611	\$ 31,512	\$ 1,382,123
Interest on net OPEB obligation	189,574	4,423	193,997
Adjustments to annual required contribution	(181,102)	(4,225)	(185,327)
Annual OPEB cost (expense)	1,359,083	31,710	1,390,793
Contributions made	(991,843)	(23,142)	(1,014,985)
Increase (decrease) in net OPEB obligation	367,240	8,568	375,808
Net OPEB obligation:			
Beginning of year - July 1	4,754,642	95,276	4,849,918
End of year - June 30	<u>\$ 5,121,882</u>	<u>\$ 103,844</u>	<u>\$ 5,225,726</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,299,842	63.9%	\$ 4,414,296
2015	1,339,465	67.5%	4,849,918
2016	1,390,793	73.0%	5,225,726

Fund Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$15,111,345. The covered payroll (annual payroll of active employees covered by the plan) was \$33,599,674, and the ratio of the UAAL to the covered payroll was 45.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan position is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a pre-Medicare trend rate of 7.50% to 5.00% and post-Medicare trend rate of 5.50% to 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of position, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

As of June 30, 2016, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Board of Commissioners.

Other Employment Benefits

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

Lump-sum death benefits are provided to beneficiaries 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. This payment is equal to the employee's 12 highest months' salary in a row during the 24 months prior to his or her death. The death benefit payments to beneficiaries must be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

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 \$1,570,848 reported as landfill post-closure care liability at June 30, 2016 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 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Henderson County Hospital Corporation Pension Plan

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

Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 3,528,700	\$ -
Pensions - difference between expected and actual experience		
LGERS	-	589,944
Register of Deeds	1,549	5,236
Pensions - difference between projected and actual investment earnings	15,687	714,527
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions (LGERS)		
LGERS	320,395	-
Register of Deeds	-	12,453
Contributions to pension plans in 2015-2016 fiscal year	2,303,382	-
Prepaid taxes not yet earned (General Fund)	-	140,049
Taxes receivable, net (General Fund)	-	1,365,332
Other receivables (General Fund)	-	279,565
Prepaid fire district tax, net (Special Revenue Fund)	-	3,456
Total	<u>\$ 6,169,713</u>	<u>\$ 3,110,562</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned vehicles at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits. All real and personal property owned by the County is subject to a blanket limit of \$139.2 million per occurrence.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request.

Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation. Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage, and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

Medical liability insurance for local inmates of the Detention Center is purchased through a commercial carrier. The County is insured for individual losses in excess of \$10,000, subject to a \$250,000 limit per person, and an annual aggregate of \$39,311, subject to a \$250,000 limit.

The County has flood insurance coverage in zones A and V at \$1,000,000 per occurrence with a \$1,000,000 annual aggregate and a shared reinsurance limit with other members of CRL, Inc. of a \$20,000,000 annual aggregate. For zones other than A and V, there is a \$5,000,000 limit per occurrence with a \$5,000,000 annual aggregate and a shared reinsurance limit with other members of CRL, Inc. of a \$200,000,000 annual aggregate. There is a \$25,000,000 flood deductible per occurrence.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Tax Collector and the Deputy Tax Collector are bonded for \$1,000,000 and \$250,000 respectively while the Finance Director and the Register of Deeds are bonded for \$200,000 and \$50,000 respectively. The remaining employees who have access to funds are bonded at \$25,000 each.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The County provides employee health and dental benefits through a self-insured plan provided by Blue Cross/Blue Shield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC. Specific stop/loss is set at \$190,000 per individual health insurance claim with an unlimited lifetime maximum. Aggregate stop/loss is set at the level of 125% with a minimum aggregate attachment point of \$9,091,151 and a contract period maximum of \$1,000,000.

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

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

	Year Ended June 30	
	2015	2016
Unpaid claims:		
Beginning of year - July 1	\$ 490,708	\$ 671,757
Incurred claims	7,798,253	9,153,457
Claim payments	<u>(7,617,204)</u>	<u>(9,495,649)</u>
End of year - June 30	<u>\$ 671,757</u>	<u>\$ 329,565</u>

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Claims and Judgments

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Long-Term Obligations

Installment Financing Contracts

The County has entered into three installment financing contracts with the Henderson County Governmental Financing Corporation, a component unit, for construction of educational and public safety facilities. These contracts were funded by execution and delivery of certificates of participation. The outstanding contracts at June 30, 2016 are as follows:

\$7,500,000 2010 County Buildings Recovery Zone Economic Development Bonds, due in annual principal payments of \$500,000, including interest charged at an annual rate of 4.80%. Payments will continue through November 19, 2025. \$ 5,000,000

\$413,539 2013 financing with BB&T governmental finance for the purchase of vehicles. Annual payments of \$106,635, including interest at annual rate of 1.25% 105,319

Total installment contracts \$ 5,105,319

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 605,319	\$ 241,316
2018	500,000	216,000
2019	500,000	192,000
2020	500,000	168,000
2021	500,000	144,000
2022-2026	<u>2,500,000</u>	<u>360,000</u>
Total	<u><u>\$ 5,105,319</u></u>	<u><u>\$ 1,321,316</u></u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Installment Purchases

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

Other installment purchase contracts payable at June 30, 2016 are comprised of the following individual issues:

Governmental Activities:

\$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.	\$ 17,371,430
\$5,092,000 Detention Center financing contract due in semi-annual payments, including interest at an annual rate of 3.64%. Payments will continue through June 30, 2019.	1,329,000
\$4,270,400 2009 Qualified School Construction Bonds financing contract due in annual principal payments of \$427,050, including interest charged at of 1.87%. Payments will continue through December 16, 2019.	1,708,160
\$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.	723,000
\$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.	3,440,000
\$163,978 vehicles financing contract due in annual payments of \$42,710, including interest at an annual rate of 1.66%. Payments will continue through June 30, 2019.	123,990
\$308,997 2013 financing with BB&T governmental finance for the purchase of vehicles. Annual payments of \$80,344, including interest at annual rate of 1.590%	156,935
Total installment purchases indebtedness	<u>\$ 24,852,515</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Year Ending June 30	Principal	Interest
2017	\$ 3,866,862	\$ 874,174
2018	3,859,774	954,796
2019	3,772,374	601,270
2020	3,296,361	461,917
2021	1,828,571	357,120
2022-2026	<u>8,228,573</u>	<u>765,257</u>
Total	<u>\$ 24,852,515</u>	<u>\$ 4,014,534</u>

Business-Type Activities:

\$2,000,000 Solid Waste system improvements with annual principal payments of \$133,333, including interest that is payable at 3.2%.
Payments will continue through December 9, 2026.

\$ 1,466,667

Year Ending June 30	Principal	Interest
2017	\$ 133,333	\$ 46,933
2018	133,333	42,667
2019	133,333	38,400
2020	133,333	34,133
2021	133,333	29,867
2022-2026	666,669	85,333
2027	<u>133,333</u>	<u>4,267</u>
Total	<u>\$ 1,466,667</u>	<u>\$ 281,600</u>

Limited Obligation Indebtedness

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 are comprised of the following individual issues:

Governmental Activities:

\$18,880,000 Series 2010 B Limited Obligation Bonds,
due in annual principal payments ranging from \$654,229
\$2,089,028 on December 1 through 2020. Interest is
payable semi-annually at rates from 1.0% to 5.0%,
fluctuating throughout the life of the bonds. \$ 5,454,935

\$16,455,000 Series 2012 Limited Obligation Bonds,
due in annual principal payments ranging from \$405,000 to
\$1,730,000. Payment is due annually on June 30. Interest is
payable annually at 1.98%. Refunding of 2005 COPS. 13,735,000

\$24,696,000 Series 2013 Limited Obligation Bonds,
due in annual principal payments ranging from \$309,000 to
\$2,428,000. Payment is due semi-annually on December 1
and June 1 at a fixed rate of 2.01%. 23,607,000

\$26,785,000 Series 2015 Limited Obligation Bonds,
due in annual principal payments ranging from \$840,000 to
\$1,950,000. Payment is due semi-annually on March 15
and September 15 at an interest rate ranging from 3.375%- 5%. 26,785,000

Total governmental limited obligation bonds payable 69,581,935

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. 590,064

Total limited obligation bonds payable \$ 70,171,999

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Governmental Activities:

Year Ending June 30	Principal	Interest
2017	\$ 6,961,824	\$ 2,034,731
2018	6,083,162	1,853,490
2019	6,010,138	1,591,437
2020	5,922,579	1,545,589
2021	5,560,232	1,393,986
2022-2026	22,604,000	4,976,523
2027-2031	7,335,000	2,583,622
2032-2036	9,105,000	814,707
Total	<u>\$ 69,581,935</u>	<u>\$ 16,794,085</u>

Business-Type Activities:

Year Ending June 30	Principal	Interest
2017	\$ 197,176	\$ 18,746
2018	108,837	12,082
2019	107,862	7,743
2020	105,421	4,478
2021	70,768	1,415
Total	<u>\$ 590,064</u>	<u>\$ 44,464</u>

At June 30, 2016, the County had no bonds authorized, but unissued, and a legal debt margin of \$950,828,949.

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	Balance			Balance	Current
	July 1, 2015	Increases	Decreases	June 30, 2016	Portion of
					Balance
Governmental Activities:					
Limited obligation bonds	\$ 46,987,404	\$ 26,785,000	\$ (4,190,469)	\$ 69,581,935	\$ 6,961,824
Add unamortized bond discount	-	2,676,955	(140,892)	2,536,063	140,892
Add unamortized bond premium	339,372	-	(84,843)	254,529	84,843
Total limited obligation bonds	47,326,776	29,461,955	(4,416,204)	72,372,527	7,046,667
Other long-term obligations:					
Installment purchases	28,810,887	-	(3,958,372)	24,852,515	3,866,862
Installment contracts	7,894,338	-	(2,789,019)	5,105,319	605,319
Net pension liability (LGERS)	-	2,474,732	-	2,474,732	-
Compensated absences	2,305,928	875,897	(720,452)	2,461,373	246,137
Other post-employment benefits	4,754,642	1,359,083	(991,843)	5,121,882	-
Pension benefit obligations	2,277,114	61,584	-	2,338,698	-
Total governmental activities	<u>\$ 93,369,685</u>	<u>\$ 34,233,251</u>	<u>\$ (12,875,890)</u>	<u>\$ 114,727,046</u>	<u>\$ 11,764,985</u>
Business-Type Activities:					
Landfill:					
Installment purchase	\$ 1,600,000	\$ -	\$ (133,333)	\$ 1,466,667	\$ 133,333
Accrued landfill closure and post-closure care cost	1,692,348	-	(121,500)	1,570,848	115,862
Net pension liability (LGERS)	-	35,058	-	35,058	-
Other post-employment benefits	95,276	31,710	(23,142)	103,844	-
Compensated absences	38,541	10,872	(20,274)	29,139	2,914
Total Landfill	<u>3,426,165</u>	<u>77,640</u>	<u>(298,249)</u>	<u>3,205,556</u>	<u>252,109</u>
Cane Creek Water and Sewer District:					
Limited obligation bonds	813,596	-	(223,532)	590,064	197,176
Add unamortized bond premium	36,707	-	(9,178)	27,529	9,178
Total limited obligation bonds	850,303	-	(232,710)	617,593	206,354
Compensated absences	21,604	6,395	(3,007)	24,992	2,499
Total Cane Creek Water and Sewer District	<u>871,907</u>	<u>6,395</u>	<u>(235,717)</u>	<u>642,585</u>	<u>208,853</u>
Total business-type activities	<u>\$ 4,298,072</u>	<u>\$ 84,035</u>	<u>\$ (533,966)</u>	<u>\$ 3,848,141</u>	<u>\$ 460,962</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Discretely Presented Component Unit:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Current Portion of Balance
Revenue bonds	\$ 8,750,000	\$ 5,000,000	\$ 1,555,000	\$ 12,195,000	\$ 1,229,000
Capitalized leases	3,506,399	-	1,110,708	2,395,691	1,061,726
Total	<u>\$ 12,256,399</u>	<u>\$ 5,000,000</u>	<u>\$ 2,665,708</u>	<u>\$ 14,590,691</u>	<u>\$ 2,290,726</u>

Capital Leases

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

At September 30, 2015, the cost of assets held under capital leases was approximately \$6,896,000, less accumulated depreciation and amortization of approximately \$6,898,000 of the following:

Year Ending September 30	Principal
2016	\$ 1,160,947
2017	1,069,416
2018	202,653
2019	87,584
2020	<u>22,268</u>
Total minimum lease payments	2,542,868
Less: amount representing interest	<u>(147,177)</u>
Total capital lease	2,395,691
Less: current portion	<u>(1,061,726)</u>
Present value of the minimum lease payments	<u>\$ 1,333,965</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Revenue Bonds

On September 4, 2013, the Hospital issued a \$9,545,000 Series 2013 Bond. The proceeds of the Series 2013 Bond were used to refund the Series 2008 Bond and Series 2010 Bond. The Hospital incurred a loss on refunding of approximately \$187,000, which is included in other operating expenses. The refunding provided an economic gain (the difference between the present value of the old and new debt service payments) of approximately \$575,000. The terms of the reimbursement agreement and master trust indenture for the 2013 Hospital Revenue Refunding Bond requires that the corporation comply with various covenants, the most restrictive of which requires the Corporation to maintain minimum debt service coverage and liquidity ratios. The Hospital has been in compliance with covenants as to rates, fees, and charges in Section 6.06 of the master trust indenture, which requires that the debt service ratio each fiscal year be no less than 1.20.

Annual debt service requirements to maturity for Hospital debt obligations are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,229,000	\$ 250,122
2017	1,256,000	224,481
2018	1,288,000	198,229
2019	1,326,000	171,258
2020	1,363,000	143,517
2021-2025	3,858,000	376,419
2026-2029	1,875,000	117,047
Total	<u>\$ 12,195,000</u>	<u>\$ 1,481,073</u>

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2016 is computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 101,615,756	\$ 24,248,809
Restricted cash from debt issuance	7,292,183	-
Deferred outflows of resources	3,528,700	-
Long-term debt	(102,330,361)	(2,084,260)
Long-term debt for assets not owned by the County	<u>66,039,525</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 76,145,803</u>	<u>\$ 22,164,549</u>

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Construction Commitments

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

<u>Project</u>	<u>Remaining Commitment</u>
Health Services Center Building Project	\$ 8,677,141
Innovative High School Project	477,678
Emergency Services Headquarters Project	646,741
Hendersonville High School Project	2,703,570
Cane Creek Sewer District projects	<u>1,492,233</u>
Total	<u>\$ 13,997,363</u>

Due From/To Other Funds

Interfund balances are summarized below:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Community Development Block Grant - Dodd Meadows Habitat for Humanity Catalyst Project Fund	\$ <u>180,417</u>	Temporary reimbursement of cash over drafts
		<u>\$ 180,417</u>	

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2016 consist of the following:

	Transfers		
	From	To	Purpose
General Fund	\$ 75,000		
General Capital Reserve		\$ 75,000	Fund capital expansion
Emergency Telephone Systems Fund	61,683		
General Capital Projects Fund		61,683	Fund capital expansion
General Fund	375,000		
General Capital Projects Fund		375,000	Fund capital expansion
General Fund	192,962		
Public Transit Fund		192,962	Program contribution
General Fund	54,000		
Landfill Fund		54,000	Fund capital expansion
Immigration Customs Enforcement Fund	207,781		
General Fund		207,781	Program contribution
General Capital Projects Fund	100,300		
General Fund		100,300	Fund capital expansion
General Fund	<u>590,997</u>		
Debt Service Fund		<u>590,997</u>	Fund debt service reserve
Total	<u>\$ 1,657,723</u>	<u>\$ 1,657,723</u>	

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

4. Joint Ventures

The County, in conjunction with the State of North Carolina and Henderson County Board of Education, participates in a joint venture to operate Blue Ridge Community College ("Community College"). Each of the three participants appoints four members of the 13-member Board of Trustees of the Community College. The President of the Community College's student government association serves as a non-voting, ex-officio member of the Board of Trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the Community College, because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$3,407,836 to the Community College for operational expenses during the fiscal year ended June 30, 2016. In addition, the County made debt service payments of \$1,659,011, including interest, during the year ended June 30, 2016, on limited obligation bonds and certificates of participation (COPs) issued for the Community College facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2016. 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 22 other counties, is a member of the Smoky Mountain Center Local Management Entity (LME), which provides mental health, development disability, and substance abuse services to residents of the twenty-three County area. Each participating government appoints members to the governing board of the LME. The County has ongoing financial responsibility to provide maintenance of effort funding to assist in providing mental health services primarily within the County. The County contributed \$528,612 towards this maintenance of effort in the form of grants to service providers during the fiscal year ended June 30, 2016. None of the 23 participating governments has any equity interest in the LME, so no equity has been reflected in the financial statements at June 30, 2016. Complete financial statements for the LME may be obtained from the LME's administrative office at 356 Biltmore Avenue, Asheville, North Carolina.

5. Jointly Governed Organization

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

HENDERSON COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

6. Commitments

Henderson County Hospital Corporation, a component unit of Henderson County pledged \$3,041,525 towards the cost of the creation of a health education campus in Henderson County. Of this amount \$1,125,364 was contributed to the County in fiscal year 2016.

7. 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.

8. Benefit Payments Issued by the State

Certain amounts were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. This additional aid to County recipients does not appear in the basic financial statements because it does not represent revenues and expenditures of the County.

9. Subsequent Event

On July 21, 2016, Henderson County Hospital Corporation issued \$8,342,209 in Hospital Series 2016A bonds and \$8,657,791 in Hospital Series 2016B bonds for the costs incurred for capital expenditures.

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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 and Employer Contributions for Other-Post Employment Benefits – Retiree Health Plan
- Notes to the Required Schedules for Other-Post Employment Benefits – Retiree Health Plan
- Local Government Employees' Retirement System – Proportionate Share of Net Pension Liability (Asset)
- Local Government Employees' Retirement System – Contributions
- Register of Deeds' Supplemental Pension Fund – Proportionate Share of Net Pension Liability (Asset)
- Register of Deeds' Supplemental Pension Fund - Contributions

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HENDERSON COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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)					
12/31/2015	\$ -	\$ 4,609,945		0.00%	\$ 4,609,945	\$ 7,221,929	63.83%
12/31/2014	-	3,142,460		0.00%	3,142,460	6,561,178	47.89%
12/31/2013	-	3,408,153		0.00%	3,408,153	6,642,075	51.31%
12/31/2012	-	2,844,834		0.00%	2,844,834	6,194,943	45.92%
12/31/2011	-	3,054,790		0.00%	3,054,790	6,448,953	47.37%
12/31/2010	-	2,855,194		0.00%	2,855,194	6,231,707	45.82%

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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.57%
Projected salary increases	3.50 - 7.35%
Includes inflation at	3.00%
Cost of living adjustments	None

HENDERSON COUNTY, NORTH CAROLINA
OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2016
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2014	\$ -	\$ 15,111,345		0.00%	\$ 15,111,345	\$ 33,599,674	45.0%
12/31/2012	-	13,859,722		0.00%	13,859,722	29,479,654	47.0%
12/31/2010	-	14,062,723		0.00%	14,062,723	30,349,158	46.3%
12/31/2008	-	11,916,315		0.00%	11,916,315	26,464,590	45.0%
12/31/2005	-	11,053,864		0.00%	11,053,864	23,337,490	47.4%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Percentage Contributed
2016	\$	1,382,123	73.4%
2015		1,331,574	67.9%
2014		1,292,790	64.2%
2013		1,419,947	35.0%
2012		1,232,137	46.6%
2011		1,232,137	39.6%

Notes to the Required Schedules:

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

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization factor	26
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Pre-medicare trend rates	7.50% - 5.00%
Post-medicare trend rates	5.50% - 5.00%
Year of ultimate trend rate	2020

* Includes inflation at 3.00%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.55923%	0.54613%	0.54613%
County's proportion of the net pension liability (asset) (\$)	\$ 2,509,790	\$ (3,220,780)	\$ 6,384,919
County's covered-employee payroll	\$ 33,231,069	\$ 31,738,665	\$ 30,640,057
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.55%	-10.15%	20.84%
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	102.64%	94.35%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,291,770	\$ 2,356,655	\$ 2,246,169
Contributions in relation to the contractually required contribution	<u>2,291,770</u>	<u>2,356,655</u>	<u>2,246,169</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 33,738,533	\$ 33,231,069	\$ 31,738,665
Contributions as a percentge of covered-employee payroll	6.79%	7.09%	7.08%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	1.36491%	1.31871%	1.25345%
County's proportion of the net pension liability (asset) (\$)	\$ (316,304)	\$ (298,899)	\$ (267,737)
County's covered-employee payroll	\$ 73,416	\$ 69,039	\$ 68,676
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-430.84%	-432.94%	-389.86%
Plan fiduciary net position as a percentage of the total pension liability **	197.29%	193.88%	190.50%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2,014</u>
Contractually required contribution	\$ 11,612	\$ 10,922	\$ 10,767
Contributions in relation to the contractually required contribution	<u>11,612</u>	<u>10,922</u>	<u>10,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 73,231	\$ 73,416	\$ 69,039
Contributions as a percentge of covered-employee payroll	15.86%	14.88%	15.60%

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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes - current		\$ 67,034,159		\$ 63,884,338
Penalties, interest, and advertising		481,430		462,969
Total	\$ 65,998,066	67,515,589	\$ 1,517,523	64,347,307
Local Option Sales Taxes:				
Article 39 one percent		9,804,497		9,296,877
Article 40 one-half of one percent		6,555,360		6,184,905
Article 42 one-half of one percent		5,531,205		5,204,151
Article 44 one-half of one percent		40,559		349
Medicaid hold harmless		1,434,618		933,857
Total	18,938,432	23,366,239	4,427,807	21,620,139
Other Taxes and Licenses:				
Deed stamp excise tax		752,983		617,931
Gross receipts rental tax		48,431		48,879
Privilege licenses		339,327		362,482
Total	859,000	1,140,741	281,741	1,029,292
Unrestricted Intergovernmental Revenues:				
Payment in lieu of taxes	18,000	39,477	21,477	47,780
Total	18,000	39,477	21,477	47,780
Restricted Intergovernmental Revenues:				
Federal and State grants		19,255,475		20,207,486
Controlled substance tax		27,270		13,214
Court facility fee		125,657		131,669
ABC net revenues		61,006		53,931
ABC bottles taxes		28,018		29,142
Total	19,440,049	19,497,426	57,377	20,435,442
Permits and Fees:				
Inspection fees		1,049,487		1,164,716
Register of Deeds		502,715		474,175
Enforcement fees		180,964		187,687
Watershed fees		-		100
Total	1,731,360	1,733,166	1,806	1,826,678
Sales and Services:				
Rents, concessions, and fees		2,811,476		2,712,282
Jail fees		151,271		169,373
Ambulance fees		3,247,401		2,958,264
Recreation fees		227,410		195,252
Total	5,778,568	6,437,558	658,990	6,035,171

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	500,000	605,743	105,743	418,433
Miscellaneous:				
Sale of materials		57,423		30,581
Other		781,484		584,575
Total	559,459	838,907	279,448	615,156
Total revenues	113,822,934	121,174,846	7,351,912	116,375,398
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits		196,897		209,526
Operating expenditures		134,883		140,490
Donations and dues		467,880		605,654
Total	886,899	799,660	87,239	955,670
Administration:				
Salaries and employee benefits		1,256,979		1,253,853
Operating expenditures		181,557		184,992
Total	1,571,339	1,438,536	132,803	1,438,845
Elections:				
Salaries and employee benefits		429,289		404,508
Operating expenditures		291,187		242,353
Total	919,324	720,476	198,848	646,861
Finance:				
Salaries and employee benefits		748,039		754,244
Operating expenditures		80,677		63,410
Total	854,554	828,716	25,838	817,654
Taxes:				
Salaries and employee benefits		1,452,427		1,474,673
Operating expenditures		447,765		540,287
Total	2,181,906	1,900,192	281,714	2,014,960
Legal:				
Salaries and employee benefits		630,637		609,792
Contracted services		50,299		29,542
Total	702,070	680,936	21,134	639,334
Register of Deeds:				
Salaries and employee benefits		354,901		348,085
Operating expenditures		239,011		100,247
Total	653,788	593,912	59,876	448,332

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Public Buildings:				
Salaries and employee benefits		1,251,361		1,101,559
Operating expenditures		2,086,535		1,365,081
Capital outlay		-		420,854
Total	3,348,226	3,337,896	10,330	2,887,494
Garage and Grounds:				
Salaries and employee benefits		282,093		250,959
Operating expenditures		63,651		74,567
Total	360,841	345,744	15,097	325,526
Court Facilities:				
Operating expenditures		160,264		139,574
Total	190,000	160,264	29,736	139,574
Data Processing:				
Salaries and employee benefits		888,215		765,802
Operating expenditures		1,643,567		1,451,023
Capital outlay		351,122		76,791
Total	2,930,888	2,882,904	47,984	2,293,616
Wellness Clinic:				
Salaries and employee benefits		376,005		357,587
Operating expenditures		140,332		132,125
Total	539,225	516,337	22,888	489,712
Total general government	14,599,835	14,205,573	933,487	13,097,578
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits		11,012,750		10,863,183
Operating expenditures		1,723,737		1,875,511
Capital outlay		403,275		401,381
Total	14,457,870	13,139,762	1,318,108	13,140,075
Jail:				
Salaries and employee benefits		2,842,857		2,844,967
Operating expenditures		1,200,827		1,131,034
Capital outlay		70,508		33,988
Total	4,221,850	4,114,192	107,658	4,009,989
Emergency Management:				
Salaries and employee benefits		220,570		206,557
Operating expenditures		10,154		113,389
Capital outlay		-		17,501
Total	238,857	230,724	8,133	337,447

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Fire Services:				
Salaries and employee benefits		332,360		339,102
Operating expenditures		198,902		91,612
Capital outlay		65,458		-
Total	605,342	596,720	8,622	430,714
Inspections:				
Salaries and employee benefits		728,118		672,258
Operating expenditures		161,723		80,372
Capital outlay		32,097		28,674
Total	948,546	921,938	26,608	781,304
Code Enforcement Services:				
Salaries and employee benefits		221,832		223,958
Operating expenditures		34,217		41,244
Total	272,204	256,049	16,155	265,202
Emergency Medical Services:				
Salaries and employee benefits		4,178,414		3,940,009
Operating expenditures		521,609		553,561
Capital outlay		564,447		144,716
Total	5,378,523	5,264,470	114,053	4,638,286
Animal Control:				
Salaries and employee benefits		382,402		380,952
Operating expenditures		190,215		166,854
Total	593,682	572,617	21,065	547,806
Rescue Squad:				
Operating expenditures		316,145		303,391
Total	316,310	316,145	165	303,391
Total public safety	27,572,409	25,412,617	1,620,567	24,454,214
Environmental Protection:				
Soil and Water Conservation:				
Salaries and employee benefits		288,473		262,335
Operating expenditures		203,303		17,993
Capital outlay		-		23,659
Total	510,654	491,776	18,878	303,987
Forestry Service	56,244	43,823	12,421	45,252
Total environmental protection	566,898	535,599	31,299	349,239

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Economic and Physical Development:				
Planning:				
Salaries and employee benefits		471,132		489,547
Operating expenditures		30,156		30,252
Total	588,214	501,288	86,926	519,799
Agricultural Extension:				
Salaries and employee benefits		251,103		234,472
Operating expenditures		62,171		63,282
Total	339,709	313,274	26,435	297,754
Land Records Management:				
Salaries and employee benefits		110,739		27,192
Operating expenditures		1,477		-
Total	116,787	112,216	4,571	27,192
Agri-Business Development:				
Salaries and employee benefits		131,480		125,199
Operating expenditures		38,117		36,793
Total	170,578	169,597	981	161,992
Other Transfers:				
Economic development contracts	1,406,897	1,270,310	136,587	1,839,992
Total	1,406,897	1,270,310	136,587	1,839,992
Total economic and physical development	2,622,185	2,366,685	255,500	2,846,729
Human Services:				
Health:				
General and Administration:				
Salaries and employee benefits		4,907,266		4,768,019
Operating expenditures		1,182,372		937,633
Capital outlay		40,418		-
Total	6,778,985	6,130,056	648,929	5,705,652
Smart Start - Nurturing Parent:				
Operating expenditures	100,000	100,000	-	-
Total	100,000	100,000	-	-
Total public health	6,878,985	6,230,056	648,929	5,705,652
Environmental Health:				
Salaries and employee benefits		936,865		892,476
Operating expenditures		76,794		81,290
Capital outlay		20,216		-
Total	1,123,483	1,033,875	89,608	973,766

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Home and Community Block Grant:				
Operating expenditures	747,011	718,532	28,479	704,725
Total	747,011	718,532	28,479	704,725
Medical Services:				
Operating expenditures		69,750		48,750
Total	70,000	69,750	250	48,750
Social Services:				
Mental Health:				
Operating expenditures		528,612		528,612
Total	528,612	528,612	-	528,612
Administration:				
Salaries and employee benefits		10,323,942		10,504,993
Operating expenditures		1,511,092		1,757,812
Capital outlay		86,196		41,940
Total	13,138,401	11,921,230	1,217,171	12,304,745
Smart Start:				
Salaries and employee benefits		31,872		49,521
Operating expenditures		460,702		463,957
Total	495,608	492,574	3,034	513,478
TANF Program:				
County participation only	1,000	-	1,000	750
Income Maintenance Program:				
Supplemental aid to the aged		444,826		429,419
Supplemental aid to the disabled		535,535		508,561
Crisis intervention payments		346,571		278,218
Total	1,486,571	1,326,932	159,639	1,216,198
Daycare Operations:				
Daycare for children	2,871,928	2,782,498	89,430	2,751,921
LIEAP Operations:				
LIEAP Operations	351,055	331,700	19,355	418,800
Foster Care:				
State boarding home		241,451		182,549
Foster care - children		940,429		822,820
Adoption assistance		288,568		283,827
Total	1,159,106	1,470,448	(311,342)	1,289,196

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Other Assistance:				
Social work contracts	110,124	109,809	315	110,124
Medicaid transportation	995,000	908,930	86,070	933,083
Aid to the blind	7,500	4,743	2,757	4,607
Adult day care	16,346	82,760	(66,414)	62,880
General assistance	61,500	47,055	14,445	50,249
JOBS program	25,000	4,818	20,182	8,401
EDTAP program	196,095	171,409	24,686	196,115
Emergency assistance	6,000	-	6,000	-
Other assistance	152,726	132,971	19,755	52,875
Total	1,570,291	1,462,495	107,796	1,418,334
Total social services	21,602,572	20,316,489	1,286,083	20,442,034
Veteran Services:				
Salaries and employee benefits		39,441		25,477
Operating expenditures		2,271		2,315
Total	61,526	41,712	19,814	27,792
Juvenile Justice Grant:				
Operating expenditures	224,188	204,913	19,275	192,698
Total human services	30,707,765	28,615,327	2,092,188	28,095,417
Cultural and Recreational:				
Library:				
Salaries and employee benefits		2,102,192		2,180,670
Operating expenditures		727,864		737,358
Capital outlay		25,600		18,305
Total	3,044,412	2,855,656	188,756	2,936,333
Parks and Recreation:				
Salaries and employee benefits		953,460		929,227
Operating expenditures		639,339		608,307
Capital outlay		24,153		37,059
Total	1,648,280	1,616,952	31,328	1,574,593
Total cultural and recreational	4,692,692	4,472,608	220,084	4,510,926
Intergovernmental:				
Education:				
Public schools - current expense		24,525,770		22,519,970
Public schools - capital expense		-		1,000,000
Community colleges - capital expense		3,407,836		3,157,836
Total education	27,933,606	27,933,606	-	26,677,806

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal	10,937,276	10,937,860	(584)	10,962,623
Interest	2,965,216	2,873,182	92,034	2,604,552
Total debt service	13,902,492	13,811,042	91,450	13,567,175
Total expenditures	122,597,882	117,353,057	5,244,575	113,599,084
Revenues over (under) expenditures	(8,774,948)	3,821,789	12,596,737	2,776,314
Other Financing Sources (Uses):				
Installment financing issued	-	-	-	163,978
Transfers in	300,300	308,081	7,781	112,703
Transfers (out)	(1,287,959)	(1,287,959)	-	(2,399,559)
Appropriated fund balance	9,762,607	-	(9,762,607)	-
Total other financing sources (uses)	8,774,948	(979,878)	(9,754,826)	(2,122,878)
Net changes in fund balance	\$ -	2,841,911	\$ 2,841,911	653,436
Fund Balance:				
Beginning of year - July 1		42,191,196		41,537,760
End of year - June 30		\$ 45,033,107		\$ 42,191,196

Other Major Governmental Funds

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

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HENDERSON COUNTY, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenues	\$ 2,827,206	\$ 2,828,436	\$ -	\$ 2,828,436
Investment earnings	-	2,151,280	31,524	2,182,804
Contribution from Henderson County Hospital Corporation	3,041,525	-	1,125,364	1,125,364
Miscellaneous	1,528,000	4,612,922	227,614	4,840,536
Total	7,396,731	9,592,638	1,384,502	10,977,140
Expenditures:				
General government	119,878,822	73,515,322	26,458,990	99,974,312
Total general government	119,878,822	73,515,322	26,458,990	99,974,312
Debt Service:				
Advanced payment to escrow agent	4,841,690	4,841,690	-	4,841,690
Interest and fees	1,530,955	1,320,407	318,021	1,638,428
Total debt service	6,372,645	6,162,097	318,021	6,480,118
Total expenditures	126,251,467	79,677,419	26,777,011	106,454,430
Revenues over (under) expenditures	(118,854,736)	(70,084,781)	(25,392,509)	(95,477,290)
Other Financing Sources (Uses):				
Transfers (out):				
To General Fund	(1,608,300)	(1,508,000)	(100,300)	(1,608,300)
Transfers in:				
From General Fund	11,017,934	8,793,832	375,000	9,168,832
From Capital Reserve Fund	4,085,316	3,818,055	-	3,818,055
From Travel and Tourism Fund	125,000	132,359	-	132,359
From Emergency Telephone System Fund	3,600,000	3,371,611	61,683	3,433,294
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)	18,490,220	15,878,127	336,383	16,214,510
Debt issued	77,054,536	50,269,535	26,785,000	77,054,535
Refunding bonds issued	61,001,205	58,188,084	-	58,188,084
Payment to bond escrow agent	(55,734,341)	(53,392,996)	-	(53,392,996)
Bond premium	2,676,955	848,430	2,676,955	3,525,385
Insurance proceeds	6,000,000	6,107,284	-	6,107,284
Appropriated fund balance	9,366,161	-	-	-
Total other financing sources (uses)	118,854,736	77,898,464	29,798,338	107,696,802
Net change in fund balance	\$ -	\$ 7,813,683	4,405,829	\$ 12,219,512
Fund Balance:				
Beginning of year - July 1			7,813,683	
End of year - June 30			\$ 12,219,512	

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Nonmajor Governmental Funds

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

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

Community Development Block Grant – Dodd Meadows Project Fund – accounts for a federal grant for infrastructure improvements in the Dodd Meadows Community.

Emergency Telephone Systems Fund (E-911) – accounts for the funds received for the operation of the County’s Emergency 911 Communications Center.

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

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

Capital Project Funds – account for financial resources to be used for acquisition and construction for major capital facilities.

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

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

HENDERSON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Nonmajor Special Revenue Funds			
	Revaluation Reserve Fund	Community Development Dodd Meadows Project Fund	Emergency Telephone System Fund (E-911)	Public Transit Fund
Assets:				
Cash and investments	\$ -	\$ -	\$ 157,210	\$ 1,128,098
Accounts receivable, net	-	180,417	53,458	71,484
Restricted cash	277,389	-	-	-
Total assets	<u>\$ 277,389</u>	<u>\$ 180,417</u>	<u>\$ 210,668</u>	<u>\$ 1,199,582</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 32,629	\$ 51,405
Liabilities to be paid from restricted assets	22,478	-	-	-
Due to other funds	-	180,417	-	-
Total liabilities	<u>22,478</u>	<u>180,417</u>	<u>32,629</u>	<u>51,405</u>
Fund Balances:				
Restricted:				
Stabilization for State statute	-	180,417	53,458	71,484
Restricted, all other	-	-	124,581	1,076,693
Committed	254,911	-	-	-
Unassigned	-	(180,417)	-	-
Total fund balances	<u>254,911</u>	<u>-</u>	<u>178,039</u>	<u>1,148,177</u>
Total liabilities and fund balances	<u>\$ 277,389</u>	<u>\$ 180,417</u>	<u>\$ 210,668</u>	<u>\$ 1,199,582</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2016

Nonmajor Capital Project Funds

	<u>Schools Capital Project Fund</u>	<u>General Capital Reserve Fund</u>	<u>Totals June 30, 2016</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:					
Cash and investments	\$ 1,065,238	\$ 1,653,065	\$ 4,003,611	\$ 590,997	\$ 4,594,608
Accounts receivable, net	-	-	305,359	-	305,359
Restricted cash	-	-	277,389	-	277,389
 Total assets	<u>\$ 1,065,238</u>	<u>\$ 1,653,065</u>	<u>\$ 4,586,359</u>	<u>\$ 590,997</u>	<u>\$ 5,177,356</u>
 Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 84,034	\$ -	\$ 84,034
Liabilities to be paid from restricted assets	-	-	22,478	-	22,478
Due to other funds	-	-	180,417	-	180,417
Total liabilities	-	-	286,929	-	286,929
 Fund Balances:					
Restricted:					
Stabilization for State statute	-	-	305,359	-	305,359
Restricted, all other	-	-	1,201,274	-	1,201,274
Committed	1,065,238	1,653,065	2,973,214	590,997	3,564,211
Unassigned	-	-	(180,417)	-	(180,417)
Total fund balances	<u>1,065,238</u>	<u>1,653,065</u>	<u>4,299,430</u>	<u>590,997</u>	<u>4,890,427</u>
 Total liabilities and fund balances	<u>\$ 1,065,238</u>	<u>\$ 1,653,065</u>	<u>\$ 4,586,359</u>	<u>\$ 590,997</u>	<u>\$ 5,177,356</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Nonmajor Special Revenue Funds				
	Revaluation Reserve Fund	Community Development Dodd Meadows Project Fund	Emergency Telephone System Fund (E-911)	Public Transit Fund	Immigration and Customs Enforcement Fund
Revenues:					
Ad valorem taxes	\$ 900,629	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	421,075	61,683	626,066	-
Sales and services	-	-	641,495	-	-
Investment earnings	2,902	-	4,955	-	-
Total revenues	<u>903,531</u>	<u>421,075</u>	<u>708,133</u>	<u>626,066</u>	<u>-</u>
Expenditures:					
Current:					
General government	807,645	-	-	-	-
Public safety	-	-	912,812	-	1,369
Economic and physical development	-	421,075	-	646,896	-
Education	-	-	-	-	-
Total expenditures	<u>807,645</u>	<u>421,075</u>	<u>912,812</u>	<u>646,896</u>	<u>1,369</u>
Revenues over (under) expenditures	<u>95,886</u>	<u>-</u>	<u>(204,679)</u>	<u>(20,830)</u>	<u>(1,369)</u>
Other Financing Sources (Uses):					
Transfers from:					
General Fund	-	-	-	192,962	-
Transfers to:					
General Capital Projects Fund	-	-	(61,683)	-	-
General Fund	-	-	-	-	(207,781)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(61,683)</u>	<u>192,962</u>	<u>(207,781)</u>
Net change in fund balances	95,886	-	(266,362)	172,132	(209,150)
Fund Balances:					
Beginning of year - July 1	<u>159,025</u>	<u>-</u>	<u>444,401</u>	<u>976,045</u>	<u>209,150</u>
End of year - June 30	<u>\$ 254,911</u>	<u>\$ -</u>	<u>\$ 178,039</u>	<u>\$ 1,148,177</u>	<u>\$ -</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Nonmajor Capital Project Funds</u>				
	<u>School Capital Projects Fund</u>	<u>General Capital Reserve Fund</u>	<u>Totals June 30, 2016</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ 900,629	\$ -	\$ 900,629
Restricted intergovernmental revenues	-	-	1,108,824	-	1,108,824
Sales and services	-	-	641,495	-	641,495
Investment earnings	-	-	7,857	-	7,857
Total revenues	-	-	2,658,805	-	2,658,805
Expenditures:					
Current:					
General government	-	-	807,645	-	807,645
Public safety	-	-	914,181	-	914,181
Economic and physical development	-	-	1,067,971	-	1,067,971
Education	911,972	-	911,972	-	911,972
Total expenditures	911,972	-	3,701,769	-	3,701,769
Revenues over (under) expenditures	(911,972)	-	(1,042,964)	-	(1,042,964)
Other Financing Sources (Uses):					
Transfers from:					
General Fund	-	75,000	267,962	590,997	858,959
Transfers to:					
General Capital Projects Fund	-	-	(61,683)	-	(61,683)
General Fund	-	-	(207,781)	-	(207,781)
Total other financing sources (uses)	-	75,000	(1,502)	590,997	589,495
Net change in fund balances	(911,972)	75,000	(1,044,466)	590,997	(453,469)
Fund Balances:					
Beginning of year - July 1	1,977,210	1,578,065	5,343,896	-	5,343,896
End of year - June 30	\$ 1,065,238	\$ 1,653,065	\$ 4,299,430	\$ 590,997	\$ 4,890,427

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, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad valorem taxes	\$ 900,629	\$ 900,629	\$ -	\$ 782,842
Investment earnings	-	2,902	2,902	1,842
Total revenues	<u>900,629</u>	<u>903,531</u>	<u>2,902</u>	<u>784,684</u>
Expenditures:				
Current:				
General government	<u>900,629</u>	<u>807,645</u>	<u>92,984</u>	<u>791,434</u>
Total expenditures	<u>900,629</u>	<u>807,645</u>	<u>92,984</u>	<u>791,434</u>
Net change in fund balance	<u>\$ -</u>	<u>95,886</u>	<u>\$ 95,886</u>	<u>(6,750)</u>
Fund Balance:				
Beginning of year - July 1		<u>159,025</u>		<u>165,775</u>
End of year - June 30		<u>\$ 254,911</u>		<u>\$ 159,025</u>

HENDERSON COUNTY, NORTH CAROLINA**COMMUNITY DEVELOPMENT BLOCK GRANT -
DODD MEADOWS PROJECT FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE, 30 2016**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 454,960	\$ 33,885	\$ 421,075	\$ 454,960
Total revenues	<u>454,960</u>	<u>33,885</u>	<u>421,075</u>	<u>454,960</u>
Expenditures:				
Current:				
Economic and physical development	454,960	33,885	421,075	454,960
Total expenditures	<u>454,960</u>	<u>33,885</u>	<u>421,075</u>	<u>454,960</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

HENDERSON COUNTY, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND (E-911)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 203,638	\$ 4,955	\$ (198,683)	\$ 4,003
Restricted intergovernmental revenues	-	61,683	61,683	2,702,700
Subscriber charges	639,064	641,495	2,431	673,549
Total revenues	<u>842,702</u>	<u>708,133</u>	<u>(134,569)</u>	<u>3,380,252</u>
Expenditures:				
Current:				
Public safety	842,702	912,812	(70,110)	545,223
Total expenditures	<u>842,702</u>	<u>912,812</u>	<u>(70,110)</u>	<u>545,223</u>
Revenues over (under) expenditures	<u>-</u>	<u>(204,679)</u>	<u>(204,679)</u>	<u>2,835,029</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Capital Projects Fund	-	(61,683)	(61,683)	(2,702,700)
Total other financing sources (uses)	<u>-</u>	<u>(61,683)</u>	<u>(61,683)</u>	<u>(2,702,700)</u>
Net change in fund balance	<u>\$ -</u>	<u>(266,362)</u>	<u>\$ (266,362)</u>	<u>132,329</u>
Fund Balance:				
Beginning of year - July 1		<u>444,401</u>		<u>312,072</u>
End of year - June 30		<u>\$ 178,039</u>		<u>\$ 444,401</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, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 651,566	\$ 626,066	\$ (25,500)	\$ 611,703
Total revenues	<u>651,566</u>	<u>626,066</u>	<u>(25,500)</u>	<u>611,703</u>
Expenditures:				
Current:				
Economic and physical development	933,305	646,896	286,409	671,536
Total expenditures	<u>933,305</u>	<u>646,896</u>	<u>286,409</u>	<u>671,536</u>
Revenues over (under) expenditures	<u>(281,739)</u>	<u>(20,830)</u>	<u>260,909</u>	<u>(59,833)</u>
Other Financing Sources (Uses):				
Transfers in:				
General Fund	216,904	192,962	(23,942)	192,962
Appropriated fund balance	64,835	-	(64,835)	-
Total other financing sources (uses)	<u>281,739</u>	<u>192,962</u>	<u>(88,777)</u>	<u>192,962</u>
Net change in fund balance	<u>\$ -</u>	<u>172,132</u>	<u>\$ 172,132</u>	<u>133,129</u>
Fund Balance:				
Beginning of year - July 1		<u>976,045</u>		<u>842,916</u>
End of year - June 30		<u>\$ 1,148,177</u>		<u>\$ 976,045</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, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ 201,145
Total revenues	-	-	-	201,145
Expenditures:				
Current:				
Public safety	1,369	1,369	-	123,657
Total expenditures	1,369	1,369	-	123,657
Revenues over (under) expenditures	(1,369)	(1,369)	-	77,488
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(207,781)	(207,781)	-	(112,703)
Appropriated fund balance	209,150	-	(209,150)	-
Total other financing sources (uses)	1,369	(207,781)	(209,150)	(112,703)
Net change in fund balance	\$ -	(209,150)	\$ (209,150)	(35,215)
Fund Balance:				
Beginning of year - July 1		209,150		244,365
End of year - June 30		\$ -		\$ 209,150

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, 2016**

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,660,291	-	1,660,291
Miscellaneous	-	1,457,896	-	1,457,896
Total revenues	<u>456,629</u>	<u>3,574,816</u>	<u>-</u>	<u>3,574,816</u>
Expenditures:				
Capital outlay:				
General education	<u>75,059,621</u>	<u>74,936,180</u>	<u>911,972</u>	<u>75,848,152</u>
Total expenditures	<u>75,059,621</u>	<u>74,936,180</u>	<u>911,972</u>	<u>75,848,152</u>
Revenues over (under) expenditures	<u>(74,602,992)</u>	<u>(71,361,364)</u>	<u>(911,972)</u>	<u>(72,273,336)</u>
Other Financing Sources (Uses):				
Installment financing issued	73,368,574	73,368,574	-	73,368,574
Transfers in:				
From General Fund	795,000	795,000	-	795,000
From sewer districts	600,000	600,000	-	600,000
Transfers out:				
To General Fund	(1,425,000)	(1,425,000)	-	(1,425,000)
Appropriated fund balance	<u>1,264,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>74,602,992</u>	<u>73,338,574</u>	<u>-</u>	<u>73,338,574</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,977,210</u>	<u>(911,972)</u>	<u>\$ 1,065,238</u>
Fund Balance:				
Beginning of year - July 1			<u>1,977,210</u>	
End of year - June 30			<u>\$ 1,065,238</u>	

HENDERSON COUNTY, NORTH CAROLINA**GENERAL CAPITAL RESERVE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers out:				
To General Capital Projects Fund	\$ (75,000)	\$ -	\$ 75,000	\$ (373,247)
Transfers in:				
From General Fund	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>1,564,646</u>
Total other financing sources (uses)	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>1,191,399</u>
Net change in fund balance	<u>\$ -</u>	<u>75,000</u>	<u>\$ 75,000</u>	<u>1,191,399</u>
Fund Balance:				
Beginning of year - July 1		<u>1,578,065</u>		<u>386,666</u>
End of year - June 30		<u><u>\$ 1,653,065</u></u>		<u><u>\$ 1,578,065</u></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, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Expenditures:				
Debt service:				
Principal repayments	\$ -	\$ -	\$ -	\$ 3,000,000
Interest	590,997	-	590,997	-
Total expenditures	590,997	-	590,997	3,000,000
Revenues over (under) expenditures	(590,997)	-	590,997	(3,000,000)
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	590,997	590,997	-	-
Total other financing sources (uses)	590,997	590,997	-	-
Net change in fund balance	\$ -	590,997	\$ 590,997	(3,000,000)
Fund Balance:				
Beginning of year - July 1		-		3,000,000
End of year - June 30		\$ 590,997		\$ -

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Enterprise Funds

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

Individual Fund Descriptions:

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

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

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

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HENDERSON COUNTY, NORTH CAROLINA

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

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

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 4,832,974	\$ 5,621,286	\$ 788,312	\$ 4,766,362
Operating grants	133,600	157,751	24,151	146,526
Non-operating revenues:				
Sale of capital assets	-	-	-	21,618
Interest income	2,500	7,258	4,758	2,980
Total revenues	<u>4,969,074</u>	<u>5,786,295</u>	<u>817,221</u>	<u>4,937,486</u>
Expenditures:				
Salaries and employee benefits	813,549	803,705	9,844	928,528
Other operating expenditures	3,549,991	3,630,599	(80,608)	3,546,739
Repairs and maintenance	265,000	174,510	90,490	122,880
Capital outlay	210,000	192,952	17,048	237,652
Total expenditures	<u>4,838,540</u>	<u>4,801,766</u>	<u>36,774</u>	<u>4,835,799</u>
Debt Service:				
Interest paid	51,201	46,453	4,748	55,467
Principal retirement	133,333	133,333	-	133,334
Total debt service	<u>184,534</u>	<u>179,786</u>	<u>4,748</u>	<u>188,801</u>
Revenue over (under) expenditures	<u>(54,000)</u>	<u>804,743</u>	<u>775,699</u>	<u>(87,114)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	54,000	54,000	-	49,480
Total other financing sources (uses)	<u>54,000</u>	<u>54,000</u>	<u>-</u>	<u>49,480</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>858,743</u>	<u>\$ 858,743</u>	<u>\$ (37,634)</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Change in other post-employment benefits		(8,568)		
Capital outlay, capitalized		192,952		
Principal paid on debt		133,333		
Change in compensated absences		9,402		
Decrease in net pension asset		(79,553)		
Increase in net pension liability		(35,058)		
Change in deferred outflows of resources - pension		499		
Change in deferred inflows of resources - pension		130,907		
Post-closure care costs		(121,500)		
Depreciation		<u>(244,797)</u>		
Total reconciling items		<u>(22,383)</u>		
Change in net position		<u>\$ 836,360</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, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 1,287,000	\$ 1,436,976	\$ 149,976	\$ 1,437,204
Restricted intergovernmental	877,040	200,000	(677,040)	358,696
Non-operating revenues:				
Interest income	-	41,793	41,793	36,097
Total revenues	<u>2,164,040</u>	<u>1,678,769</u>	<u>(485,271)</u>	<u>1,831,997</u>
Expenditures:				
Water and sewer administration:				
Operating expenditures	1,161,366	833,603	327,763	809,275
Repairs and maintenance	75,500	88,057	(12,557)	39,470
Capital outlay	<u>3,155,000</u>	<u>1,643,305</u>	<u>1,511,695</u>	<u>543,572</u>
Total water and sewer administration	<u>4,391,866</u>	<u>2,564,965</u>	<u>1,826,901</u>	<u>1,392,317</u>
Debt Service:				
Interest paid	27,161	25,820	1,341	36,102
Principal retirement	<u>223,532</u>	<u>223,532</u>	-	<u>223,533</u>
Total debt service	<u>250,693</u>	<u>249,352</u>	<u>1,341</u>	<u>259,635</u>
Revenues over (under) expenditures	<u>(2,478,519)</u>	<u>(1,135,548)</u>	<u>1,342,971</u>	<u>180,045</u>
Other Financing Sources (Uses):				
Appropriated retained earnings	<u>2,478,519</u>	-	<u>(2,478,519)</u>	-
Total other financing sources (uses)	<u>2,478,519</u>	-	<u>(2,478,519)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,135,548)</u>	<u>\$ (1,135,548)</u>	<u>\$ 180,045</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital contribution		945,795		
Capital outlay, capitalized		1,643,305		
Principal paid on debt		223,532		
Bond premium amortization		9,178		
Loss on disposal		(46,867)		
Change in compensated absences		3,389		
Depreciation		<u>(479,163)</u>		
Total reconciling items		<u>2,299,169</u>		
Change in net position		<u>\$ 1,163,621</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, 2016****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues	\$ 38,880	\$ 38,880	\$ -	\$ 38,880
Non-operating revenues:				
Interest income	-	8,499	8,499	6,773
Total revenues	<u>38,880</u>	<u>47,379</u>	<u>8,499</u>	<u>45,653</u>
Expenditures:				
Water and sewer administration:				
Salaries and employee benefits				
Operating expenditures	41,048	29,591	11,457	28,505
Repairs and maintenance	<u>3,500</u>	<u>3,938</u>	<u>(438)</u>	<u>6,048</u>
Total expenditures	<u>44,548</u>	<u>33,529</u>	<u>11,019</u>	<u>34,553</u>
Revenues over (under) expenditures	<u>(5,668)</u>	<u>13,850</u>	<u>19,518</u>	<u>11,100</u>
Other Financing Sources (Uses):				
Appropriated retained earnings	<u>5,668</u>	-	<u>(5,668)</u>	-
Total other financing sources (uses)	<u>5,668</u>	-	<u>(5,668)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>13,850</u>	<u>\$ 13,850</u>	<u>\$ 11,100</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Depreciation		<u>(10,863)</u>		
Total reconciling items		<u>(10,863)</u>		
Change in net position		<u>\$ 2,987</u>		

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Agency Funds

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

Individual Fund Descriptions:

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

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

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

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

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

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

Deed of Trust Fund – accounts for the five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage that the County is required to remit to the State Treasurer on monthly basis.

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

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HENDERSON COUNTY, NORTH CAROLINA**AGENCY FUNDS****COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 31,927	\$ 352,856	\$ 343,698	\$ 41,085
Liabilities:				
Intergovernmental payable	\$ 31,927	\$ 352,856	\$ 343,698	\$ 41,085
Agriculture Fund:				
Assets:				
Cash and accounts receivable	\$ 23,421	\$ 14,201	\$ 20,109	\$ 17,513
Liabilities:				
Intergovernmental payable	\$ 23,421	\$ 14,201	\$ 20,109	\$ 17,513
Flexible Spending Fund:				
Assets:				
Cash and accounts receivable	\$ -	\$ 204,557	\$ 204,557	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 204,557	\$ 204,557	\$ -
Fireman's Association Fund:				
Assets:				
Cash and accounts receivable	\$ 201,074	\$ 78,932	\$ 203,328	\$ 76,678
Liabilities:				
Intergovernmental payable	\$ 201,074	\$ 78,932	\$ 203,328	\$ 76,678
Land Development Fund:				
Assets:				
Cash and cash equivalents	\$ 42,665	\$ 77,793	\$ 120,458	\$ -
Liabilities:				
Intergovernmental payable	\$ 42,665	\$ 77,793	\$ 120,458	\$ -

HENDERSON COUNTY, NORTH CAROLINA**AGENCY FUNDS****COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
School Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ 12,929	\$ 428,062	\$ 440,991	\$ -
Liabilities:				
Intergovernmental payable	\$ 12,929	\$ 428,062	\$ 440,991	\$ -
Deed of Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 8,607	\$ 93,565	\$ 92,934	\$ 9,238
Liabilities:				
Intergovernmental payable	\$ 8,607	\$ 93,565	\$ 92,934	\$ 9,238
Other Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 440,455	\$ 4,298,615	\$ 4,281,145	\$ 457,925
Liabilities:				
Intergovernmental payable	\$ 440,455	\$ 4,298,615	\$ 4,281,145	\$ 457,925
Totals - All Agency Funds:				
Assets:				
Cash and receivables	\$ 761,078	\$ 5,548,581	\$ 5,707,220	\$ 602,439
Liabilities:				
Intergovernmental payable	\$ 761,078	\$ 5,548,581	\$ 5,707,220	\$ 602,439

Additional Financial Data

This section contains additional information on taxes receivable and the tax levy.

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HENDERSON COUNTY, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2016**

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 67,808,823	\$ 66,876,370	\$ 932,453
2014-2015	1,012,487	-	783,440	229,047
2013-2014	376,172	-	158,842	217,330
2012-2013	346,120	-	120,973	225,147
2011-2012	209,836	-	32,187	177,649
2010-2011	191,490	-	17,891	173,599
2009-2010	167,875	-	16,411	151,464
2008-2009	194,052	-	13,196	180,856
2007-2008	191,755	-	12,715	179,040
2006-2007	257,836	-	18,543	239,293
2005-2006	151,247	-	151,247	-
Total	<u>\$ 3,098,870</u>	<u>\$ 67,808,823</u>	<u>\$ 68,201,815</u>	2,705,878
Less: allowance for uncollectible accounts: General Fund				<u>(1,340,546)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 1,365,332</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 67,515,589
Ad valorem taxes - Revaluation Fund				<u>900,629</u>
Total ad valorem taxes				68,416,218
Reconciling items:				
Interest				(483,397)
Tax refunds				181,041
Other miscellaneous adjustments				(63,294)
Amounts written off per Statute of Limitations				<u>151,247</u>
Total collections and credits				<u>\$ 68,201,815</u>

HENDERSON COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 13,222,687,636	\$ 0.5136	\$ 67,911,724	\$ 62,742,870	\$ 5,168,854
Total	<u>13,222,687,636</u>		<u>67,911,724</u>	<u>62,742,870</u>	<u>5,168,854</u>
Discoveries:					
Current year taxes	22,441,618	0.5136	115,260	115,260	-
Prior year taxes	16,376,308	0.5136	84,109	84,109	-
Penalties	-		101,835	68,891	32,944
Total	<u>38,817,926</u>		<u>301,204</u>	<u>268,260</u>	<u>32,944</u>
Releases	<u>(78,680,845)</u>	0.5136	<u>(404,105)</u>	<u>(374,127)</u>	<u>(29,978)</u>
Total property valuation	<u>\$ 13,182,824,717</u>				
Net Levy			67,808,823	62,637,003	5,171,820
Uncollected taxes at June 30, 2016			<u>(932,453)</u>	<u>(926,469)</u>	<u>(5,984)</u>
Current Year's Taxes Collected			<u>\$ 66,876,370</u>	<u>\$ 61,710,534</u>	<u>\$ 5,165,836</u>
Current Levy Collection Percentage			<u>98.62%</u>	<u>98.52%</u>	<u>99.88%</u>

HENDERSON COUNTY, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2016****Secondary Market Disclosures:**

Assessed Valuation:

Assessment ratio (1) 94.30%

Real property	\$ 10,940,373,212
Personal Property	1,995,214,107
Public service companies (2)	<u>247,237,398</u>

Total assessed valuation	<u>\$ 13,182,824,717</u>
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Tax rate per \$100	<u>\$ 0.5136</u>
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Levy (includes discoveries, releases and abatements) (3)	\$ 67,808,823
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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, 2016:

Fire protection districts	<u>7,993,982</u>
---------------------------	------------------

Total	<u>\$ 75,802,805</u>
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(1) Percentage of appraised value has been established by statute.

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

(3) The levy includes interest and penalties.

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Statistical Section

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

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	Fiscal Year					Fiscal Year					Fiscal Year				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007	2008	2009	2010	2011
Governmental activities															
Net investment in capital assets	\$ 25,994,918	\$ 42,917,076	\$ 46,920,197	\$ 45,283,045	\$ 45,090,597	\$ 47,218,294	\$ 73,911,997	\$ 73,306,086	\$ 77,601,835	\$ 76,145,803					
Restricted	318,524	346,809	-	343,790	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944	11,451,067					
Unrestricted	(12,992,312)	(26,932,658)	(47,594,779)	(49,123,482)	(56,449,939)	(51,095,871)	(61,681,174)	(52,396,535)	(40,465,616)	(32,157,779)					
Total governmental activities	\$ 13,321,130	\$ 16,331,227	\$ (674,582)	\$ (3,496,647)	\$ (2,204,574)	\$ 7,118,634	\$ 23,104,727	\$ 33,732,472	\$ 47,483,163	\$ 55,439,091					
Business-type activities															
Net investment in capital assets	\$ 13,452,142	\$ 14,233,698	\$ 14,917,293	\$ 15,562,023	\$ 16,818,425	\$ 18,050,922	\$ 18,124,127	\$ 19,160,584	\$ 19,798,146	\$ 22,164,549					
Unrestricted	4,359,366	6,160,288	6,798,777	6,597,775	5,448,726	4,896,151	4,220,072	2,839,915	2,811,796	2,448,361					
Total business-type activities	\$ 17,811,508	\$ 20,393,986	\$ 21,716,070	\$ 22,159,798	\$ 22,267,151	\$ 22,947,073	\$ 22,344,199	\$ 22,000,499	\$ 22,609,942	\$ 24,612,910					
Primary government															
Net investment in capital assets	\$ 39,447,060	\$ 57,150,774	\$ 61,837,490	\$ 60,845,068	\$ 61,909,022	\$ 65,269,216	\$ 92,036,124	\$ 92,466,670	\$ 97,399,981	\$ 98,310,352					
Restricted	318,524	346,809	-	343,790	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944	11,451,067					
Unrestricted	(8,632,946)	(20,772,370)	(40,796,002)	(42,525,707)	(51,001,213)	(46,199,720)	(57,461,102)	(49,556,620)	(37,653,820)	(29,709,418)					
Total primary government net position	\$ 31,132,638	\$ 36,725,213	\$ 21,041,488	\$ 18,663,151	\$ 20,062,577	\$ 30,065,707	\$ 45,448,926	\$ 55,732,971	\$ 70,093,105	\$ 80,052,001					

Note: The significant increase in total net position of the County from FY2012 to FY2016 is primarily due to an increase in new facilities reported as capital assets net of debt combined with a significant decrease in the total unrestricted category of net position for governmental activities of the County for the same period of time.

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

	Fiscal Year					Fiscal Year				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 20,711,316	\$ 20,573,746	\$ 17,377,905	\$ 12,790,053	\$ 19,654,791	\$ 16,036,914	\$ 17,913,612	\$ 14,762,338	\$ 16,786,995	\$ 21,583,048
Public safety	23,161,801	28,376,181	29,733,774	31,522,260	27,061,623	30,342,623	31,153,291	33,519,129	32,758,736	35,139,967
Environmental protection	745,597	715,577	819,015	620,661	759,241	678,682	921,122	424,250	338,819	531,160
Economic and physical development	3,303,513	2,939,542	3,131,673	3,019,284	3,524,661	3,001,446	2,832,831	2,628,397	3,704,639	3,460,283
Human Services	31,597,865	32,116,159	32,525,413	29,464,315	27,889,051	27,200,233	26,875,838	27,594,630	27,818,854	28,776,382
Cultural and recreation	2,709,515	3,712,969	3,139,072	4,522,826	4,657,512	3,497,027	2,554,407	4,496,879	4,553,125	4,598,332
Education	24,078,437	29,547,701	48,916,897	32,884,958	29,708,049	22,798,061	24,025,977	25,261,561	26,745,692	28,853,556
Interest on long term debt	4,804,820	4,847,599	5,502,008	5,331,692	5,007,243	4,981,375	3,614,839	2,969,032	2,459,209	2,918,468
Total governmental activities	111,112,864	122,829,474	141,145,757	120,156,049	118,262,171	108,536,361	109,891,917	111,656,216	115,166,069	125,861,196
Business-type activities:										
Landfill	4,065,503	3,992,430	4,110,540	4,365,097	4,311,315	4,673,770	4,826,309	5,001,377	4,976,754	5,003,935
Cane Creek water and sewer	658,003	771,571	852,213	907,057	921,563	1,039,398	882,351	1,609,949	1,307,043	1,460,943
Other business-type activities	31,816	36,104	42,278	41,848	52,167	42,970	53,247	46,677	52,100	44,392
Total business-type activities	4,755,322	4,800,105	5,005,031	5,314,002	5,285,045	5,756,138	5,761,907	6,658,003	6,335,897	6,509,270
Total primary government expenses	\$ 115,868,186	\$ 127,629,579	\$ 146,150,788	\$ 125,470,051	\$ 123,547,216	\$ 114,292,499	\$ 115,653,824	\$ 118,314,219	\$ 121,501,966	\$ 132,370,466
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 663,299	\$ 737,144	\$ 631,057	\$ 565,665	\$ 2,877,560	\$ 631,150	\$ 711,063	\$ 672,612	\$ 783,476	\$ 798,409
Public safety	5,001,265	4,739,681	3,836,365	4,471,480	3,357,700	4,010,900	4,560,959	5,208,326	5,586,244	5,837,106
Economic and physical development	1,604,882	1,652,472	1,818,025	1,687,452	131,193	1,305,720	1,376,578	1,440,014	1,461,757	1,329,370
Human services	2,450,968	2,518,859	2,837,931	536,580	447,382	557,456	472,234	504,719	537,524	599,761
Cultural and recreation	278,988	263,541	243,102	245,224	436,437	167,661	157,272	180,563	195,252	227,410
Operating grants and contributions:										
General government	388,567	727,155	841,768	974,454	1,827,808	2,127,237	2,064,465	461,373	534,848	730,585
Public safety	1,000,900	1,901,716	1,869,045	1,649,828	2,890,615	2,128,666	1,454,505	2,773,066	4,552,886	802,363
Environmental protection	740,691	504,249	681,813	47,252	78,413	47,133	47,255	57,655	100,086	-
Economic and physical development	1,033,462	1,000,987	1,350,792	81,645	303,595	363,456	1,004,929	1,027,427	1,093,432	1,557,603
Human services	14,571,769	15,919,725	18,171,953	17,675,287	17,460,691	16,014,799	15,971,818	15,853,571	18,388,282	16,964,187
Cultural and recreation	272,054	260,165	267,173	242,402	230,446	197,661	202,240	206,592	213,366	298,926
Education	617,412	800,000	959,681	1,327,382	1,635,063	1,021,661	935,017	954,977	883,468	1,261,483
Capital grants and contributions:										
General government	-	-	-	48,242	-	-	-	-	-	1,125,364
Environmental protection	-	-	-	740,216	-	-	-	-	-	-
Economic and physical development	-	-	-	880,680	469,493	337,184	-	-	-	-
Education	-	-	-	-	139,428	120,744	-	-	-	-
Total governmental activities program revenues	28,624,257	31,025,694	33,508,705	31,173,789	32,300,048	29,031,428	28,958,335	29,340,895	34,330,621	31,532,567
Business-type activities:										
Charges for services	5,897,199	6,026,980	5,616,874	5,590,190	5,261,018	5,661,118	5,562,362	5,875,638	6,601,142	7,297,142
Operating grants and contributions	498,756	634,877	201,061	135,743	148,645	115,892	246,534	150,304	168,144	157,751
Capital grants and contributions	2,261,002	721,353	228,096	162,590	77,092	672,883	106,573	283,260	183,052	945,795
Total business-type activities program revenues	8,656,957	7,283,210	6,046,031	5,888,523	5,486,755	6,449,893	5,915,469	6,309,202	6,952,338	8,400,888
Total primary government program revenues	\$ 37,281,214	\$ 38,308,904	\$ 39,554,736	\$ 37,062,312	\$ 37,786,803	\$ 35,481,321	\$ 34,873,804	\$ 35,650,097	\$ 41,282,959	\$ 39,933,255
Net (Expense)/Revenue										
Governmental activities	\$ (82,488,607)	\$ (91,803,780)	\$ (107,637,052)	\$ (88,982,260)	\$ (85,962,123)	\$ (79,504,933)	\$ (80,933,582)	\$ (82,212,479)	\$ (80,835,348)	\$ (94,328,629)
Business-type activities	3,901,635	2,483,105	1,041,000	574,521	201,710	693,755	153,562	(451,643)	616,341	1,938,285
Total primary government net (expense)/revenue	\$ (78,586,972)	\$ (89,320,675)	\$ (106,596,052)	\$ (88,407,739)	\$ (85,760,413)	\$ (78,811,178)	\$ (80,780,020)	\$ (82,664,122)	\$ (80,219,007)	\$ (92,390,344)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 58,929,080	\$ 64,331,927	\$ 66,151,942	\$ 67,341,066	\$ 67,886,712	\$ 68,689,187	\$ 69,628,114	\$ 72,197,460	\$ 71,844,544	\$ 77,117,336
Local option sales tax	23,920,538	24,547,750	21,161,570	16,265,083	16,463,074	17,504,095	18,596,584	19,760,279	21,620,139	23,366,239
Other taxes and licenses	2,965,246	2,908,890	1,932,087	1,760,761	1,884,433	1,761,555	1,170,234	999,760	1,077,072	1,180,218
Grants and contributions not restricted	27,349	27,035	58,351	-	-	-	-	-	-	-
Investment earnings	3,602,951	2,780,131	1,161,801	614,221	821,618	761,199	675,387	(170,434)	444,340	674,764
Gain on sale	-	-	-	-	-	-	-	-	3,407,477	-
Miscellaneous	1,368,999	-	-	-	-	-	6,000,125	107,159	-	-
Transfers	211,488	218,144	165,492	179,064	198,359	112,105	849,231	(54,000)	(49,480)	(54,000)
Total governmental activities:	91,025,651	94,813,877	90,631,243	86,160,195	87,254,196	88,828,141	96,919,675	92,840,224	98,344,092	102,284,557
Business-type activities:										
Investment earnings	355,520	317,517	446,576	48,271	104,001	98,272	92,795	53,943	45,849	57,550
Transfers	(211,488)	(218,144)	(165,492)	(179,064)	(198,359)	(112,105)	(849,231)	54,000	49,481	54,000
Total business-type activities	144,032	99,373	281,084	(130,793)	(94,358)	(13,833)	(756,436)	107,943	95,330	111,550
Total primary government	\$ 91,169,683	\$ 94,913,250	\$ 90,912,327	\$ 86,029,402	\$ 87,159,838	\$ 88,814,308	\$ 96,163,239	\$ 92,948,167	\$ 98,439,422	\$ 102,396,107
Change in Net Position										
Governmental activities	\$ 8,537,044	\$ 3,010,097	\$ (17,005,809)	\$ (2,822,065)	\$ 1,292,073	\$ 9,323,208	\$ 15,986,093	\$ 10,627,745	\$ 17,508,744	\$ 7,955,928
Business-type activities	4,045,667	2,582,478	1,322,084	443,728	107,352	679,922	(602,874)	(343,700)	711,671	2,002,968
Total primary government	\$ 12,582,711	\$ 5,592,575	\$ (15,683,725)	\$ (2,378,337)	\$ 1,399,425	\$ 10,003,130	\$ 15,383,219	\$ 10,284,045	\$ 18,220,415	\$ 9,958,896

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable:										
Inventories	\$ 16,333	\$ 14,386	\$ 25,843	\$ 34,082	\$ 46,785	\$ 61,586	\$ 58,923	\$ 57,349	\$ 50,999	\$ 54,995
Prepays	53,335	98,803	92,671	136,140	145,801	124,902	152,058	178,654	227,910	210,479
Restricted:										
Stabilization for State statute	8,972,465	9,257,898	7,263,179	6,522,876	6,367,890	6,749,449	6,726,943	8,032,109	8,327,441	9,406,310
Restricted, all other	318,524	346,809	324,500	343,790	258,575	161,443	199,106	177,966	210,668	181,130
Committed:										
Assigned for subsequent year's expenditures	1,841,778	2,352,740	720,778	6,418,905	3,194,191	5,617,206	6,730,029	8,729,065	9,467,043	7,267,852
Assigned all other	99,126	26,996	37,422	87,492	305,525	77,195	175,128	220,978	224,033	179,625
Unassigned:	15,381,495	21,872,379	26,747,571	23,498,852	26,849,372	28,032,866	25,332,238	24,141,639	23,683,102	27,732,716
Total General Fund	\$ 26,683,056	\$ 33,970,011	\$ 35,211,964	\$ 37,042,137	\$ 37,168,139	\$ 40,824,647	\$ 39,374,425	\$ 41,537,760	\$ 42,191,196	\$ 45,033,107
All Other Governmental Funds										
Nonspendable:										
Prepays	\$ 5,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,337
Restricted:										
Stabilization for State statute	153,693	273,611	409,967	526,857	962,962	608,963	284,997	619,125	351,130	662,353
Restricted, all other	-	-	-	-	3,413,004	3,476,356	3,662,858	3,993,721	1,457,705	8,493,457
Committed:										
Special revenue and debt service funds	2,663,109	4,127,851	4,165,361	5,549,793	1,115,294	1,319,314	1,510,873	552,441	3,714,300	2,498,973
Capital project funds	26,184,220	32,637,787	6,114,403	9,320,682	4,775,469	1,628,356	9,148,014	9,295,256	7,686,242	5,702,894
Assigned all other:	-	-	-	-	7,834	310,293	-	-	-	-
Unassigned:	-	-	-	-	(19,551)	47,907	(71,825)	(196,705)	(51,791)	(250,075)
Total all other governmental funds	\$ 29,001,022	\$ 37,039,249	\$ 10,689,731	\$ 15,397,332	\$ 10,255,012	\$ 7,391,189	\$ 14,534,917	\$ 14,263,838	\$ 13,157,586	\$ 17,109,939

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

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 67,640,556	\$ 68,869,266	\$ 69,683,310	\$ 72,442,683	\$ 72,424,338	\$ 77,170,890
16,463,074	17,504,095	18,596,584	19,760,279	21,620,139	23,366,239
1,839,151	1,647,165	1,020,464	931,782	1,029,292	1,140,741
85,942,781	88,020,526	89,300,358	93,134,744	95,073,769	101,677,870
23,955,738	20,506,382	20,714,436	20,706,830	25,071,921	20,645,727
1,259,908	1,570,092	1,638,646	1,619,034	1,826,678	1,733,166
5,808,063	5,204,757	5,657,362	6,362,816	6,708,720	7,079,053
821,618	761,199	675,311	(170,434)	444,340	674,764
-	-	-	-	-	1,125,364
1,289,906	2,158,119	1,112,638	836,742	742,227	1,066,521
119,078,014	118,221,075	119,098,751	122,489,732	129,867,655	134,002,465
17,181,746	11,345,895	13,818,252	12,558,117	13,889,012	15,013,218
31,113,589	30,683,571	30,360,366	31,855,136	32,437,433	35,111,117
645,457	579,882	770,928	353,846	349,239	535,599
3,414,401	3,333,698	2,778,708	2,573,661	3,729,355	3,434,656
28,494,208	26,736,224	26,102,907	27,215,341	28,095,417	28,615,327
4,462,354	3,829,304	4,087,986	4,343,834	4,510,926	4,472,608
29,708,049	22,798,061	24,025,977	25,214,625	26,739,498	28,845,578
2,433,642	3,231,758	3,862,734	2,754,492	7,524,391	26,458,990
9,654,619	10,189,756	10,630,317	10,924,205	13,962,623	10,937,860
4,929,086	5,084,218	3,967,959	3,166,375	2,604,552	3,191,203
-	-	4,841,690	-	-	-
132,037,151	117,812,367	125,247,824	120,959,632	133,842,446	156,616,156
(12,959,137)	408,708	(6,149,073)	1,530,100	(3,974,791)	(22,613,691)
2,217,302	1,339,807	6,848,652	2,873,913	5,538,729	1,603,723
(2,018,943)	(1,205,208)	(5,999,421)	(2,927,913)	(5,588,209)	(1,657,723)
-	-	41,151,000	-	-	-
-	-	(36,110,000)	-	-	-
-	-	-	-	-	2,676,955
-	-	6,000,125	107,159	-	-
-	-	-	-	3,407,477	-
7,744,460	249,378	413,539	308,997	163,978	26,785,000
-	-	(461,316)	-	-	-
7,942,819	383,977	11,842,579	362,156	3,521,975	29,407,955
\$ (5,016,318)	\$ 792,685	\$ 5,693,506	\$ 1,892,256	\$ (452,816)	\$ 6,794,264
11.84%	13.35%	12.03%	12.13%	12.84%	10.63%

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

Fiscal Year	Residential Property	Real Property Commercial Property	Industrial Property	Present-use Value (1)	Personal Property	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
2007 (5)	\$ 6,202,171,841	\$ 1,201,065,700	\$ 177,020,530	\$ 115,788,123	\$ 1,722,357,586	\$ 193,340,879	\$ 9,611,744,659	\$ 0.5650	\$ 9,813,911,230
2008	9,117,452,386	1,287,653,289	*	153,220,366	1,769,324,843	198,266,344	12,525,917,228	0.4620	13,802,663,612
2009	8,934,833,585	1,748,314,967	220,892,345	142,880,776	1,715,328,348	198,684,287	12,960,934,308	0.4620	14,865,161,496
2010	9,092,887,260	1,763,941,443	203,969,345	146,464,425	1,681,442,498	203,783,025	13,092,487,996	0.4620	15,016,043,120
2011 (5)	9,220,396,484	1,799,570,575	222,759,000	158,081,190	1,588,713,764	201,935,623	13,191,456,636	0.4620	13,801,482,147
2012	8,476,402,185	1,411,863,040	195,764,850	152,004,206	1,617,858,308	199,963,948	12,053,856,537	0.5136	12,599,412,233
2013	8,047,908,421	1,718,687,844	421,967,800	150,329,169	1,657,680,403	207,220,867	12,203,794,504	0.5136	12,652,975,121
2014	8,033,802,827	1,746,583,200	418,162,600	155,632,463	2,040,880,296	215,774,689	12,610,836,075	0.5136	12,234,028,012
2015 (5)	8,044,847,579	1,764,809,652	425,506,400	162,212,486	1,902,281,108	224,319,411	12,523,976,636	0.5136	12,161,061,642
2016	8,425,452,930	1,877,718,659	465,591,800	171,609,823	1,995,214,107	247,237,398	13,182,824,717	0.5136	12,896,141,720

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 fiscal year is not yet available.
- (5) Property in Henderson County is reassessed every four years. The last reassessment was on January 1, 2015 and was the basis for FY2016 taxes.

* Indicates valuation was included in Commercial Property Valuation

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Henderson County	\$ 0.5650	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5136
Municipality Rates:										
Hendersonville	0.4300	0.3800	0.3800	0.3800	0.3800	0.4100	0.4100	0.4400	0.4600	0.4600
Laurel Park	0.3350	0.2700	0.2700	0.3100	0.3100	0.3600	0.3600	0.3900	0.4300	0.4300
Fletcher	0.2200	0.2700	0.2700	0.3200	0.3200	0.3250	0.3250	0.3250	0.3400	0.3400
Mills River	0.0750	0.0750	0.0750	0.0750	0.0750	0.0874	0.0974	0.0974	0.1124	0.1800
Flat Rock	0.0850	0.0750	0.0750	0.0750	0.0750	0.0840	0.0840	0.0840	0.1100	0.1100
Saluda	0.5400	0.6050	0.6050	0.5150	0.5150	0.6250	0.6050	0.6050	0.6050	0.6050
Downtown - Main Street	0.3000	0.2500	0.2500	0.2500	0.2500	0.2800	0.2800	0.2800	0.2800	0.2800
Downtown - Seventh Ave.	0.1000	0.1000	0.0800	0.0800	0.0800	0.1200	0.1200	0.1200	0.1200	0.1200
Fire Districts:										
Bat Cave	0.0900	0.0800	0.0900	0.0900	0.0900	0.1000	0.1000	0.1000	0.1200	0.1200
Blue Ridge	0.0950	0.0850	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1200	0.1200
Dana	0.1000	0.1000	0.1000	0.1000	0.1000	0.1100	0.1100	0.1100	0.1300	0.1300
Edneyville	0.0950	0.0850	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1050	0.1050
Elowah-Horse Shoe	0.0850	0.0800	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1050	0.1050
Fletcher	0.0950	0.0950	0.0950	0.0950	0.0950	0.1000	0.1000	0.1000	0.1150	0.1150
Gerton	0.1150	0.1150	0.1150	0.1150	0.1150	0.1250	0.1250	0.1250	0.1250	0.1250
Green River	0.0750	0.0600	0.0600	0.0600	0.0600	0.0650	0.0650	0.0700	0.0800	0.0800
Mills River	0.0650	0.0650	0.0650	0.0650	0.0650	0.0750	0.0750	0.0750	0.0900	0.0900
Mountain Home	0.1050	0.0950	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050	0.1200	0.1200
Raven Rock	0.0900	0.0750	0.0750	0.0750	0.0750	0.0850	0.0850	0.0850	0.1000	0.1000
Valley Hill	0.0800	0.0700	0.0700	0.0700	0.0700	0.0800	0.0800	0.0850	0.0950	0.0950
Valley Hill II	0.0800	0.0700	0.0700	0.0700	0.0700	N/A	N/A	N/A	N/A	N/A

Source: Henderson County Tax Collector

N/A - information no longer available for this fire district

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

Taxpayer	Type of Business	Fiscal Year 2016		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Carolinas LLC	Utility	\$ 142,063,338	1	1.13%
Continental Teves Automotive Systems, Inc.	Automotive Brake Systems	131,906,715	2	1.05%
Sierra Nevada Brewing Company	Beverages	105,047,445	3	0.83%
Meritor Heavy Vehicle Systems	Truck Axles	86,104,453	4	0.68%
Kimberly Clark - Berkley Mills	Textiles	71,128,481	5	0.56%
GE Lighting Solutions	Lighting Systems	61,205,051	6	0.49%
Ingles Markets	Grocery	49,943,393	7	0.40%
UPM Raflatac, Inc.	Paper Products	46,895,585	8	0.37%
Wilsonart LLC	Laminate Products	39,102,774	9	0.31%
Public Service Company of NC	Utility	39,318,219	10	0.31%
Totals		\$ <u>772,715,454</u>		6.14%

Source: Henderson County Assessor

N/A - information not available

Fiscal Year 2006		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$ 109,781,640	1	1.20%
63,554,150	3	0.69%
N/A	N/A	N/A
72,737,843	2	0.79%
62,969,566	4	0.69%
23,345,585	8	0.25%
N/A	N/A	N/A
61,915,919	5	0.68%
22,819,217	9	0.25%
N/A	N/A	N/A
\$ 417,123,920		4.55%

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)			Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
	Adjustments	Amount	Percentage of Original Levy				
2007	\$	54,697,004	\$ (357,661)	\$ 54,339,343	\$ 52,721,515	97.02%	\$ 1,378,534
2008		58,186,499	64,973	58,251,472	56,887,367	97.66%	1,185,065
2009		60,238,220	(244,892)	59,993,328	58,473,336	97.47%	1,339,136
2010		60,846,087	(276,429)	60,569,659	59,003,033	97.41%	1,415,162
2011		61,296,106	(268,085)	61,028,021	58,085,624	95.18%	2,768,798
2012		61,814,359	(215,538)	61,598,821	59,928,822	97.29%	1,492,350
2013		62,467,870	(155,714)	62,312,153	60,535,291	97.17%	1,551,715
2014		64,735,610	228,522	64,964,132	63,251,387	97.04%	1,495,416
2015		64,842,492	(341,011)	64,464,719	63,452,232	98.43%	808,168
2016		68,212,928	(404,105)	67,808,823	66,876,370	98.62%	-

Source: Henderson County Tax Collector

Total Collections to Date		
Amount	Percentage of Adjusted Levy	Uncollected
\$ 54,100,050	99.56%	\$ 239,293
58,072,432	99.69%	179,040
59,812,472	99.70%	180,856
60,418,195	99.75%	151,464
60,854,422	99.72%	173,599
61,421,172	99.71%	177,649
62,087,006	99.64%	225,147
64,746,802	99.67%	217,330
64,235,672	99.64%	229,047
66,876,370	98.62%	932,453
		<u>\$ 2,705,878</u>

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

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Limited Obligation Bonds	Installment Contracts	Installment Purchases	Other
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	-	17,037,084	57,190,000	50,876,518	29,195
2011	-	15,814,348	52,755,000	54,653,290	220,566
2012	-	13,725,320	56,140,000	43,416,940	-
2013	-	52,400,340	16,328,539	39,377,603	-
2014	-	50,159,087	12,112,073	35,644,329	-
2015	-	46,987,404	7,894,338	28,810,887	-
2016	-	69,581,935	5,105,319	24,852,515	-

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

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Personal income data is not yet available for FY2016.

Business - Type Activities

	Limited Obligation Bonds	Installment Purchases	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
\$	-	\$ 3,019,100	\$ 106,571,133	\$ 1,065	3.26%
	-	2,701,300	130,998,922	1,282	3.77%
	-	2,383,500	122,005,984	1,172	3.39%
	1,842,916	79,450	127,055,163	1,206	3.51%
	1,710,652	-	125,153,856	1,171	3.58%
	1,484,680	2,000,000	118,766,940	1,099	3.32%
	1,260,660	1,866,667	111,233,809	1,029	2.93%
	1,083,014	1,733,334	100,731,837	921	2.68%
	813,596	1,600,000	86,106,225	776	2.18%
	590,064	1,466,667	101,596,500	906	*

Schedule 10
Henderson County
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

Fiscal Year	General/Limited Obligation Bonded Debt Outstanding				Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Limited Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
2007	\$ 4,760,000	\$ -	\$ 1,875,000	\$ 2,885,000	0.09%	0.03%	29
2008	2,885,000	-	1,825,000	1,060,000	0.03%	0.01%	10
2009	1,060,000	-	1,060,000	-	0.00%	0.00%	-
2010	-	18,880,000	1,355,000	17,525,000	0.48%	0.13%	166
2011	-	17,525,000	2,315,000	15,210,000	0.43%	0.12%	142
2012	-	15,210,000	2,295,000	12,915,000	0.36%	0.11%	120
2013	-	53,661,000	2,889,000	50,772,000	1.34%	0.42%	470
2014	-	51,242,101	2,971,000	48,271,101	1.28%	0.38%	442
2015	-	47,801,000	4,413,996	43,387,004	1.10%	0.35%	391
2016	-	70,171,999	7,159,000	63,012,999	-	0.48%	562

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

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Personal income data is not yet available for 2016.

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

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Assessed Value of Property	\$ 9,611,745	\$ 12,525,917	\$ 12,960,934	\$ 13,092,488	\$ 13,191,457
Debt Limit, 8% of Assessed Value (Statutory Limitation)	768,940	1,002,073	1,036,874	1,047,399	1,055,316
Amount of Debt Applicable to Limit:					
Less: Gross debt	<u>106,571</u>	<u>130,998</u>	<u>122,006</u>	<u>127,055</u>	<u>125,154</u>
Less: Debt outstanding for water and sewer purposes	<u>3,019</u>	<u>2,701</u>	<u>2,384</u>	<u>1,922</u>	<u>1,711</u>
Total net debt applicable to limit	<u>103,552</u>	<u>128,297</u>	<u>119,622</u>	<u>125,133</u>	<u>123,443</u>
Legal Debt Margin	<u>\$ 665,388</u>	<u>\$ 873,776</u>	<u>\$ 917,252</u>	<u>\$ 922,266</u>	<u>\$ 931,873</u>
Total debt applicable to the limit as a percentage of debt limit	13.47%	12.80%	11.54%	11.95%	11.70%

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				
2012	2013	2014	2015	2016
\$ 12,053,856	\$ 12,203,794	\$ 12,610,836	\$ 12,523,976	\$ 13,182,825
964,308	976,304	1,008,867	1,001,918	1,054,626
114,767	111,798	100,732	86,482	104,414
1,485	3,182	2,816	2,450	617
113,282	108,616	97,916	84,032	103,797
\$ 851,026	\$ 867,688	\$ 910,951	\$ 917,886	\$ 950,829
11.75%	11.13%	9.71%	8.39%	9.84%

Schedule 12
Henderson County
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

<u>Governmental Unit</u>	<u>Net General Bonded Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Total County direct debt	\$ 99,539,769	100.00%	\$ 99,539,769
Overlapping:			
City of Hendersonville	7,580,390	100.00%	7,580,390
Town of Fletcher	8,348,404	100.00%	8,348,404
Total overlapping debt			<u>15,928,794</u>
Total direct and overlapping debt			<u>\$ 115,468,563</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)
2007	100,045	\$ 3,273,775	\$ 32,719	12,792	3.60%	36,680
2008	102,172	3,474,847	33,977	12,887	4.60%	39,544
2009	104,086	3,601,618	34,535	13,069	9.30%	25,123
2010	105,395	3,622,025	34,230	13,107	8.40%	18,642
2011	106,911	3,498,345	32,723	13,177	7.90%	15,799
2012	108,043	3,579,478	33,296	13,432	8.20%	16,114
2013	108,094	3,801,277	35,160	13,539	6.60%	18,918
2014	109,323	3,758,578	34,315	13,650	4.90%	19,742
2015	110,897	3,947,815	35,518	13,771	5.10%	21,437
2016	112,116	*	*	13,725	4.30%	24,420

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 and Ten Years Ago

Employer	2016			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1815	1	3.68%	1750	1	3.93%
Margaret R. Pardee Hospital	1400	2	2.84%	1350	2	3.03%
Park Ridge Hospital	1173	3	2.38%	766	3	1.72%
Henderson County	792	4	1.61%	712	5	1.61%
Continental Teves, Inc.	668	5	1.35%	522	9	1.17%
Wilsonart International Inc.	576	6	1.17%	700	6	1.60%
Meritor Heavy Vehicle Systems LLC	441	7	0.89%	600	8	1.35%
General Electric	425	8	0.86%	725	4	1.63%
Ingles Markets, Inc.	407	9	0.82%	*	*	*
Wal-Mart Associates, Inc.	394	10	0.80%	655	7	1.48%

* Information not available

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government	103	104	106	98	95	97	100	100	104	105
Public safety	271	265	271	266	274	261	269	277	281	299
Environmental protection	23	21	23	18	20	22	22	22	20	19
Economic and physical development	21	22	22	23	23	22	22	23	24	24
Human Services	273	272	281	285	288	272	267	269	268	281
Cultural and recreation	50	54	56	48	51	49	50	49	51	51
Total	741	738	759	738	751	723	730	740	748	779

Source: Human Resources Department

Note: This schedule represents number of persons employed as of June 30 of each year.
Full-time personnel work from 1950 to 2080 base hours per year (less vacation and sick leave).

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>General Government</u>										
# of Registered Voters	71,431	74,823	74,581	76,117	75,821	78,326	76,224	77,321	76,099	79,621
<u>Public Safety</u>										
# of building permits issued	4,014	4,990	4,471	4,915	4,735	5,077	6,025	6,430	6,542	6,430
# of calls dispatched	103,320	133,644	120,202	117,422	131,706	133,353	140,288	146,494	152,408	177,818
<u>Human Services</u>										
# of food & lodging sites inspected	1,745	1,461	1,431	1,492	1,546	1,479	1,545	1,497	1,595	1,563
# of Health clients served	9,038	9,580	10,250	13,210	12,494	12,090	11,344	12,447	13,152	14,693
<u>Economic and Physical Development</u>										
Number of major subdivision plan reviews	50	29	11	4	2	3	5	4	6	4
<u>Cultural and Recreation</u>										
Library book circulation	929,304	955,670	952,439	972,262	987,905	947,866	981,738	951,697	910,636	927,596
<u>Education</u>										
Total \$ spent per ADM	\$ 2,151	\$ 2,286	\$ 2,426	\$ 2,281	\$ 2,319	\$ 2,162	\$ 2,226	\$ 2,306	\$ 2,346	\$ 2,366
<u>Enterprise Fund—Landfill</u>										
Solid waste generated # tons/day	314	255	272	245	203	218	240	249	258	294

Source: Fiscal year data for various governmental and business-type functions.

Note: Health client totals do not include Foreign Travel services. The decline in the # of food & lodging site inspections for 2008 is due to a new State requirement that inspections can occur 2-4 times instead of 4 annually based on the site's food process. The number of calls dispatched is up considerably in 2016 from calls dispatched to the Sheriff's Dept. The decline in major subdivision plan reviews is related to the downturn in the economy that began in late 2008. The increase in building permits issued from 2012 through 2015 for new residential and commercial construction is due to a continually improving local economy. The amount of solid waste tonnage generated per day is up considerably in FY2016 due to an increased flow of waste into the County's transfer station from residential and commercial activity.

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Public Safety</u>										
Sheriff's Department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	130	136	159	162	163	176	168	158	180	184
<u>Cultural and Recreation</u>										
Park Acreage	320	320	320	320	320	323	349	331	332	332
Parks	7	7	8	8	8	8	10	11	12	12
Ballfields and courts	31	31	31	31	31	36	35	37	37	37
Libraries	6	6	6	6	6	6	6	6	6	6

Source: Various County Departments

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