

**HENDERSON COUNTY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

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



# HENDERSON COUNTY, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

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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

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December 12, 2017

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, 2017 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, 2017 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, 2017 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, 2017, 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 114,385. 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 Vaya Health 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 several 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 with an average farm size of 76 acres. There is over 35,000 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 \$59 million and the Green Industry (greenhouses, nurseries, ornamentals and sod production) at \$47 million. The total annual income from all

agriculture/agribusiness industries is \$515 million which employs over 4,700 or 10 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 steady growth due to its location, seasonal climate, variety of activities to experience and its encompassing marketing strategy. The tourism industry employs more than 2,320 in Henderson County which ranks 15<sup>th</sup> in travel impact, among North Carolina's 100 Counties. The benefit derived from tourists visiting the County increased by 6.47 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 \$274.62 million. This provides an annual tax savings of approximately \$213.52 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>
2017	542	\$139,405,447	3.6%
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%

The number of permits issued for new residential and commercial construction was down by 9.4 percent from FY2016. However, the total dollar value of those new permits increased by \$5.6 million or 4.2 percent. The local unemployment rate has decreased again as the economy continued to improve both locally and regionally in FY2017.

Healthcare and social assistance ranks first in County employment with an estimated current value of \$281.9 million. Manufacturing ranks second with an estimated value of \$261.2 million while retail trade has an estimated value of \$135.5 million in the County. 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 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 a primary focus and recipient of economic incentive payments provided by the Board of Commissioners.

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

<u>Company Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Continental Teves, Inc.	Automotive brake systems	730
Wilsonart International	Laminated plastics	600
Meritor Vehicle Systems	Truck axles	441
General Electric	Utility	400
UPM Raflatac, Inc.	Paper products	352
Borg-Warner	Automotive cooling systems	323
Manual Woodworkers	Wooden crafts and woven products	222

### MAJOR INITIATIVES

**FOR THE YEAR.** The Board of Commissioners adopted a balanced budget for the fiscal year with a 5.14 cent increase in the county-wide ad valorem property tax rate to 56.5 cents per \$100 dollars of taxable valuation. The rate increase was primarily to fund increased appropriations for public safety, education and debt service. Total General Fund revenues increased by \$10.6 million over the previous fiscal year or 8.8 percent. Total General Fund expenditures increased by \$4.3 million or 3.7 percent over FY2016. Total General Fund Balance increased by \$5,409,575 to \$50,442,682. Unassigned Fund Balance, the amount available for appropriation in the General Fund, increased by \$188,744 to \$27,921,460. 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 FY2017. The Solid Waste Landfill Fund's net position increased over FY2016 primarily due to the economy and increased flow into the landfill's transfer station that occurred during the fiscal year. The net position of the Cane Creek Water and Sewer District increased primarily due developer deeded capital contributions for sewer line projects expansion in the District during FY2017. The net position of the Justice Academy Sewer Fund decreased slightly in FY2017 due to operating expenditures exceeding operating revenues for the fiscal year.

Construction of the new Health Sciences Center was completed in FY2017. The cost for this new facility was \$32 million of which the majority was financed by the County. The Henderson County Hospital Corporation provided a \$3 million capital contribution towards the project as well. Wingate University, which has a presence in Henderson County, required more space due to growth in the educational programs it offers, is in the new facility. Blue Ridge Community College, houses its Allied Health Programs in the facility as well. And lastly, Margaret R. Pardee Hospital has their

new state of the art Cancer Center located in the facility. Both Wingate University and Pardee Hospital lease their respective space in the new facility from the County.

Construction on the new Innovative High School located on the campus of Blue Ridge Community College was substantially complete in FY2017. The new facility houses the Henderson County Public Schools Early College and Career Academy programs. Both programs share common spaces to include a dining area, multipurpose space and a media center. The approved project budget for this school facility, which was financed by the County, is \$15.7 million.

Design of a new Emergency Services Facility to include Emergency Management, Emergency Medical Services and the Henderson County Rescue Squad continued in FY2017. The new facility will be located on the existing Balfour School property which was conveyed to the County by the Henderson County Board of Public Education. This planned 50,000 square foot facility that was financed by the County in early FY2018 is projected to cost \$13.7 million.

A high priority capital project for the Henderson County Board of Public Education is a new school to replace the current Edneyville Elementary School. This new school is currently under design by the County's architect of record, Clark Nexsen. This new school is projected to cost \$25 million and will be financed by the County. Construction is projected to begin in the spring of 2018.

A new Hendersonville High School to replace the existing high school is currently being designed by Clark Nexsen. 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 is expected to be financed by the County in early FY2019, 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 debt capacity measures were met for FY2017.

**FOR THE FUTURE.** For FY2018, the Board kept the ad valorem tax rate constant at 56.5 cents per \$100 dollars of assessed valuation on taxable property. Sales tax revenues were budgeted conservatively and at the same level as total actual 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 facility services, fire services, building services, law enforcement, public health and library. Funding for the public schools and the community college was increased over FY2017. Debt service rolling off in FY2017 is being transferred to the Debt Service Reserve Fund in FY2018 to fund future capital projects. The Board budgeted \$11.9 million in Unassigned General Fund Balance to balance the FY2018 budget. For employees, a cost of living increase and performance pay was included in the FY2018 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 \$27.9 million in Unassigned General Fund Balance or 22.1 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, 2016. This was the 28<sup>th</sup>

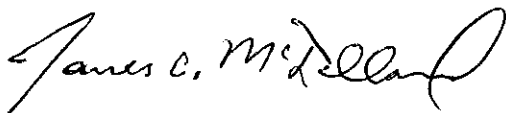
consecutive year Henderson County has received this prestigious award. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy 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.

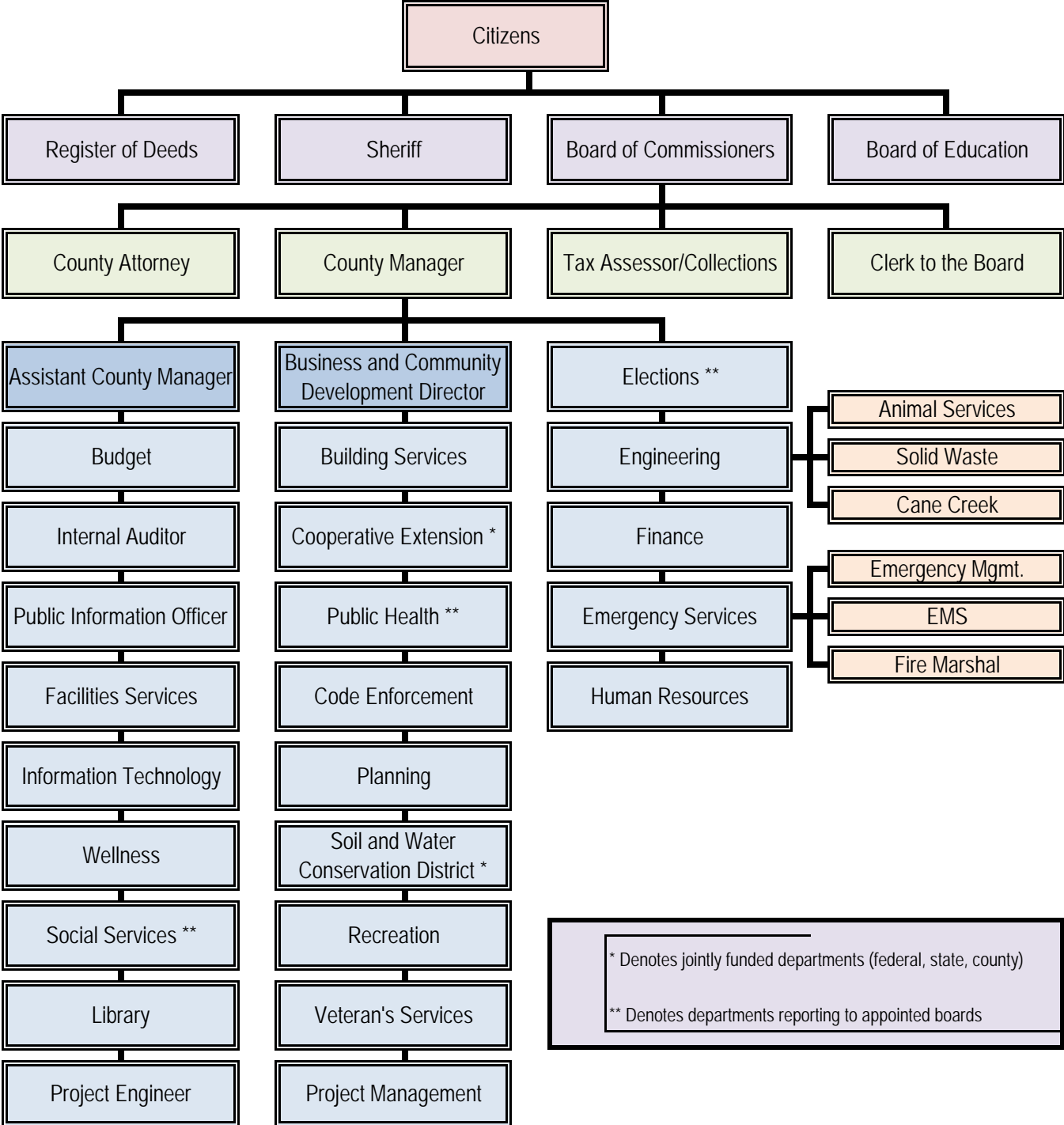
**ACKNOWLEDGMENTS.** Each County department's commitment to the goals, vision, and mission of Henderson County is reflected in the services provided to the citizens. The cooperation of all County departments in carrying out the financial activities encompassed in this report is appreciated. A combined 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, appearing to read "James C. McLelland". The signature is fluid and cursive, with a large, sweeping flourish at the end.

J. Carey McLelland  
Finance Director



# HENDERSON COUNTY, NORTH CAROLINA

## List of Principal Officials

June 30, 2017

### Board of Commissioners

Chairman.....	J. Michael Edney
Vice Chairman .....	Charles D. Messer
Commissioner .....	Thomas H. Thompson
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 .....	Terry Kelley
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 .....	Samantha Reynolds
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 Transportation Planner.....	Brian Burgess
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, 2016**

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, 2017, 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 99.0%, 98.6%, 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, 2017, 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 the Management's Discussion and Analysis, 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, the Register of Deeds' Supplemental Pension Fund Schedule of County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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 December 12, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Henderson County's 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, North Carolina  
December 12, 2017

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# HENDERSON COUNTY, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2017

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, 2017. 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

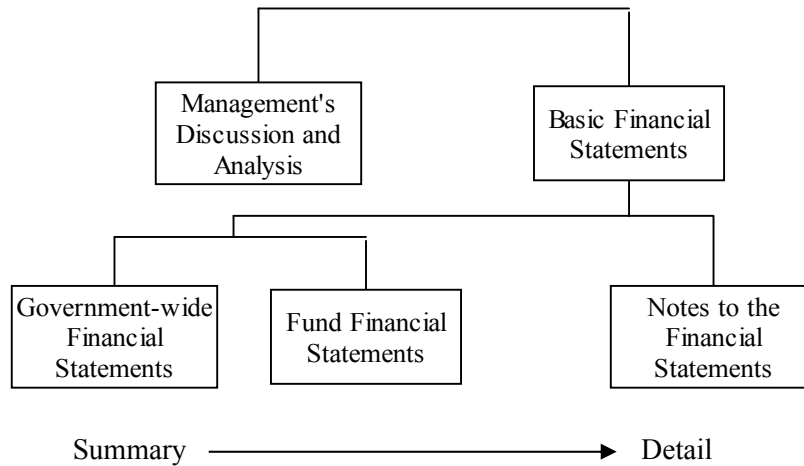
- The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$81,658,685 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$71,221,339 in long-term debt associated with assets belonging to the Henderson County Board of Public Education and Blue Ridge Community College. 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 \$3,587,211. Net position in the governmental activities increased by \$1,886,945. 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 \$1,700,266.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$66,676,899, an increase of \$4,533,853, in comparison with the prior year. Approximately 26% of this total amount, or \$17,351,079, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$40,465,929, or 33.26%, of total General Fund expenditures.
- Henderson County's total limited obligation and installment note debt increased \$8,542,118 (8.2%) 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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets and Deferred Outflows:</b>						
Current and other assets	\$ 83,791,237	\$ 76,848,051	\$ 4,880,156	\$ 5,371,291	\$ 88,671,393	\$ 82,219,342
Restricted non-current assets	265,773	316,304	-	-	265,773	316,304
Capital assets	<u>110,335,529</u>	<u>101,615,756</u>	<u>25,989,280</u>	<u>24,248,809</u>	<u>136,324,809</u>	<u>125,864,565</u>
Total assets	194,392,539	178,780,111	30,869,436	29,620,100	225,261,975	208,400,211
Deferred outflows of resources	<u>14,188,032</u>	<u>6,105,310</u>	<u>231,285</u>	<u>64,403</u>	<u>14,419,317</u>	<u>6,169,713</u>
Total assets and deferred outflows	<u>208,580,571</u>	<u>184,885,421</u>	<u>31,100,721</u>	<u>29,684,503</u>	<u>239,681,292</u>	<u>214,569,924</u>
<b>Liabilities and Deferred Inflows:</b>						
Long-term liabilities	124,676,947	102,962,061	3,603,067	3,848,141	128,280,014	106,810,202
Other liabilities	<u>27,941,223</u>	<u>25,081,588</u>	<u>1,138,886</u>	<u>1,160,468</u>	<u>29,080,109</u>	<u>26,242,056</u>
Total liabilities	152,618,170	128,043,649	4,741,953	5,008,609	157,360,123	133,052,258
Deferred inflows of resources	<u>616,892</u>	<u>1,402,681</u>	<u>45,592</u>	<u>62,984</u>	<u>662,484</u>	<u>1,465,665</u>
Total liabilities and deferred inflows	<u>153,235,062</u>	<u>129,446,330</u>	<u>4,787,545</u>	<u>5,071,593</u>	<u>158,022,607</u>	<u>134,517,923</u>
<b>Net Position:</b>						
Net investment in capital assets	70,393,139	76,145,803	24,244,707	22,164,549	94,637,846	98,310,352
Restricted	11,882,299	11,451,067	-	-	11,882,299	11,451,067
Unrestricted	<u>(26,929,929)</u>	<u>(32,157,779)</u>	<u>2,068,469</u>	<u>2,448,361</u>	<u>(24,861,460)</u>	<u>(29,709,418)</u>
Total net position	<u>\$ 55,345,509</u>	<u>\$ 55,439,091</u>	<u>\$ 26,313,176</u>	<u>\$ 24,612,910</u>	<u>\$ 81,658,685</u>	<u>\$ 80,052,001</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 \$81,658,685, as of June 30, 2017. The County's net position increased by \$3,587,211 for the fiscal year ended June 30, 2017. Net position of the County is reported in three categories: net investment in capital assets of \$94,637,846, restricted net position of \$11,882,299, and unrestricted net position of (\$24,861,460).

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, Register of Deeds' pension plan, stabilization for State statute, emergency telephone, and public transit.

Another category of net position is unrestricted net position. At June 30, 2017, the total net deficit is \$24,861,460.

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 \$71 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 98.89%
- 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 \$5,768,262.
- Revenues, transfers, and other financing uses in the General Fund exceeded expenditures and other financing sources by \$7,874,040.

**Governmental Activities.** Governmental activities increased the County's net position by \$1,886,945, or 52.6%, 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 \$1,700,266, or a 46.1%, 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 10,020,660	\$ 8,792,056	\$ 8,137,833	\$ 7,297,142	\$ 18,158,493	\$16,089,198
Operating grants and contributions	22,209,087	21,615,147	159,490	157,751	22,368,577	21,772,898
Capital grants and contributions	1,916,161	1,125,364	832,040	945,795	2,748,201	2,071,159
General revenues:						
Property taxes	85,178,794	77,117,336	-	-	85,178,794	77,117,336
Other taxes	26,707,792	24,546,457	-	-	26,707,792	24,546,457
Other	660,977	674,764	37,959	57,550	698,936	732,314
Total revenues	<u>146,693,471</u>	<u>133,871,124</u>	<u>9,167,322</u>	<u>8,458,238</u>	<u>155,860,793</u>	<u>142,329,362</u>
<b>Expenses:</b>						
General government	36,563,329	21,583,048	-	-	36,563,329	21,583,048
Public safety	38,211,707	35,139,967	-	-	38,211,707	35,139,967
Environmental protection	365,917	531,160	-	-	365,917	531,160
Economic and physical development	3,048,352	3,460,283	-	-	3,048,352	3,460,283
Human services	28,971,340	28,776,382	-	-	28,971,340	28,776,382
Cultural and recreational	4,765,661	4,598,332	-	-	4,765,661	4,598,332
Education	29,320,894	28,853,556	-	-	29,320,894	28,853,556
Interest on long-term debt	3,505,326	2,918,468	-	-	3,505,326	2,918,468
Solid waste disposal	-	-	5,980,357	5,003,935	5,980,357	5,003,935
Other	-	-	1,540,699	1,505,335	1,540,699	1,505,335
Total expenses	<u>144,752,526</u>	<u>125,861,196</u>	<u>7,521,056</u>	<u>6,509,270</u>	<u>152,273,582</u>	<u>132,370,466</u>
Change in net position before transfers	1,940,945	8,009,928	1,646,266	1,948,968	3,587,211	9,958,896
Transfers	(54,000)	(54,000)	54,000	54,000	-	-
Change in net position	<u>1,886,945</u>	<u>7,955,928</u>	<u>1,700,266</u>	<u>2,002,968</u>	<u>3,587,211</u>	<u>9,958,896</u>
<b>Net Position:</b>						
Beginning of year - July 1	55,439,091	47,483,163	24,612,910	22,609,942	80,052,001	70,093,105
Restatement	(1,980,527)	-	-	-	(1,980,527)	-
Beginning, restated	<u>53,458,564</u>	<u>47,483,163</u>	<u>24,612,910</u>	<u>22,609,942</u>	<u>78,071,474</u>	<u>70,093,105</u>
End of year - June 30	<u>\$55,345,509</u>	<u>\$55,439,091</u>	<u>\$26,313,176</u>	<u>\$24,612,910</u>	<u>\$ 81,658,685</u>	<u>\$80,052,001</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 \$40,465,929, while total fund balance was \$50,339,059. 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 33.26%, while total fund balance represents 41.38% of that same amount.

At June 30, 2017, the governmental funds of the County reported a combined fund balance of \$66,676,899, a 7.30% increase from last year. This increase was primarily due to the positive budget to actual variance in the County's General Fund for FY2017 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 school capital facilities decreased in current year by \$9,342,831 due to capital outlay expenditures as work was completed on capital projects in the current fiscal year.

The School Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities increased in the current year by \$5,059,548 due to the issuance of debt in the current year.

The Fire Districts Fund accounts for financial resources remitted to the Fire Districts of the County to provide fire protection within each district; fund balance for this fund remained the same as revenues matched expenditures for the Fire Districts in the current year.

**General Fund Budgetary Highlights.** The County's financial position improved for FY2017 due to better than anticipated revenue collections in most 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 \$5.7 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 and sales and services categories, which combined to be \$7,801,484 over budget. Separately, a total of \$8.2 million in General Fund balance was appropriated to balance the FY2017 budget. None of the \$8.2 million ended up having to be utilized due to total revenues and other financing sources having a positive budget variance of \$7.8 million combined with total expenditures and other financing uses having a significant positive budget variance of \$5.7 million.

Total fiscal year 2017 General Fund revenues increased by \$10.6 million, or 8.8%, over the prior fiscal year, as compared to General Fund expenditures, which increased by \$4.3 million, or 3.7%, over fiscal year 2016. The significant increase in expenditures over the previous fiscal year is primarily within the Public Safety, Education and Debt Service categories. This can be attributed in large part to providing an increased level of services needed for public safety departments and an increase in debt service requirements for new capital projects. The public schools and the community college were provided the increased funding they requested for education. Total General Fund balance increased \$5,409,575, while the amount of unassigned fund balance that is available for appropriation increased by \$188,744 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 \$1,935,800, or 1.5%, of the original budget. Increasing revenue collections were realized in all but two 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 \$4,703,412. The second largest variance was in Ad Valorem Taxes, which had a positive actual to budget variance of \$2,276,379. Total General Fund revenues had a total positive actual to budget variance of \$7,878,040.

**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 \$2,068,469. During the fiscal year 2017, proprietary fund net position increased \$1,700,266. The increase in total net position for the proprietary funds is due primarily from total operating revenues exceeding total operating expenditures and capital contributions for the fiscal year in the Cane Creek Water and Sewer District 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, 2017 totals \$136,324,809 (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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 15,349,827	\$ 15,349,827	\$ 6,362,485	\$ 6,362,485	\$ 21,712,312	\$ 21,712,312
Buildings	86,560,633	55,258,540	-	-	86,560,633	55,258,540
Plant and distribution systems	-	-	16,451,169	15,594,539	16,451,169	15,594,539
Equipment	2,151,031	2,431,660	614,123	726,301	2,765,154	3,157,961
Vehicles and motor equipment	2,660,902	2,264,279	148,764	144,800	2,809,666	2,409,079
Construction in progress	<u>3,613,136</u>	<u>26,311,450</u>	<u>2,412,739</u>	<u>1,420,684</u>	<u>6,025,875</u>	<u>27,732,134</u>
Total	<u>\$ 110,335,529</u>	<u>\$ 101,615,756</u>	<u>\$25,989,280</u>	<u>\$24,248,809</u>	<u>\$ 136,324,809</u>	<u>\$ 125,864,565</u>

Additional information on the County’s capital assets can be found in the note 2A to the basic financial statements.

**Long-Term Debt.** As of June 30, 2017, Henderson County had total bonded debt outstanding of \$86,137,751 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Limited obligation bonds	\$ 85,726,512	\$ 72,372,527	\$ 411,239	\$ 617,593	\$ 86,137,751	\$ 72,990,120
Installment notes payable	25,485,654	29,957,834	1,333,334	1,466,667	26,818,988	31,424,501
Total	<u>\$ 111,212,166</u>	<u>\$ 102,330,361</u>	<u>\$ 1,744,573</u>	<u>\$ 2,084,260</u>	<u>\$ 112,956,739</u>	<u>\$ 104,414,621</u>

Henderson County's total long-term debt increased by \$8,542,118 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

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 \$961,374,362.

Additional information regarding Henderson County's long-term debt can be found in the note 2B 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 2018. The fiscal year 2018 ad valorem property tax rate was held constant at 56.50 cents per \$100 of assessed property valuation. Sales tax was budgeted at \$21,891,061, a 5.8 percent increase over the FY2017 budget amount. Most County departments and outside agencies were essentially held flat, but additional personnel were added in areas experiencing increased service demands, including the public safety, building and facility services, library and public health. The following factors were considered when developing the FY2018 budget:

- An essentially flat operational budget for most County departments and other outside agencies
- An increase in funding for the public schools and the community college
- 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 for several County departments

## **Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities.** For FY2018, the Board held the General Fund ad valorem tax rate constant at 56.50 cents per \$100 of assessed property valuation. Sales tax revenues were increased and budgeted conservatively based on prior fiscal year actual receipts. Unassigned General Fund Balance of \$11.9 million was appropriated to balance the budget and to primarily cover increases for education, public safety and increased debt service. County departments were charged with essentially holding their operating budgets flat. A cost of living increase and performance pay were included in the FY2018 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 FY2018. This fee was increased in FY2016 to offset three years of contractual cost of living increases included in the current hauling contract. Increased activity and additional tonnage returned to the solid waste transfer station in the previous fiscal year after several years of Fund retained earnings being reduced due to a loss of tonnage coming in along with increased fuel costs. This led to a more optimistic but conservative operating budget being approved for FY2018. 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 FY2018.

The Cane Creek Water and Sewer District rates for service remain unchanged for FY2018 apart from the rate being charged by the Metropolitan Sewage District of Buncombe County to treat the waste that is passed on to the users. Some additional growth is anticipated in residential and commercial construction activity for FY2018 that will impact the system. District user fees were increased to account for this anticipated growth in the district. Retained earnings of \$1.0 million were also appropriated to pay for several ongoing sewer capital improvement projects that are expected to be completed in FY2018. 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 FY2018. 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**

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HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Henderson	Henderson
	Activities	Activities		County	County Tourism
			Hospital	Development	
			Corporation	Authority	
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 66,134,503	\$ 3,589,900	\$ 69,724,403	\$ 14,432,567	\$ 1,339,478
Investments	-	-	-	26,800,029	-
Investment in affiliate	-	-	-	60,920	-
Taxes receivable, net	1,229,736	-	1,229,736	-	-
Receivables, net	10,343,106	1,290,256	11,633,362	28,845,273	241,374
Pledges receivable	-	-	-	612,002	-
Inventories	56,255	-	56,255	3,133,587	-
Prepaid items	289,086	-	289,086	745,906	-
Restricted cash and cash equivalents	5,738,551	-	5,738,551	-	-
Restricted investments	-	-	-	3,359,374	-
Total current assets	<u>83,791,237</u>	<u>4,880,156</u>	<u>88,671,393</u>	<u>77,989,658</u>	<u>1,580,852</u>
Noncurrent assets:					
Net pension asset	265,773	-	265,773	-	-
Capital assets:					
Land and construction in progress	18,962,963	8,775,224	27,738,187	22,444,834	-
Other capital assets, net of depreciation	91,372,566	17,214,056	108,586,622	58,308,671	21,321
Total capital assets	<u>110,335,529</u>	<u>25,989,280</u>	<u>136,324,809</u>	<u>80,753,505</u>	<u>21,321</u>
Other assets	-	-	-	5,178,210	-
Total noncurrent assets:	<u>110,601,302</u>	<u>25,989,280</u>	<u>136,590,582</u>	<u>85,931,715</u>	<u>21,321</u>
Total assets	<u>194,392,539</u>	<u>30,869,436</u>	<u>225,261,975</u>	<u>163,921,373</u>	<u>1,602,173</u>
<b>Deferred Outflows of Resources:</b>					
Contributions to pension plan in current fiscal year	2,991,359	55,274	3,046,633	-	-
Pension deferrals	8,088,056	176,011	8,264,067	-	-
Charge on refunding	3,108,617	-	3,108,617	-	-
Total deferred outflows of resources	<u>14,188,032</u>	<u>231,285</u>	<u>14,419,317</u>	<u>-</u>	<u>-</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued expenses	16,153,306	1,138,886	17,292,192	20,705,649	14,332
Liabilities to be paid from restricted assets	9,225	-	9,225	-	-
Advances from grantors	103,623	-	103,623	-	-
Third-party payer settlements	-	-	-	3,212,841	-
Due within one year	11,675,069	370,210	12,045,279	3,445,014	2,351
Total current liabilities	<u>27,941,223</u>	<u>1,509,096</u>	<u>29,450,319</u>	<u>27,363,504</u>	<u>16,683</u>
Long-term liabilities:					
Net pension liability	12,177,076	233,065	12,410,141	-	-
Total pension liability	4,561,820	-	4,561,820	-	-
Due in more than one year	107,938,051	2,999,792	110,937,843	25,825,328	21,162
Total noncurrent liabilities	<u>124,676,947</u>	<u>3,232,857</u>	<u>127,909,804</u>	<u>25,825,328</u>	<u>21,162</u>
Total liabilities	<u>152,618,170</u>	<u>4,741,953</u>	<u>157,360,123</u>	<u>53,188,832</u>	<u>37,845</u>
<b>Deferred Inflows of Resources:</b>					
Prepaid taxes	130,312	-	130,312	-	-
Other deferred inflows	486,580	45,592	532,172	491,741	-
Total deferred inflows of resources	<u>616,892</u>	<u>45,592</u>	<u>662,484</u>	<u>491,741</u>	<u>-</u>

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

HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
<b>Net Position:</b>					
Net investment in capital assets	70,393,139	24,244,707	94,637,846	51,483,163	21,321
Restricted for:					
Stabilization for State statute	10,055,003	-	10,055,003	-	241,374
Register of Deeds	208,471	-	208,471	-	-
Register of Deeds' pension plan	331,831	-	331,831	-	-
Emergency telephone	88,124	-	88,124	-	-
Public transit	1,198,870	-	1,198,870	-	-
Debt service	-	-	-	1,374,710	-
By donor	-	-	-	1,324,123	-
Tourism promotion	-	-	-	-	1,301,633
Unrestricted	(26,929,929)	2,068,469	(24,861,460)	56,058,804	-
Total net position	<u>\$ 55,345,509</u>	<u>\$ 26,313,176</u>	<u>\$ 81,658,685</u>	<u>\$ 110,240,800</u>	<u>\$ 1,564,328</u>

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

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HENDERSON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 36,563,329	\$ 1,645,719	\$ 1,899,583	\$ 1,916,161
Public safety	38,211,707	6,142,725	1,479,324	-
Environmental protection	365,917	-	101,476	-
Economic and physical development	3,048,352	1,361,476	896,409	-
Human services	28,971,340	638,328	16,722,441	-
Cultural and recreational	4,765,661	232,412	294,362	-
Education	29,320,894	-	815,492	-
Interest on long-term debt	3,505,326	-	-	-
Total governmental activities	<u>144,752,526</u>	<u>10,020,660</u>	<u>22,209,087</u>	<u>1,916,161</u>
<b>Business-Type Activities:</b>				
Landfill	5,980,357	6,031,492	159,490	-
Cane Creek Water and Sewer	1,494,231	2,067,461	-	832,040
Justice Academy Sewer	46,468	38,880	-	-
Total business-type activities	<u>7,521,056</u>	<u>8,137,833</u>	<u>159,490</u>	<u>832,040</u>
Total primary government	<u>\$ 152,273,582</u>	<u>\$ 18,158,493</u>	<u>\$ 22,368,577</u>	<u>\$ 2,748,201</u>
<b>Component Units:</b>				
Henderson County Hospital Corporation	\$ 210,729,051	\$ 191,478,007	\$ -	\$ -
Henderson County Tourism Development Authority	2,059,209	143,746	81,097	-
Total	<u>\$ 212,788,260</u>	<u>\$ 191,621,753</u>	<u>\$ 81,097</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, 2017

	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
<b>Functions/Programs:</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ (31,101,866)	\$ -	\$ (31,101,866)		
Public safety	(30,589,658)	-	(30,589,658)		
Environmental protection	(264,441)	-	(264,441)		
Economic and physical development	(790,467)	-	(790,467)		
Human services	(11,610,571)	-	(11,610,571)		
Cultural and recreational	(4,238,887)	-	(4,238,887)		
Education	(28,505,402)	-	(28,505,402)		
Interest on long-term debt	(3,505,326)	-	(3,505,326)		
Total governmental activities	<u>(110,606,618)</u>	<u>-</u>	<u>(110,606,618)</u>		
<b>Business-Type Activities:</b>					
Landfill	-	210,625	210,625		
Cane Creek Water and Sewer	-	1,405,270	1,405,270		
Justice Academy Sewer	-	(7,588)	(7,588)		
Total business-type activities	<u>-</u>	<u>1,608,307</u>	<u>1,608,307</u>		
Total primary government	<u>(110,606,618)</u>	<u>1,608,307</u>	<u>(108,998,311)</u>		
<b>Component Units:</b>					
Henderson County Hospital Corporation				\$ (19,251,044)	\$ -
Henderson County Tourism Development Authority				-	(1,834,366)
Total				<u>(19,251,044)</u>	<u>(1,834,366)</u>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose	85,178,794	-	85,178,794	-	-
Local option sales tax	25,389,345	-	25,389,345	-	-
Other taxes and licenses	1,318,447	-	1,318,447	-	1,995,757
Investment earnings, unrestricted	660,977	36,249	697,226	1,403,336	11,510
Gain on sale	-	1,710	1,710	-	-
<b>Total general revenues</b>	<u>112,547,563</u>	<u>37,959</u>	<u>112,585,522</u>	<u>1,403,336</u>	<u>2,007,267</u>
Transfers	(54,000)	54,000	-	-	-
Total general revenues and transfers	<u>112,493,563</u>	<u>91,959</u>	<u>112,585,522</u>	<u>1,403,336</u>	<u>2,007,267</u>
Change in net position	<u>1,886,945</u>	<u>1,700,266</u>	<u>3,587,211</u>	<u>(17,847,708)</u>	<u>172,901</u>
<b>Net Position:</b>					
Beginning of year - July 1	55,439,091	24,612,910	80,052,001	136,019,313	1,391,427
Restatement	(1,980,527)	-	(1,980,527)	(7,930,805)	-
Beginning of year, restated	<u>53,458,564</u>	<u>24,612,910</u>	<u>78,071,474</u>	<u>128,088,508</u>	<u>1,391,427</u>
End of year - June 30	<u>\$ 55,345,509</u>	<u>\$ 26,313,176</u>	<u>\$ 81,658,685</u>	<u>\$ 110,240,800</u>	<u>\$ 1,564,328</u>

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

## HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	General Capital Projects Fund	School Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 50,538,060	\$ 2,742,682	\$ 3,420,598	\$ 2,479,234	\$ 6,953,929	\$ 66,134,503
Taxes receivable, net	1,229,736	-	-	-	-	1,229,736
Other receivables, net	9,844,257	191,477	151,788	70,469	85,115	10,343,106
Inventories	56,255	-	-	-	-	56,255
Prepaid items	260,721	-	-	-	28,365	289,086
Restricted assets:						
Cash and investments	-	48,437	5,406,833	-	283,281	5,738,551
Total assets	<u>\$ 61,929,029</u>	<u>\$ 2,982,596</u>	<u>\$ 8,979,219</u>	<u>\$ 2,549,703</u>	<u>\$ 7,350,690</u>	<u>\$ 83,791,237</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,674,896	\$ 105,915	\$ 2,854,433	\$ 2,545,277	\$ 5,092	\$ 7,185,613
Liabilities to be paid from restricted assets	-	-	-	-	9,225	9,225
Advances from grantors	103,623	-	-	-	-	103,623
Accrued payroll liabilities	8,167,726	-	-	-	-	8,167,726
Total liabilities	<u>9,946,245</u>	<u>105,915</u>	<u>2,854,433</u>	<u>2,545,277</u>	<u>14,317</u>	<u>15,466,187</u>
<b>Deferred Inflows of Resources:</b>						
Property taxes receivable	1,229,736	-	-	-	-	1,229,736
Prepaid taxes	125,886	-	-	4,426	-	130,312
Other receivables	288,103	-	-	-	-	288,103
Total deferred inflows of resources	<u>1,643,725</u>	<u>-</u>	<u>-</u>	<u>4,426</u>	<u>-</u>	<u>1,648,151</u>
<b>Fund Balances:</b>						
Non-spendable:						
Inventory	56,255	-	-	-	-	56,255
Prepaid items	260,721	-	-	-	28,365	289,086
Restricted:						
Stabilization for State statute	9,556,154	191,477	151,788	70,469	85,115	10,055,003
Restricted, all other	208,471	48,437	5,406,833	-	1,286,994	6,950,735
Committed	-	2,636,767	566,165	-	5,935,899	9,138,831
Assigned for subsequent year's expenditures	11,927,320	-	-	-	-	11,927,320
Assigned, all other	512,301	-	-	-	-	512,301
Unassigned	27,817,837	-	-	(70,469)	-	27,747,368
Total fund balances	<u>50,339,059</u>	<u>2,876,681</u>	<u>6,124,786</u>	<u>-</u>	<u>7,336,373</u>	<u>66,676,899</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,929,029</u>	<u>\$ 2,982,596</u>	<u>\$ 8,979,219</u>	<u>\$ 2,549,703</u>	<u>\$ 7,350,690</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.	110,335,529
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.	1,517,839
Net pension asset	265,773
Net pension liability LGERS	(12,177,076)
Total pension liability LEOSSA	(4,561,820)
Pension related deferrals	10,592,835
Long-term liabilities and compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(119,613,120)
Deferred charges related to advance refunding bond issued - included on government-wide Statement of Net Position, but are not current financial resources.	3,108,617
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(799,967)
Net position of governmental activities	<u>\$ 55,345,509</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, 2017

	General Fund	General Capital Projects Fund	School Capital Projects Fund	Fire Districts Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Ad valorem taxes	\$ 75,352,055	\$ -	\$ -	\$ 8,954,749	\$ 1,007,586	\$ 85,314,390
Local option sales taxes	25,389,345	-	-	-	-	25,389,345
Other taxes and licenses	1,264,544	-	-	-	-	1,264,544
Unrestricted intergovernmental revenues	53,903	-	-	-	-	53,903
Restricted intergovernmental revenues	19,037,071	297,771	-	-	426,554	19,761,396
Permits and fees	1,982,065	-	-	-	-	1,982,065
Sales and services	7,411,264	-	-	-	618,793	8,030,057
Investment earnings	585,287	5,997	42,330	23,622	3,741	660,977
Contribution from Henderson County Hospital Corporation	-	1,916,161	-	-	-	1,916,161
Miscellaneous	648,180	2,045,078	151,788	-	-	2,845,046
Total revenues	131,723,714	4,265,007	194,118	8,978,371	2,056,674	147,217,884
<b>Expenditures:</b>						
Current:						
General government	14,618,284	-	-	-	962,523	15,580,807
Public safety	27,582,870	-	-	8,978,371	658,436	37,219,677
Environmental protection	351,476	-	-	-	-	351,476
Economic and physical development	2,363,143	-	-	-	555,457	2,918,600
Human services	28,251,082	-	-	-	-	28,251,082
Cultural and recreational	4,623,841	-	-	-	-	4,623,841
Education	29,307,235	-	-	-	-	29,307,235
Capital outlay	-	18,836,877	11,316,882	-	-	30,153,759
Debt service:						
Principal retirement	11,434,004	-	-	-	-	11,434,004
Interest and other charges	3,132,901	64,226	200,364	-	-	3,397,491
Total expenditures	121,664,836	18,901,103	11,517,246	8,978,371	2,176,416	163,237,972
Revenues over (under) expenditures	10,058,878	(14,636,096)	(11,323,128)	-	(119,742)	(16,020,088)
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	37,000	-	-	-	-	37,000
From General Fund	-	230,000	800,000	-	3,705,926	4,735,926
From Capital Reserve Fund	-	75,000	-	-	-	75,000
Transfers to other funds	(4,789,926)	(37,000)	-	-	(75,000)	(4,901,926)
Debt issued	-	4,680,000	14,600,000	-	-	19,280,000
Bond premium	-	345,265	982,676	-	-	1,327,941
Total other financing sources (uses)	(4,752,926)	5,293,265	16,382,676	-	3,630,926	20,553,941
Net change in fund balances	5,305,952	(9,342,831)	5,059,548	-	3,511,184	4,533,853
<b>Fund Balances:</b>						
Beginning of year - July 1	45,033,107	12,219,512	1,065,238	-	3,825,189	62,143,046
End of year - June 30	\$ 50,339,059	\$ 2,876,681	\$ 6,124,786	\$ -	\$ 7,336,373	\$ 66,676,899

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, 2017

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	\$ 4,533,853
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.	(135,596)
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.	8,538
Expenses related to compensated absences and Other Post-Employment Benefits that do not require current financial resources are not reported as expenditures in the governmental funds.	(817,699)
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.	13,249,963
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(4,132,835)
Gain/loss on the disposal of capital assets not recognized on modified accrual basis	(397,355)
Change in deferred outflows - pension	8,232,241
Change in deferred inflows - pension	852,070
Change in net pension asset and liability	(9,752,875)
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	(51,505)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	(399,967)
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(19,280,000)
Issuance and amortization of debt premiums is a reduction of expenses on the Statement of Activities.	(1,035,809)
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>11,434,004</u>
Total change in net position of governmental activities	<u>\$ 1,886,945</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, 2017

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 73,075,676	\$ 73,075,676	\$ 75,352,055	\$ 2,276,379
Local option sales taxes	20,685,933	20,685,933	25,389,345	4,703,412
Other taxes and licenses	1,133,900	1,133,900	1,264,544	130,644
Unrestricted intergovernmental revenues	40,000	40,000	53,903	13,903
Restricted intergovernmental revenues	18,914,336	19,298,918	19,037,071	(261,847)
Permits and fees	1,662,600	1,666,054	1,982,065	316,011
Sales and services	6,572,738	6,589,571	7,411,264	821,693
Investment earnings	500,000	500,000	585,287	85,287
Miscellaneous	434,189	963,245	648,180	(315,065)
Total revenues	<u>123,019,372</u>	<u>123,953,297</u>	<u>131,723,714</u>	<u>7,770,417</u>
<b>Expenditures:</b>				
Current:				
General government	14,756,049	14,752,805	14,618,284	134,521
Public safety	29,223,627	29,828,361	27,582,870	2,245,491
Environmental protection	386,403	386,403	351,476	34,927
Economic and physical development	2,860,554	2,899,054	2,363,143	535,911
Human services	30,637,467	30,941,308	28,251,082	2,690,226
Cultural and recreational	4,549,194	4,740,503	4,623,841	116,662
Intergovernmental:				
Education	29,307,235	29,307,235	29,307,235	-
Debt service:				
Principal retirement	12,614,368	11,444,005	11,434,004	10,001
Interest and other charges	3,452,532	3,133,424	3,132,901	523
Total expenditures	<u>127,787,429</u>	<u>127,433,098</u>	<u>121,664,836</u>	<u>5,768,262</u>
Revenues over (under) expenditures	<u>(4,768,057)</u>	<u>(3,479,801)</u>	<u>10,058,878</u>	<u>13,538,679</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	37,000	37,000	-
Transfers to other funds	(2,499,795)	(4,789,926)	(4,789,926)	-
Appropriated fund balance	7,267,852	8,232,727	-	(8,232,727)
Total other financing sources (uses)	<u>4,768,057</u>	<u>3,479,801</u>	<u>(4,752,926)</u>	<u>(8,232,727)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,305,952</u>	<u>\$ 5,305,952</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			45,033,107	
End of year - June 30			<u>\$ 50,339,059</u>	

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

## HENDERSON COUNTY, NORTH CAROLINA

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2017

	<b>Fire Districts Fund</b>			<b>Variance from Final Budget Over/Under</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 8,624,574	\$ 9,409,574	\$ 8,954,749	\$ (454,825)
Investment earnings	19,875	19,875	23,622	3,747
Total revenues	<u>8,644,449</u>	<u>9,429,449</u>	<u>8,978,371</u>	<u>(451,078)</u>
<b>Expenditures:</b>				
Current:				
Public safety	8,644,449	9,429,449	8,978,371	451,078
Total expenditures	<u>8,644,449</u>	<u>9,429,449</u>	<u>8,978,371</u>	<u>451,078</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

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

## HENDERSON COUNTY, NORTH CAROLINA

### STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2017

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Major</b>			
	<b>Landfill Fund</b>	<b>Cane Creek Water and Sewer District Fund</b>	<b>Justice Academy Sewer Fund</b>	
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 1,227,244	\$ 1,666,651	\$ 696,005	\$ 3,589,900
Accounts receivable, net	514,438	775,818	-	1,290,256
Total current assets	<u>1,741,682</u>	<u>2,442,469</u>	<u>696,005</u>	<u>4,880,156</u>
Capital assets:				
Land and construction in progress	6,031,371	2,737,189	6,664	8,775,224
Other capital assets, net of depreciation	2,468,558	14,517,373	228,125	17,214,056
Total non-current assets	<u>8,499,929</u>	<u>17,254,562</u>	<u>234,789</u>	<u>25,989,280</u>
Total assets	<u>10,241,611</u>	<u>19,697,031</u>	<u>930,794</u>	<u>30,869,436</u>
<b>Deferred Outflows of Resources:</b>				
Contributions to the pension plan	55,274	-	-	55,274
Pension deferrals	176,011	-	-	176,011
Total deferred outflows of resources	<u>231,285</u>	<u>-</u>	<u>-</u>	<u>231,285</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	539,814	597,192	1,880	1,138,886
Current portion of compensated absences	3,055	3,002	-	6,057
Current portion of long-term obligations	246,138	118,015	-	364,153
Total current liabilities	<u>789,007</u>	<u>718,209</u>	<u>1,880</u>	<u>1,509,096</u>
Non-current liabilities:				
Accrued landfill closure and post-closure care costs	1,345,238	-	-	1,345,238
Compensated absences	27,494	27,016	-	54,510
Other post-employment benefits	106,819	-	-	106,819
Net pension liability	233,065	-	-	233,065
Long-term obligations	1,200,001	293,224	-	1,493,225
Total non-current liabilities	<u>2,912,617</u>	<u>320,240</u>	<u>-</u>	<u>3,232,857</u>
Total liabilities	<u>3,701,624</u>	<u>1,038,449</u>	<u>1,880</u>	<u>4,741,953</u>
<b>Deferred Inflows of Resources</b>	<u>45,592</u>	<u>-</u>	<u>-</u>	<u>45,592</u>
<b>Net Position:</b>				
Net investment in capital assets	7,166,595	16,843,323	234,789	24,244,707
Unrestricted	(440,915)	1,815,259	694,125	2,068,469
Total net position	<u>\$ 6,725,680</u>	<u>\$ 18,658,582</u>	<u>\$ 928,914</u>	<u>\$ 26,313,176</u>

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, 2017

	Enterprise Funds			Total
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	
<b>Operating Revenues:</b>				
Charges for services	\$ 6,031,492	\$ 1,530,122	\$ 38,880	\$ 7,600,494
Restricted intergovernmental	-	537,339	-	537,339
Total operating revenues	<u>6,031,492</u>	<u>2,067,461</u>	<u>38,880</u>	<u>8,137,833</u>
<b>Operating Expenses:</b>				
Salaries and employee benefits	761,248	-	-	761,248
Other operating expenses	4,256,230	843,252	29,783	5,129,265
Repairs and maintenance	665,398	104,932	5,822	776,152
Depreciation	250,548	537,056	10,863	798,467
Total operating expenses	<u>5,933,424</u>	<u>1,485,240</u>	<u>46,468</u>	<u>7,465,132</u>
Operating income (loss)	<u>98,068</u>	<u>582,221</u>	<u>(7,588)</u>	<u>672,701</u>
<b>Non-Operating Revenues (Expenses):</b>				
Miscellaneous revenue	159,490	-	-	159,490
Interest income	9,501	20,942	5,806	36,249
Interest expense	(46,933)	(8,991)	-	(55,924)
Gain/(loss) on sale of capital assets	1,710	-	-	1,710
Total non-operating revenues (expenses)	<u>123,768</u>	<u>11,951</u>	<u>5,806</u>	<u>141,525</u>
Income (loss) before capital contributions and transfers	<u>221,836</u>	<u>594,172</u>	<u>(1,782)</u>	<u>814,226</u>
<b>Transfers:</b>				
Transfers in	54,000	-	-	54,000
Total transfers	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Capital contributions	-	832,040	-	832,040
Change in net position	275,836	1,426,212	(1,782)	1,700,266
<b>Net Position:</b>				
Beginning of year - July 1	<u>6,449,844</u>	<u>17,232,370</u>	<u>930,696</u>	<u>24,612,910</u>
End of year - June 30	<u>\$ 6,725,680</u>	<u>\$ 18,658,582</u>	<u>\$ 928,914</u>	<u>\$ 26,313,176</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, 2017

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 5,985,299	\$ 1,979,072	\$ 38,880	\$ 8,003,251
Cash paid for goods and services	(4,953,106)	(1,046,592)	(35,080)	(6,034,778)
Cash paid to employees for services	(743,130)	-	-	(743,130)
Net cash provided (used) by operating activities	<u>289,063</u>	<u>932,480</u>	<u>3,800</u>	<u>1,225,343</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers in	54,000	-	-	54,000
Proceeds from non-capital grants	159,490	-	-	159,490
Net cash provided (used) by non-capital financing activities	<u>213,490</u>	<u>-</u>	<u>-</u>	<u>213,490</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	-	(1,707,849)	-	(1,707,849)
Proceeds from sale of long-term asset	2,661	-	-	2,661
Long-term debt payments	(133,333)	(197,176)	-	(330,509)
Interest paid	(46,933)	(18,169)	-	(65,102)
Net cash provided (used) by capital and related financing activities	<u>(177,605)</u>	<u>(1,923,194)</u>	<u>-</u>	<u>(2,100,799)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	<u>9,501</u>	<u>20,942</u>	<u>5,806</u>	<u>36,249</u>
Net increase (decrease) in cash and cash equivalents	334,449	(969,772)	9,606	(625,717)
<b>Cash and Cash Equivalents:</b>				
Beginning of year - July 1	<u>892,795</u>	<u>2,636,423</u>	<u>686,399</u>	<u>4,215,617</u>
End of year - June 30	<u>\$ 1,227,244</u>	<u>\$ 1,666,651</u>	<u>\$ 696,005</u>	<u>\$ 3,589,900</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, 2017

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 98,068	\$ 582,221	\$ (7,588)	\$ 672,701
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	250,548	537,056	10,863	798,467
(Increase) decrease in deferred outflows of resources for pensions	(166,882)	-	-	(166,882)
(Increase) decrease in net pension asset	(35,058)	-	-	(35,058)
Increase (decrease) in net pension liability	233,065	-	-	233,065
Increase (decrease) in deferred inflows of resources for pensions	(17,392)	-	-	(17,392)
Landfill closure and post-closure care costs	(112,805)	-	-	(112,805)
(Increase) decrease in accounts receivable	(46,193)	(88,389)	-	(134,582)
Increase (decrease) in accounts payable and accrued liabilities	81,327	(103,434)	525	(21,582)
Increase (decrease) in other post-employment benefits	2,975	-	-	2,975
Increase (decrease) in accrued vacation pay	1,410	5,026	-	6,436
Total adjustments	190,995	350,259	11,388	552,642
Net cash provided (used) by operating activities	\$ 289,063	\$ 932,480	\$ 3,800	\$ 1,225,343
<b>Non-Cash Capital and Related Financing Activities:</b>				
Capital assets contributed by developers	\$ -	\$ 832,040	\$ -	\$ 832,040

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



**HENDERSON COUNTY, NORTH CAROLINA****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2017**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>932,057</u>
Total assets	\$ <u>932,057</u>
<b>Liabilities:</b>	
Intergovernmental payable	\$ <u>932,057</u>
Total liabilities	\$ <u><u>932,057</u></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, 2017

### 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, 2017

### **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, 2017

### 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.

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

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

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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 three nonmajor special revenue funds: Revaluation Reserve Fund; Emergency Telephone Systems Fund (E-911); and Public Transit 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 one capital project fund within the governmental fund types: 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 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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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.

*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

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 General Capital Projects Fund and the School Capital Projects Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Budget Officer is authorized to transfer authorized appropriations within a 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.



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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 Government 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.

#### Restricted Assets

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

- \$283,281 in the Tax Revaluation Fund is classified as a restricted asset because its use is restricted per North Carolina General Statute 153A-150.
- \$48,437 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.
- \$5,406,833 in the School 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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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, 2016. 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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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, 2017

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

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

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

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

### Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net 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, 2017

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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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.

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 for Education* – portion of fund balance restricted by the governing board for education purposes.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Restricted fund balance at June 30, 2017 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>School Capital Project Fund</u>	<u>Total Restricted</u>
Restricted, all other:					
Register of Deeds	\$ 208,471	\$ -	\$ -	\$ -	\$ 208,471
Public safety	-	-	88,124	-	88,124
Economic and physical development	-	48,437	1,198,870	-	1,247,307
Education	-	-	-	5,406,833	5,406,833
Total	<u>\$ 208,471</u>	<u>\$ 48,437</u>	<u>\$ 1,286,994</u>	<u>\$ 5,406,833</u>	<u>\$ 6,950,735</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$5,455,270 and the restriction for the Register of Deeds' pension plan of \$331,831 for a net difference of \$5,123,439.

### 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 fund balance at June 30, 2017 is as follows:

<u>Purpose</u>	<u>General Capital Projects Fund</u>	<u>School Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed:				
Revaluation	\$ -	\$ -	\$ 274,056	\$ 274,056
General government	-	-	4,932,241	4,932,241
Economic and physical development	<u>2,636,767</u>	<u>566,165</u>	<u>729,602</u>	<u>3,932,534</u>
Total	<u>\$ 2,636,767</u>	<u>\$ 566,165</u>	<u>\$ 5,935,899</u>	<u>\$ 9,138,831</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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.

*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, 2017 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Assigned:		
Subsequent year's expenditures	\$ 11,927,320	\$ 11,927,320
Public safety	<u>512,301</u>	<u>512,301</u>
Total	<u>\$ 12,439,621</u>	<u>\$ 12,439,621</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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 50,339,059
Less:	
Inventories	(56,255)
Prepaid items	(260,721)
Stabilization by State statute	<u>(9,556,154)</u>
Total available fund balance	<u>\$ 40,465,929</u>

### 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. 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 information with the County or the Hospital, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Hospital under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the County's deposits had a carrying amount of \$19,791,248 and a bank balance of \$21,328,358. Of the bank balance, \$531,968 was covered by federal depository insurance, and \$20,796,390 was covered by collateral held under the Pooling Method. At June 30, 2017, the County had \$6,606 cash on hand.

At September 30, 2016, the Hospital's deposits had a carrying amount of approximately \$14,432,000 and a bank balance of approximately \$20,340,000. Of the bank balance, approximately \$500,000 was covered by federal depository insurance, and \$19,840,000 was covered by collateral held under the Pooling Method.

### Investments

At June 30, 2017, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation</u>		<u>Less Than</u> <u>6 Months</u>	<u>6-12</u> <u>Months</u>	<u>1-5</u> <u>Years</u>
	<u>Measurement</u> <u>Method</u>	<u>Book Value</u>			
U.S. government agencies	Fair Value-Level 2	\$ 29,136,189	\$ -	\$ 1,529,994	\$ 27,606,195
Commercial paper	Fair Value-Level 2	9,920,343	9,920,343	-	-
North Carolina Capital Management					
Trust Government Portfolio	Amortized Cost	17,540,625	17,540,625	-	-
Total		<u>\$ 56,597,157</u>	<u>\$ 27,460,968</u>	<u>\$ 1,529,994</u>	<u>\$ 27,606,195</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

**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

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

**Credit Risk.** State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investor Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The County's investments in the NC Capital Management Trust Government Trust Term Portfolio is unrated. 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, 2017. 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 38%, Federal National Mortgage Association are 60%, and Federal Home Loan Bank are 2%. More than 5% of the County's investments are in commercial paper. Investments in INGFDG are 50% and Natixis New York are 50%. The County has no formal policy on the concentration of credit risk.

At September 30, 2016, the Hospital's investments consisted of the following:

<u>Investment Type</u>	<u>Valuation</u>		<u>Less Than</u>	<u>2-3</u>	<u>No</u>
	<u>Measurement</u>	<u>Fair Value</u>			
	<u>Method</u>				<u>Date</u>
U.S. government securities	Fair Value-Level 1	\$ 2,889,822	\$ 1,994,987	\$ 894,835	\$ -
U.S. government agencies	Fair Value-Level 2	6,189,657	2,610,332	3,579,325	-
North Carolina Capital Management Trust	Fair Value-Level 1	4,433	-	-	4,433
Equity securities and funds	Fair Value-Level 1	10,145,093	1,264,949	-	8,880,144
Other investments	Fair Value-Level 1	325,805	-	-	325,805
Cash and cash equivalents	Fair Value-Level 1	<u>10,604,593</u>	<u>-</u>	<u>-</u>	<u>10,604,593</u>
Total		<u>\$ 30,159,403</u>	<u>\$ 5,870,268</u>	<u>\$ 4,474,160</u>	<u>\$ 19,814,975</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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.

**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 Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of September 30, 2016. 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.

<b>Year Ended</b>			
<b>June 30</b>	<b>Tax</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 1,656,496	\$ 430,689	\$ 2,087,185
2015	2,077,391	353,156	2,430,547
2016	2,291,416	183,313	2,474,729
2017	<u>2,277,645</u>	<u>-</u>	<u>2,277,645</u>
Total	<u>\$ 8,302,948</u>	<u>\$ 967,158</u>	<u>\$ 9,270,106</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due From Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 4,455,062	\$ 2,338,154	\$ 6,861,828	\$ 13,655,044
Other governmental	<u>155,584</u>	<u>-</u>	<u>343,265</u>	<u>498,849</u>
Total receivables	4,610,646	2,338,154	7,205,093	14,153,893
Allowance for doubtful accounts	<u>(1,472,633)</u>	<u>(1,108,418)</u>	<u>-</u>	<u>(2,581,051)</u>
Total governmental activities	<u>\$ 3,138,013</u>	<u>\$ 1,229,736</u>	<u>\$ 7,205,093</u>	<u>\$ 11,572,842</u>
<b>Business-Type Activities:</b>				
Landfill	\$ 510,966	\$ -	\$ 3,472	\$ 514,438
Cane Creek	<u>1,081,720</u>	<u>-</u>	<u>11,399</u>	<u>1,093,119</u>
Total receivables	1,592,686	-	14,871	1,607,557
Allowance for doubtful accounts	<u>(317,301)</u>	<u>-</u>	<u>-</u>	<u>(317,301)</u>
Total business-type activities	<u>\$ 1,275,385</u>	<u>\$ -</u>	<u>\$ 14,871</u>	<u>\$ 1,290,256</u>

Due from other governments consisted of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 6,015,467
Franchise tax	127,346
Sales tax reimbursement	812,300
Other taxes	<u>249,980</u>
Total	<u>7,205,093</u>
<b>Business-Type Activities:</b>	
Sales tax reimbursement	<u>14,871</u>
Total	<u>\$ 7,219,964</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<b>Balance July 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance June 30, 2017</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 15,349,827	\$ -	\$ -	\$ -	\$ 15,349,827
Construction in progress	<u>26,311,450</u>	<u>11,714,367</u>	<u>(359,948)</u>	<u>(34,052,733)</u>	<u>3,613,136</u>
Total non-depreciable capital assets	<u>41,661,277</u>	<u>11,714,367</u>	<u>(359,948)</u>	<u>(34,052,733)</u>	<u>18,962,963</u>
<b>Depreciable Capital Assets:</b>					
Buildings	90,074,667	-	-	34,052,733	124,127,400
Equipment	6,780,130	352,408	(141,406)	-	6,991,132
Vehicles and motor equipment	<u>7,680,076</u>	<u>1,183,188</u>	<u>(803,750)</u>	<u>-</u>	<u>8,059,514</u>
Total depreciable capital assets	<u>104,534,873</u>	<u>1,535,596</u>	<u>(945,156)</u>	<u>34,052,733</u>	<u>139,178,046</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	34,816,127	2,750,640	-	-	37,566,767
Equipment	4,348,470	633,037	(141,406)	-	4,840,101
Vehicles and motor equipment	<u>5,415,797</u>	<u>749,158</u>	<u>(766,343)</u>	<u>-</u>	<u>5,398,612</u>
Total accumulated depreciation	<u>44,580,394</u>	<u>4,132,835</u>	<u>(907,749)</u>	<u>-</u>	<u>47,805,480</u>
Total depreciable capital assets	<u>59,954,479</u>	<u>\$ (2,597,239)</u>	<u>\$ (37,407)</u>	<u>\$ -</u>	<u>91,372,566</u>
Total depreciable capital assets, net	<u>\$ 101,615,756</u>				<u>\$ 110,335,529</u>

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

General government	\$ 1,859,525
Public safety	1,674,557
Economic and physical development	32,237
Human services	399,694
Cultural and recreational	<u>166,822</u>
Total	<u>\$ 4,132,835</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Business-Type Activities:</b>					
<b>Landfill:</b>					
<b>Non-Depreciable Capital Assets:</b>					
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>
<b>Depreciable Capital Assets:</b>					
Plant and distribution systems	3,408,012	-	-	-	3,408,012
Furniture and maintenance equipment	1,100,331	-	(4,390)	7,645	1,103,586
Vehicles	<u>753,602</u>	<u>-</u>	<u>(12,875)</u>	<u>21,964</u>	<u>762,691</u>
Total depreciable capital assets	<u>5,261,945</u>	<u>-</u>	<u>(17,265)</u>	<u>29,609</u>	<u>5,274,289</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution systems	1,411,858	35,628	-	-	1,447,486
Furniture and maintenance equipment	502,890	157,396	(3,439)	7,645	664,492
Vehicles	<u>627,140</u>	<u>57,524</u>	<u>(12,875)</u>	<u>21,964</u>	<u>693,753</u>
Total accumulated depreciation	<u>2,541,888</u>	<u>250,548</u>	<u>(16,314)</u>	<u>29,609</u>	<u>2,805,731</u>
Total depreciable capital assets, net	<u>2,720,057</u>	<u>(250,548)</u>	<u>(951)</u>	<u>-</u>	<u>2,468,558</u>
Landfill capital assets, net	<u>8,751,428</u>	<u>\$ (250,548)</u>	<u>\$ (951)</u>	<u>\$ -</u>	<u>8,499,929</u>
<b>Cane Creek Water and Sewer District:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	324,450	\$ -	\$ -	\$ -	324,450
Construction in progress	<u>1,420,684</u>	<u>1,535,299</u>	<u>-</u>	<u>(543,244)</u>	<u>2,412,739</u>
Total non-depreciable capital assets	<u>1,745,134</u>	<u>1,535,299</u>	<u>-</u>	<u>(543,244)</u>	<u>2,737,189</u>
<b>Depreciable Capital Assets:</b>					
Plant and distribution systems	18,938,742	832,040	-	543,244	20,314,026
Furniture and maintenance equipment	441,099	89,785	(17,311)	(7,645)	505,928
Vehicles	<u>143,446</u>	<u>82,765</u>	<u>(11,373)</u>	<u>(21,964)</u>	<u>192,874</u>
Total depreciable capital assets	<u>19,523,287</u>	<u>1,004,590</u>	<u>(28,684)</u>	<u>513,635</u>	<u>21,012,828</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution systems	5,579,345	472,163	-	-	6,051,508
Furniture and maintenance equipment	312,239	43,616	(17,311)	(7,645)	330,899
Vehicles	<u>125,108</u>	<u>21,277</u>	<u>(11,373)</u>	<u>(21,964)</u>	<u>113,048</u>
Total accumulated depreciation	<u>6,016,692</u>	<u>537,056</u>	<u>(28,684)</u>	<u>(29,609)</u>	<u>6,495,455</u>
Total depreciable capital assets, net	<u>13,506,595</u>	<u>467,534</u>	<u>-</u>	<u>543,244</u>	<u>14,517,373</u>
Cane Creek Water and Sewer District capital assets, net	<u>15,251,729</u>	<u>\$ 2,002,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>17,254,562</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<b>Balance July 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>
<b>Justice Academy Water and Sewer District:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	6,664	\$ -	\$ -	6,664
<b>Depreciable Capital Assets:</b>				
Plant and distribution systems	434,523	-	-	434,523
Furniture and maintenance equipment	17,234	-	-	17,234
Total depreciable capital assets	451,757	-	-	451,757
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	195,535	10,863	-	206,398
Furniture and maintenance equipment	17,234	-	-	17,234
Total accumulated depreciation	212,769	10,863	-	223,632
Total depreciable capital assets, net	238,988	(10,863)	-	228,125
Justice Academy Water and Sewer District capital assets, net	245,652	\$ (10,863)	\$ -	234,789
Business-type activities capital assets, net	\$ 24,248,809			\$ 25,989,280

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Capital asset activity for the Henderson County Hospital Corporation for the year ended September 30, 2016 was as follows:

	<u>Balance October 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance September 30, 2016</u>
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 6,374,442	\$ 2,213,382	\$ -	\$ 1,000	\$ 8,588,824
Construction in progress	3,241,229	13,042,977	-	(2,428,196)	13,856,010
Total non-depreciable capital assets	<u>9,615,671</u>	<u>15,256,359</u>	<u>-</u>	<u>(2,427,196)</u>	<u>22,444,834</u>
<b>Depreciable Capital Assets:</b>					
Land improvements	1,350,945	8,068	-	116,592	1,475,605
Buildings and fixed equipment	100,500,548	26,163	-	933,549	101,460,260
Moveable equipment	126,394,393	4,547,749	(1,455,782)	1,377,055	130,863,415
Total depreciable capital assets	<u>228,245,886</u>	<u>4,581,980</u>	<u>(1,455,782)</u>	<u>2,427,196</u>	<u>233,799,280</u>
<b>Less Accumulated Depreciation:</b>					
Land improvements	1,107,361	43,820	-	-	1,151,181
Buildings and fixed equipment	64,119,233	3,197,704	-	-	67,316,937
Moveable equipment	102,877,953	5,599,418	(1,454,880)	-	107,022,491
Total accumulated depreciation	<u>168,104,547</u>	<u>8,840,942</u>	<u>(1,454,880)</u>	<u>-</u>	<u>175,490,609</u>
Total depreciable capital assets, net	<u>60,141,339</u>	<u>\$ 10,997,397</u>	<u>\$ (902)</u>	<u>\$ -</u>	<u>58,308,671</u>
Total capital assets, net	<u>\$ 69,757,010</u>				<u>\$ 80,753,505</u>

### B. Liabilities

#### Payables

Payables at the government-wide level at June 30, 2017 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>
<b>Governmental Activities:</b>					
General	\$ 1,040,442	\$ 8,167,726	\$ 799,967	\$ 634,454	\$ 10,642,589
Other governmental	5,510,717	9,225	-	-	5,519,942
Total governmental activities	<u>\$ 6,551,159</u>	<u>\$ 8,176,951</u>	<u>\$ 799,967</u>	<u>\$ 634,454</u>	<u>\$ 16,162,531</u>
<b>Business-Type Activities:</b>					
Landfill	\$ 498,667	\$ 15,045	\$ 26,102	\$ -	\$ 539,814
Water and Sewer Fund	595,301	-	1,891	-	597,192
Justice Academy Sewer	1,880	-	-	-	1,880
Total business-type activities	<u>\$ 1,095,848</u>	<u>\$ 15,045</u>	<u>\$ 27,993</u>	<u>\$ -</u>	<u>\$ 1,138,886</u>



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Pension Plan Obligation

#### Local Governmental Employees' Retirement System

**Plan Description.** The County is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS 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](http://www.osc.nc.gov).

**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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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, 2017 was 8.00% of compensation for law enforcement officers and 7.33% 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 \$2,763,724 for the year ended June 30, 2017.

*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.

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

At June 30, 2017, the County reported a liability of \$12,140,141 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .585%, which was an increase of .026% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$3,450,377. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 233,165	\$ 434,865
Changes of assumptions	849,984	-
Net difference between projected and actual earnings on pension plan investments	6,861,245	-
Changes in proportion and differences between County contributions and proportionate share of contributions	248,127	-
County's contributions subsequent to the measurement date	2,763,724	-
Total	<u>\$ 10,956,245</u>	<u>\$ 434,865</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$2,763,724 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 ending June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2018	\$ 1,242,728
2019	1,243,094
2020	3,295,183
2021	1,976,651
2022	-
Thereafter	-
Total	<u>\$ 7,757,656</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, 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 the multiple horizons. Global public equity return projections are established 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

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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.

**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:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's proportionate share of the net pension liability (asset)	<u>\$ 29,455,055</u>	<u>\$ 12,410,141</u>	<u>\$ (1,827,038)</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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 under the age of 62 who have completed at least 30 years of creditable service or have attained the age of 55 years of age and have completed five years or more of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

A separate report was not issued for the plan.

### **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 are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 73.

### **Actuarial Assumptions**

The entry Age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the weekly average Bond Buyer General Obligation 20-year Municipal Bond Index determined at end of each month.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Deaths After Retirement (Healthy):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths Before Retirement:** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**Death After Retirement (Beneficiary):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

**Deaths After Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

### 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. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County paid \$290,720 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$4,561,820. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$322,487.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 79,474
County's benefit payments and plan administrative expense made subsequent to the measurement date	270,564	-
Total	\$ 270,564	\$ 79,474

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$270,564 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2018	\$ 16,696
2019	16,696
2020	16,696
2021	16,696
2022	12,690
Total	<u>\$ 79,474</u>

\$269,528 paid as benefits came due and \$1,036 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

**Sensitivity of the County's total pension liability to changes in the discount rate.** The following presents the County's total pension liability calculated using the discount rate of 3.86%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current rate:

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
Total pension liability	<u>\$ 4,903,473</u>	<u>\$ 4,561,820</u>	<u>\$ 4,247,835</u>

#### **Schedule of Changes in Total Pension Liability Law Enforcement Officer's Special Separation Allowance**

Beginning balance	\$ 4,609,945
Service cost	179,379
Interest on total pension liability	159,386
Changes of assumptions or other inputs	(96,170)
Benefit payments	<u>(290,720)</u>
Ending balance of the total pension liability	<u>\$ 4,561,820</u>

The plan currently uses mortality tables that vary by age, 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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

### **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, 2017 were \$593,773, which consisted of \$445,690 from the County and \$148,083 from the law enforcement officers. No amounts were forfeited.

### **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](http://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.



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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 \$12,345 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$265,773 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was 1.42%, which was an increase of .06% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$7,979. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 284	\$ 3,440
Changes of assumptions	70,807	-
Net difference between projected and actual earnings on pension plan investments	455	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	14,393
County's contributions subsequent to the measurement date	12,345	-
Total	<u>\$ 83,891</u>	<u>\$ 17,833</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$12,345 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, 2018. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2018	\$ 20,276
2019	25,488
2020	10,920
2021	<u>(2,971)</u>
Total	<u>\$ 53,713</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 is 1.4%.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 3.05%. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 3.75%. 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 3.75%, 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 (2.75%) or 1-percentage-point higher (5.75%) than the current rate.

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (214,299)	\$ (265,773)	\$ (309,017)

**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

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

### 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, 61 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2017, the County made payments for post-retirement health benefit premiums of \$774,419. 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

Years of Creditable Service	
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 June 30, 2016, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and dependents receiving benefits	72	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	597	113
Total	669	113

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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 4.30% of annual covered payroll. For the current year, the County contributed \$774,419, or 2.46% of annual covered payroll. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 4.30% and 4.30% of covered payroll, respectively. The total employee contributions, including dependent coverage, were \$139,166. 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:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Annual required contribution	\$ 1,422,553	\$ 6,403	\$ 1,428,956
Interest on net OPEB obligation	208,093	937	209,030
Adjustments to annual required contribution	(198,793)	(895)	(199,688)
Annual OPEB cost (expense)	1,431,853	6,445	1,438,298
Contributions made	(770,949)	(3,470)	(774,419)
Increase (decrease) in net OPEB obligation	660,904	2,975	663,879
Net OPEB obligation:			
Beginning of year - July 1	5,121,882	103,844	5,225,726
End of year - June 30	\$ 5,782,786	\$ 106,819	\$ 5,889,605

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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>
2015	\$ 1,339,465	67.5%	\$ 4,849,918
2016	1,390,793	73.0%	5,225,726
2017	1,438,298	53.8%	5,889,605

**Fund Status and Funding Progress.** As of June 30, 2016, 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 \$15,708,275. The covered payroll (annual payroll of active employees covered by the plan) was \$31,515,633, and the ratio of the UAAL to the covered payroll was 49.8%. 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 June 30, 2016 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 7.75% to 5.00% and Medicare trend rate of 5.75% 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 a closed basis. The remaining amortization period at June 30, 2016 was 30 years.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

As of June 30, 2017, 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 \$1,458,043 reported as landfill post-closure care liability at June 30, 2017 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 2017. 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, 2017

### 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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Charge on refunding of debt	\$ 3,108,617	\$ -
Pensions - difference between expected and actual experience		
LGERS	233,165	434,865
Register of Deeds	284	3,440
Pensions - difference between projected and actual investment earnings		
LGERS	6,861,245	-
Register of Deeds	455	-
Changes of assumptions		
LGERS	849,984	-
Register of Deeds	70,807	-
LEOSSA	-	79,474
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions (LGERS)		
LGERS	248,127	-
Register of Deeds	-	14,393
Contributions to pension plans in 2016-2017 fiscal year - LGERS, LEOSSA, ROD	3,046,633	-
Prepaid taxes not yet earned (General Fund)	-	125,886
Taxes receivable, net (General Fund)	-	1,229,736
Other receivables (General Fund)	-	288,103
Prepaid fire district tax, net (Special Revenue Fund)	-	4,426
<b>Total</b>	<b>\$ 14,419,317</b>	<b>\$ 2,180,323</b>

Total pension expense for the LGERS, ROD, and LEOSSA plans for the year ended was \$3,780,843.



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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 \$139.9 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, 2017

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.

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:

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2017</b>
Unpaid claims:		
Beginning of year - July 1	\$ 671,757	\$ 329,565
Incurred claims	9,153,457	10,042,430
Claim payments	<u>(9,495,649)</u>	<u>(9,737,541)</u>
End of year - June 30	<u>\$ 329,565</u>	<u>\$ 634,454</u>

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

### **Claims and Judgments**

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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, 2017 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.	<u>\$ 4,500,000</u>
Total installment contracts	<u><u>\$ 4,500,000</u></u>

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

Year	Principal	Interest
2018	\$ 500,000	\$ 216,000
2019	500,000	192,000
2020	500,000	168,000
2021	500,000	144,000
2022	500,000	144,000
2023-2026	<u>2,000,000</u>	<u>240,000</u>
Total	<u>\$ 4,500,000</u>	<u>\$ 1,104,000</u>

#### Installment Purchases

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

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Other installment purchase contracts payable at June 30, 2017 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.	\$ 15,542,858
\$5,092,000 Detention Center financing contract due in semi-annual payments, including interest at an annual rate of 3.64%. Payments will continue through June 30, 2019.	877,000
\$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.	1,281,120
\$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.	542,250
\$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.	2,580,000
\$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.	83,339
\$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%	79,087
Total installment purchases indebtedness	<u>\$ 20,985,654</u>

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

Year Ending June 30	Principal	Interest
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	1,828,571	289,097
2023-2026	6,400,003	476,160
Total	\$ 20,985,654	\$ 3,140,360

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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.

\$ 1,333,334

<b>Year Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 133,333	\$ 42,667
2019	133,333	38,400
2020	133,333	34,133
2021	133,333	29,867
2022	133,333	25,600
2023-2026	<u>666,669</u>	<u>64,000</u>
Total	<u>\$ 1,333,334</u>	<u>\$ 234,667</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 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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The County's limited obligation bonds payable at June 30, 2017 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. \$ 3,632,111

\$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. 12,045,000

\$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%. 20,998,000

\$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%. 25,945,000

\$14,600,000 Series 2016A Limited Obligation bonds,  
due in annual principal payments of \$975,000. Payment  
is due annually on June 30th at an interest rate ranging  
from 2.50% to 5.00%. 14,600,000

\$4,680,000 Series 2016B Limited Obligation bonds,  
due in annual principal payments ranging from \$935,000  
to \$940,000. Payment is due annually on June 30th at an  
interest rate ranging from 1.379% to 2.582%. 4,680,000

Total governmental limited obligation bonds payable 81,900,111

### 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. 392,888

Total limited obligation bonds payable \$ 82,292,999

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

### Governmental Activities:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 7,023,163	\$ 2,557,113
2019	6,945,138	2,280,711
2020	6,857,579	2,217,607
2021	6,495,232	2,045,247
2022	5,798,000	1,880,052
2023-2027	23,946,000	7,022,074
2028-2032	12,570,000	3,698,098
2033-2037	12,264,999	963,537
Total	<u>\$ 81,900,111</u>	<u>\$ 22,664,439</u>

### Business-Type Activities:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 108,837	\$ 12,082
2019	107,862	7,743
2020	105,421	4,478
2021	70,768	1,415
Total	<u>\$ 392,888</u>	<u>\$ 25,718</u>

At June 30, 2017, the County had no bonds authorized, but unissued, and a legal debt margin of \$961,374,362.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<b>Governmental Activities:</b>					
Limited obligation bonds	\$ 69,581,935	\$ 19,280,000	\$ (6,961,824)	\$ 81,900,111	\$ 7,023,163
Add unamortized bond premium	<u>2,790,592</u>	<u>1,327,941</u>	<u>(292,132)</u>	<u>3,826,401</u>	<u>292,132</u>
Total limited obligation bonds	72,372,527	20,607,941	(7,253,956)	85,726,512	7,315,295
Other long-term obligations:					
Installment purchases	24,852,515	-	(3,866,861)	20,985,654	3,859,774
Installment contracts	5,105,319	-	(605,319)	4,500,000	500,000
Net pension liability (LGERS)	2,474,732	9,702,344	-	12,177,076	-
Compensated absences	2,461,373	1,032,726	(875,931)	2,618,168	-
Other post-employment benefits	5,121,882	1,431,853	(770,949)	5,782,786	-
Total pension liability	<u>2,338,698</u>	<u>2,271,247</u>	<u>(48,125)</u>	<u>4,561,820</u>	<u>-</u>
Total governmental activities	<u>\$ 114,727,046</u>	<u>\$ 35,046,111</u>	<u>\$ (13,421,141)</u>	<u>\$ 136,352,016</u>	<u>\$ 11,675,069</u>
<b>Business-Type Activities:</b>					
<b>Landfill:</b>					
Installment purchase	\$ 1,466,667	\$ -	\$ (133,333)	\$ 1,333,334	\$ 133,333
Accrued landfill closure and post-closure care cost	1,570,848	-	(112,805)	1,458,043	112,805
Net pension liability (LGERS)	35,058	198,007	-	233,065	-
Other post-employment benefits	103,844	6,445	(3,470)	106,819	-
Compensated absences	<u>29,139</u>	<u>13,163</u>	<u>(11,753)</u>	<u>30,549</u>	<u>3,055</u>
Total Landfill	<u>3,205,556</u>	<u>217,615</u>	<u>(261,361)</u>	<u>3,161,810</u>	<u>249,193</u>
<b>Cane Creek Water and Sewer District:</b>					
Limited obligation bonds	590,064	-	(197,176)	392,888	108,837
Add unamortized bond premium	<u>27,529</u>	<u>-</u>	<u>(9,178)</u>	<u>18,351</u>	<u>9,178</u>
Total limited obligation bonds	617,593	-	(206,354)	411,239	118,015
Compensated absences	<u>24,992</u>	<u>7,867</u>	<u>(2,841)</u>	<u>30,018</u>	<u>3,002</u>
Total Cane Creek Water and Sewer District	<u>642,585</u>	<u>7,867</u>	<u>(209,195)</u>	<u>441,257</u>	<u>121,017</u>
Total business-type activities	<u>\$ 3,848,141</u>	<u>\$ 225,482</u>	<u>\$ (470,556)</u>	<u>\$ 3,603,067</u>	<u>\$ 370,210</u>



## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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:

	<b>Balance October 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2016</b>	<b>Current Portion of Balance</b>
Revenue bonds	\$ 12,195,000	\$ 17,000,000	\$ 1,229,000	\$ 27,966,000	\$ 2,407,024
Capitalized leases	2,395,691	-	1,091,349	1,304,342	1,037,990
Total	<u>\$ 14,590,691</u>	<u>\$ 17,000,000</u>	<u>\$ 2,320,349</u>	<u>\$ 29,270,342</u>	<u>\$ 3,445,014</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, 2016, the cost of assets held under capital leases was approximately \$6,896,000, less accumulated depreciation and amortization of approximately \$5,097,000 of the following:

<b>Year Ending September 30</b>	<b>Principal</b>
2017	\$ 1,037,990
2018	151,722
2019	86,062
2020	<u>28,568</u>
Total minimum lease payments	1,304,342
Less: amount representing interest	<u>-</u>
Total capital lease	1,304,342
Less: current portion	<u>(1,037,990)</u>
Present value of the minimum lease payments	<u>\$ 266,352</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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:

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 2,407,024	\$ 606,200
2018	2,438,900	571,465
2019	2,495,545	524,012
2020	2,551,491	476,220
2021	2,608,745	428,334
2022-2026	8,303,271	1,544,999
2027-2029	7,161,024	581,051
Total	\$ 27,966,000	\$ 4,732,281

### Net Investment in Capital Assets

Net investment in capital assets at June 30, 2017 is computed as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets, net of accumulated depreciation	\$ 110,335,529	\$ 25,989,280
Restricted cash from debt issuance	48,437	-
Long-term debt	(111,212,166)	(1,744,573)
Long-term debt for assets not owned by the County	71,221,339	-
Net investment in capital assets	\$ 70,393,139	\$ 24,244,707

Unspent debt proceeds of \$5,406,833 and deferred outflows - charge on refunding of \$3,108,617 are both related to Schools and are not included in the Net Investment in Capital Assets calculation.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Construction Commitments

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

<b>Project</b>	<b>Remaining Commitment</b>
Innovative High School project	\$ 5,133,637
Emergency Services Headquarters project	11,911,110
Hendersonville High School project	2,094,756
Edneyville Elementary School project	1,059,670
Total	\$ 20,199,173

### Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2017 consist of the following:

	<b>Transfers</b>		<b>Purpose</b>
	<b>From</b>	<b>To</b>	
General Fund	\$ 230,000		
General Capital Projects Fund		\$ 230,000	Fund capital expansion
General Fund	213,145		
Public Transit Fund		213,145	Program contribution
General Fund	800,000		
School Capital Project Fund		800,000	Fund capital expansion
General Fund	54,000		
Landfill Fund		54,000	Fund capital expansion
General Capital Projects Fund	923,463		
Debt Service Fund		923,463	Fund debt service reserve
General Fund	75,000		
General Capital Reserve Fund		75,000	Fund capital expansion
General Capital Reserve Fund	75,000		
General Capital Project Fund		75,000	Fund capital expansion
General Capital Project Fund	37,000		
General Fund		37,000	Fund capital expansion
General Fund	3,417,781		
Debt Service Fund		3,417,781	Fund debt service reserve
Total	\$ 5,825,389	\$ 5,825,389	

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### **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 \$3,387,235 to the Community College for operational expenses during the fiscal year ended June 30, 2017. In addition, the County made debt service payments of \$2,036,319, including interest, during the year ended June 30, 2017, 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, 2017. 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 Vaya Health 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, 2017. 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, 2017. Complete financial statements for the LME may be obtained from the LME's administrative office at 200 Ridgefield Court, Asheville, North Carolina.

### **3. 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, 2017

### 4. 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 \$1,916,161 was contributed to the County in fiscal year 2017.

### 5. Summary Disclosure of Significant Commitments and Contingencies

#### Federal and State-Assisted Programs

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

### 6. Benefit Payments Issued by the State

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.

### 7. Subsequent Event

On August 10, 2017, Henderson County issued \$12,475,000 in County Series 2017A Limited Obligation bonds for the costs incurred for capital expenditures associated with a new emergency services facility.

### 8. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$1,980,527.

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## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

- Law Enforcement Officer’s Special Allowance – Schedule of Changes in Total Pension Liability
- Law Enforcement Officer’s Special Allowance – Schedule of Total Liability as a Percentage of Covered Payroll
- Other-Post Employment Benefits - Retiree Health Plan – Schedule of Funding Progress and Employer Contributions
- Other-Post Employment Benefits - Retiree Health Plan – Notes to the Required Schedules –
- 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****SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Law Enforcement Officers' Special Separation Allowance</b>	
	<b>2017</b>
Beginning balance	\$ 4,609,945
Service cost	179,379
Interest on the total pension liability	159,386
Changes of assumptions or other inputs	(96,170)
Benefit payments	(290,720)
Ending balance of the total pension liability	<u>\$ 4,561,820</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

\*Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

**HENDERSON COUNTY, NORTH CAROLINA**

**SCHEDULE OF TOTAL LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**Law Enforcement Officers' Special Separation Allowance**

	<b>2017</b>
Total pension liability	\$ 4,561,820
Covered payroll	7,221,929
Total pension liability as a percentage of covered payroll	63.17%

**Notes to the Schedules:**

Henderson County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay-related benefits.

\*Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

**HENDERSON COUNTY, NORTH CAROLINA**

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2017**

**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)					
6/30/2016	\$ -	\$ 15,708,275		0.00%	\$ 15,708,275	\$ 31,515,633	49.8%
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		Percentage Contributed
		(ARC)	
2017	\$ 1,428,956		54.2%
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	June 30, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Pre-medicare trend rates	7.50% - 5.00%
Medicare trend rates	5.75% - 5.00%
Year of ultimate trend rate	2023

\* Includes inflation at 3.00%

**HENDERSON COUNTY, NORTH CAROLINA****COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	0.58474%	0.55923%	0.54613%	0.54613%
County's proportion of the net pension liability (asset) (\$)	\$ 12,410,141	\$ 2,509,790	\$ (3,220,780)	\$ 6,384,919
County's covered-employee payroll	\$ 33,738,533	\$ 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	36.78%	7.55%	-10.15%	20.84%
Plan fiduciary net position as a percentage of the total pension liability **	91.47%	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.

Pension Schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

**HENDERSON COUNTY, NORTH CAROLINA****HENDERSON COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS**

<b>Local Government Employees' Retirement System</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,763,724	\$ 2,291,770	\$ 2,356,655	\$ 2,246,169
Contributions in relation to the contractually required contribution	<u>2,763,724</u>	<u>2,291,770</u>	<u>2,356,655</u>	<u>2,246,169</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 39,475,827	\$ 33,738,533	\$ 33,231,069	\$ 31,738,665
Contributions as a percentage of covered-employee payroll	7.00%	6.79%	7.09%	7.08%

Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

**HENDERSON COUNTY, NORTH CAROLINA****COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS\***

<b>Register of Deeds' Supplemental Pension Fund</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	1.42155%	1.36491%	1.31871%	1.25345%
County's proportion of the net pension liability (asset) (\$)	\$ (265,773)	\$ (316,304)	\$ (298,899)	\$ (267,737)
County's covered-employee payroll	\$ 73,231	\$ 73,416	\$ 69,039	\$ 68,676
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-362.92%	-430.84%	-432.94%	-389.86%
Plan fiduciary net position as a percentage of the total pension liability **	160.17%	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.

Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

**HENDERSON COUNTY, NORTH CAROLINA****HENDERSON COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS**

<b>Register of Deeds' Supplemental Pension Fund</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 12,345	\$ 11,612	\$ 10,922	\$ 10,767
Contributions in relation to the contractually required contribution	<u>12,345</u>	<u>11,612</u>	<u>10,922</u>	<u>10,767</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 79,713	\$ 73,231	\$ 73,416	\$ 69,039
Contributions as a percentage of covered-employee payroll	15.49%	15.86%	14.88%	15.60%

Pension schedules are intended to show information for ten years, additional year's information will be displayed as it becomes available.

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**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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes - current		\$ 74,934,090		\$ 67,034,159
Penalties, interest, and advertising		417,965		481,430
Total	\$ 73,075,676	75,352,055	\$ 2,276,379	67,515,589
<b>Local Option Sales Taxes:</b>				
Article 39 one percent		10,373,085		9,804,497
Article 40 one-half of one percent		6,838,576		6,555,360
Article 42 one-half of one percent		5,862,665		5,531,205
Article 44 one-half of one percent		481,978		40,559
Medicaid hold harmless		1,833,041		1,434,618
Total	20,685,933	25,389,345	4,703,412	23,366,239
<b>Other Taxes and Licenses:</b>				
Deed stamp excise tax		861,300		752,983
Gross receipts rental tax+A30		49,116		48,431
Privilege licenses		354,128		339,327
Total	1,133,900	1,264,544	130,644	1,140,741
<b>Unrestricted Intergovernmental Revenues:</b>				
Payment in lieu of taxes	40,000	53,903	13,903	39,477
Total	40,000	53,903	13,903	39,477
<b>Restricted Intergovernmental Revenues:</b>				
Federal and State grants		18,758,552		19,255,475
Controlled substance tax		18,503		27,270
Court facility fee		132,034		125,657
ABC net revenues		98,649		61,006
ABC bottles taxes		29,333		28,018
Total	19,298,918	19,037,071	(261,847)	19,497,426
<b>Permits and Fees:</b>				
Inspection fees		1,239,189		1,049,487
Register of Deeds		551,243		502,715
Enforcement fees		182,563		180,964
Stormwater Permit fees		6,355		-
Watershed fees		2,715		-
Total	1,666,054	1,982,065	316,011	1,733,166
<b>Sales and Services:</b>				
Rents, concessions, and fees		3,430,131		2,811,476
Jail fees		158,067		151,271
Ambulance fees		3,590,654		3,247,401
Recreation fees		232,412		227,410
Total	6,589,571	7,411,264	821,693	6,437,558

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Investment Earnings</b>	500,000	585,287	85,287	605,743
<b>Miscellaneous:</b>				
Sale of materials		73,051		57,423
Other		575,129		781,484
Total	963,245	648,180	(315,065)	838,907
Total revenues	123,953,297	131,723,714	7,770,417	121,174,846
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits		209,796		196,897
Operating expenditures		124,832		134,883
Donations and dues		434,497		467,880
Total	846,757	769,125	77,632	799,660
<b>Administration:</b>				
Salaries and employee benefits		1,336,706		1,256,979
Operating expenditures		197,348		181,557
Total	1,599,272	1,534,054	65,218	1,438,536
<b>Elections:</b>				
Salaries and employee benefits		488,034		429,289
Operating expenditures		244,828		291,187
Total	921,956	732,862	189,094	720,476
<b>Finance:</b>				
Salaries and employee benefits		806,310		748,039
Operating expenditures		46,708		80,677
Total	866,530	853,018	13,512	828,716
<b>Taxes:</b>				
Salaries and employee benefits		1,390,001		1,452,427
Operating expenditures		460,025		447,765
Capital outlay		46,141		-
Total	2,137,102	1,896,167	240,935	1,900,192
<b>Legal:</b>				
Salaries and employee benefits		680,821		630,637
Contracted services		25,127		50,299
Total	730,616	705,948	24,668	680,936

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Register of Deeds:</b>				
Salaries and employee benefits		374,377		354,901
Operating expenditures		288,473		239,011
Total	706,453	662,850	43,603	593,912
<b>Public Buildings:</b>				
Salaries and employee benefits		1,179,041		1,251,361
Operating expenditures		2,240,004		2,086,535
Capital outlay		7,085		-
Total	3,426,132	3,426,130	2	3,337,896
<b>Garage and Grounds:</b>				
Salaries and employee benefits		297,266		282,093
Operating expenditures		116,488		63,651
Capital outlay		23,595		-
Total	457,844	437,349	20,495	345,744
<b>Court Facilities:</b>				
Operating expenditures		152,061		160,264
Capital outlay	-	24,555		-
Total	190,000	176,616	13,384	160,264
<b>Data Processing:</b>				
Salaries and employee benefits		1,004,618		888,215
Operating expenditures		1,793,448		1,643,567
Capital outlay		72,074		351,122
Total	2,870,143	2,870,140	3	2,882,904
<b>Wellness Clinic:</b>				
Salaries and employee benefits		401,019		376,005
Operating expenditures		153,006		140,332
Total	567,213	554,025	13,188	516,337
Total general government	14,752,805	14,618,284	701,734	14,205,573
<b>Public Safety:</b>				
<b>Sheriff and Communications:</b>				
Salaries and employee benefits		11,858,688		11,012,750
Operating expenditures		1,669,375		1,723,737
Capital outlay		387,048		403,275
Total	15,164,452	13,915,111	1,249,341	13,139,762

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Jail:</b>				
Salaries and employee benefits		2,946,739		2,842,857
Operating expenditures		1,147,392		1,200,827
Capital outlay		60,308		70,508
Total	4,321,999	4,154,439	167,560	4,114,192
<b>Emergency Management:</b>				
Salaries and employee benefits		360,160		220,570
Operating expenditures		64,865		10,154
Capital outlay		80,259		-
Total	516,720	505,284	11,436	230,724
<b>Fire Services:</b>				
Salaries and employee benefits		376,089		332,360
Operating expenditures		259,296		198,902
Capital outlay		-		65,458
Total	730,491	635,385	95,106	596,720
<b>Inspections:</b>				
Salaries and employee benefits		769,363		728,118
Operating expenditures		77,398		161,723
Capital outlay		-		32,097
Total	925,534	846,761	78,773	921,938
<b>Code Enforcement Services:</b>				
Salaries and employee benefits		240,510		221,832
Operating expenditures		74,670		34,217
Total	332,337	315,180	17,157	256,049
<b>Emergency Medical Services:</b>				
Salaries and employee benefits		5,120,821		4,178,414
Operating expenditures		624,216		521,609
Capital outlay		606,216		564,447
Total	6,369,491	6,351,253	18,238	5,264,470
<b>Animal Control:</b>				
Salaries and employee benefits		395,285		382,402
Operating expenditures		160,460		190,215
Total	596,364	555,745	40,619	572,617
<b>Rescue Squad:</b>				
Operating expenditures		303,712		316,145
Total	303,760	303,712	48	316,145
Total public safety	29,828,361	27,582,870	1,678,278	25,412,617



HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Environmental Protection:</b>				
<b>Soil and Water Conservation:</b>				
Salaries and employee benefits		292,528		288,473
Operating expenditures		19,878		203,303
Total	329,913	312,406	17,507	491,776
<b>Forestry Service</b>	56,490	39,070	17,420	43,823
Total environmental protection	386,403	351,476	34,927	535,599
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits		454,230		471,132
Operating expenditures		16,621		30,156
Total	591,104	470,851	120,253	501,288
<b>Agricultural Extension:</b>				
Salaries and employee benefits		261,587		251,103
Operating expenditures		63,283		62,171
Total	398,261	324,870	73,391	313,274
<b>Land Records Management:</b>				
Salaries and employee benefits		226,056		110,739
Operating expenditures		6,575		1,477
Total	238,335	232,631	5,704	112,216
<b>Agri-Business Development:</b>				
Salaries and employee benefits		139,896		131,480
Operating expenditures		37,815		38,117
Total	177,711	177,711	-	169,597
<b>Other Transfers:</b>				
Economic development contracts	1,493,643	1,157,080	336,563	1,270,310
Total	1,493,643	1,157,080	336,563	1,270,310
Total economic and physical development	2,899,054	2,363,143	535,911	2,366,685
<b>Human Services:</b>				
<b>Health:</b>				
<b>General and Administration:</b>				
Salaries and employee benefits		5,239,369		4,907,266
Operating expenditures		1,037,072		1,182,372
Capital outlay		25,396		40,418
Total	6,742,679	6,301,837	440,842	6,130,056

**HENDERSON COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Smart Start - Nurturing Parent:</b>				
Operating expenditures	100,000	100,000	-	100,000
Total	100,000	100,000	-	100,000
Total public health	6,842,679	6,401,837	440,842	6,230,056
<b>Environmental Health:</b>				
Salaries and employee benefits		957,026		936,865
Operating expenditures		74,019		76,794
Capital outlay		63,276		20,216
Total	1,136,388	1,094,321	42,067	1,033,875
<b>Home and Community Block Grant:</b>				
Operating expenditures	750,648	750,513	135	718,532
Total	750,648	750,513	135	718,532
<b>Medical Services:</b>				
Operating expenditures		58,450		69,750
Total	60,000	58,450	1,550	69,750
<b>Social Services:</b>				
<b>Mental Health:</b>				
Operating expenditures		528,612		528,612
Total	528,612	528,612	-	528,612
<b>Administration:</b>				
Salaries and employee benefits		10,954,874		10,323,942
Operating expenditures		1,473,187		1,511,092
Capital outlay		40,993		86,196
Total	13,352,531	12,469,054	883,477	11,921,230
<b>Smart Start:</b>				
Salaries and employee benefits		-		31,872
Operating expenditures		-		460,702
Total	-	-	-	492,574
<b>TANF Program:</b>				
County participation only	1,000	-	1,000	-
<b>Income Maintenance Program:</b>				
Supplemental aid to the aged		452,405		444,826
Supplemental aid to the disabled		551,302		535,535
Crisis intervention payments		300,067		346,571
Total	1,417,730	1,303,774	113,956	1,326,932

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Daycare Operations:</b>				
Daycare for children	2,795,805	2,764,473	31,332	2,782,498
<b>LIEAP Operations:</b>				
LIEAP Operations	342,730	299,900	42,830	331,700
<b>Foster Care:</b>				
State boarding home		217,998		241,451
Foster care - children		817,911		940,429
Adoption assistance		292,676		288,568
Total	1,800,000	1,328,585	471,415	1,470,448
<b>Other Assistance:</b>				
Social work contracts	110,124	106,060	4,064	109,809
Medicaid transportation	985,000	448,049	536,951	908,930
Aid to the blind	8,000	4,747	3,253	4,743
Adult day care	16,346	87,640	(71,294)	82,760
General assistance	99,074	69,299	29,775	47,055
JOBS program	15,000	2,404	12,596	4,818
EDTAP program	196,095	85,887	110,208	171,409
Emergency assistance	3,500	-	3,500	-
Other assistance	190,635	165,296	25,339	132,971
Total	1,623,774	969,382	654,392	1,462,495
Total social services	21,862,182	19,663,780	2,198,402	20,316,489
<b>Veteran Services:</b>				
Salaries and employee benefits		40,878		39,441
Operating expenditures		2,407		2,271
Total	43,416	43,285	131	41,712
<b>Juvenile Justice Grant:</b>				
Operating expenditures	245,995	238,896	7,099	204,913
Total human services	30,941,308	28,251,082	2,688,676	28,615,327
<b>Cultural and Recreational:</b>				
<b>Library:</b>				
Salaries and employee benefits		2,211,231		2,102,192
Operating expenditures		734,672		727,864
Capital outlay		22,999		25,600
Total	3,074,568	2,968,902	105,666	2,855,656

**HENDERSON COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
<b>Parks and Recreation:</b>				
Salaries and employee benefits		1,028,902		953,460
Operating expenditures		594,447		639,339
Capital outlay		31,590		24,153
Total	<u>1,665,935</u>	<u>1,654,939</u>	<u>10,996</u>	<u>1,616,952</u>
Total cultural and recreational	<u>4,740,503</u>	<u>4,623,841</u>	<u>116,662</u>	<u>4,472,608</u>
<b>Intergovernmental:</b>				
Education:				
Public schools - current expense		24,320,000		24,525,770
Public schools - capital expense		1,600,000		-
Community colleges - capital expense		3,387,235		3,407,836
Total education	<u>29,307,235</u>	<u>29,307,235</u>	<u>-</u>	<u>27,933,606</u>
<b>Debt Service:</b>				
Principal	11,444,005	11,434,004	10,001	10,937,859
Interest	<u>3,133,424</u>	<u>3,132,901</u>	<u>523</u>	<u>2,873,183</u>
Total debt service	<u>14,577,429</u>	<u>14,566,905</u>	<u>10,524</u>	<u>13,811,042</u>
Total expenditures	<u>127,433,098</u>	<u>121,664,836</u>	<u>5,766,712</u>	<u>117,353,057</u>
Revenues over (under) expenditures	<u>(3,479,801)</u>	<u>10,058,878</u>	<u>13,538,679</u>	<u>3,821,789</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	37,000	37,000	-	308,081
Transfers (out)	(4,789,926)	(4,789,926)	-	(1,287,959)
Appropriated fund balance	<u>8,232,727</u>	<u>-</u>	<u>(8,232,727)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,479,801</u>	<u>(4,752,926)</u>	<u>(8,232,727)</u>	<u>(979,878)</u>
Net changes in fund balance	<u>\$ -</u>	<u>5,305,952</u>	<u>\$ 5,305,952</u>	<u>2,841,911</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>45,033,107</u>		<u>42,191,196</u>
End of year - June 30		<u>\$ 50,339,059</u>		<u>\$ 45,033,107</u>

## **Other Major Governmental Funds**

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

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

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## HENDERSON COUNTY, NORTH CAROLINA

### GENERAL CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Restricted intergovernmental revenues	\$ 2,827,206	\$ 2,828,436	\$ 297,771	\$ 3,126,207
Investment earnings	-	2,182,804	5,997	2,188,801
Contribution from Henderson County Hospital Corporation	3,041,525	1,125,364	1,916,161	3,041,525
Miscellaneous	1,528,000	4,840,536	2,045,078	6,885,614
Total	<u>7,396,731</u>	<u>10,977,140</u>	<u>4,265,007</u>	<u>15,242,147</u>
<b>Expenditures:</b>				
General government	<u>127,730,861</u>	<u>99,974,312</u>	<u>18,836,877</u>	<u>118,811,189</u>
Total general government	<u>127,730,861</u>	<u>99,974,312</u>	<u>18,836,877</u>	<u>118,811,189</u>
<b>Debt Service:</b>				
Advanced payment to escrow agent	4,841,690	4,841,690	-	4,841,690
Interest and fees	<u>1,598,094</u>	<u>1,638,428</u>	<u>64,226</u>	<u>1,702,654</u>
Total debt service	<u>6,439,784</u>	<u>6,480,118</u>	<u>64,226</u>	<u>6,544,344</u>
Total expenditures	<u>134,170,645</u>	<u>106,454,430</u>	<u>18,901,103</u>	<u>125,355,533</u>
Revenues over (under) expenditures	<u>(126,773,914)</u>	<u>(95,477,290)</u>	<u>(14,636,096)</u>	<u>(110,113,386)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (out):				
To General Fund	(1,645,300)	(1,608,300)	(37,000)	(1,645,300)
Transfers in:				
From General Fund	11,247,934	9,168,832	230,000	9,398,832
From Capital Reserve Fund	4,160,316	3,818,055	75,000	3,893,055
From Travel and Tourism Fund	125,000	132,359	-	132,359
From Emergency Telephone System Fund	3,600,000	3,433,294	-	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)	<u>18,758,220</u>	<u>16,214,510</u>	<u>268,000</u>	<u>16,482,510</u>
Debt issued	81,734,536	77,054,535	4,680,000	81,734,535
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	3,525,385	345,265	3,870,650
Insurance proceeds	6,000,000	6,107,284	-	6,107,284
Appropriated fund balance	<u>12,337,339</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>126,773,914</u>	<u>107,696,802</u>	<u>5,293,265</u>	<u>112,990,067</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,219,512</u>	<u>(9,342,831)</u>	<u>\$ 2,876,681</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>12,219,512</u>	
End of year - June 30			<u>\$ 2,876,681</u>	

## 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, 2017

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,660,291	42,330	1,702,621
Miscellaneous	-	1,457,896	151,788	1,609,684
Total revenues	<u>456,629</u>	<u>3,574,816</u>	<u>194,118</u>	<u>3,768,934</u>
<b>Expenditures:</b>				
Capital outlay:				
General education	<u>91,637,199</u>	<u>75,848,152</u>	<u>11,316,882</u>	<u>87,165,034</u>
Total expenditures	<u>91,637,199</u>	<u>75,848,152</u>	<u>11,316,882</u>	<u>87,165,034</u>
<b>Debt Service:</b>				
Interest and fees	<u>200,364</u>	<u>-</u>	<u>200,364</u>	<u>200,364</u>
Revenues over (under) expenditures	<u>(91,380,934)</u>	<u>(72,273,336)</u>	<u>(11,323,128)</u>	<u>(83,596,464)</u>
<b>Other Financing Sources (Uses):</b>				
Installment financing issued	87,968,574	73,368,574	14,600,000	87,968,574
Bond premiums issued	1,327,942	-	982,676	982,676
Transfers in:				
From General Fund	1,595,000	795,000	800,000	1,595,000
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>1,314,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>91,380,934</u>	<u>73,338,574</u>	<u>16,382,676</u>	<u>89,721,250</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,065,238</u>	<u>5,059,548</u>	<u>\$ 6,124,786</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>1,065,238</u>	
End of year - June 30			<u>\$ 6,124,786</u>	



## **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.

**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.

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

**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, 2017

	<u>Nonmajor Special Revenue Funds</u>		
	<u>Revaluation Reserve Fund</u>	<u>Emergency Telephone System Fund (E-911)</u>	<u>Public Transit Fund</u>
<b>Assets:</b>			
Cash and investments	\$ -	\$ 88,342	\$ 1,203,744
Accounts receivable, net	-	76,314	8,801
Prepaid items	28,365	-	-
Restricted cash	283,281	-	-
	<u>283,281</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 311,646</u>	<u>\$ 164,656</u>	<u>\$ 1,212,545</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ 218	\$ 4,874
Liabilities to be paid from restricted assets	9,225	-	-
Total liabilities	<u>9,225</u>	<u>218</u>	<u>4,874</u>
<b>Fund Balances:</b>			
Non-spendable			
Prepaid items	28,365	-	-
Restricted:			
Stabilization for State statute	-	76,314	8,801
Restricted, all other	-	88,124	1,198,870
Committed	274,056	-	-
Total fund balances	<u>302,421</u>	<u>164,438</u>	<u>1,207,671</u>
Total liabilities and fund balances	<u>\$ 311,646</u>	<u>\$ 164,656</u>	<u>\$ 1,212,545</u>

HENDERSON COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<b>Nonmajor Capital Project Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>General Capital Reserve Fund</b>	<b>Totals June 30, 2017</b>	<b>Debt Service Fund</b>	
<b>Assets:</b>				
Cash and investments	\$ 729,602	\$ 2,021,688	\$ 4,932,241	\$ 6,953,929
Accounts receivable, net	-	85,115	-	85,115
Prepaid items	-	28,365	-	28,365
Restricted cash	-	283,281	-	283,281
Total assets	<u>\$ 729,602</u>	<u>\$ 2,418,449</u>	<u>\$ 4,932,241</u>	<u>\$ 7,350,690</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 5,092	\$ -	\$ 5,092
Liabilities to be paid from restricted assets	-	9,225	-	9,225
Total liabilities	<u>-</u>	<u>14,317</u>	<u>-</u>	<u>14,317</u>
<b>Fund Balances:</b>				
Non-spendable				
Prepays	-	28,365	-	28,365
Restricted				
Stabilization for State statute	-	85,115	-	85,115
Restricted, all other	-	1,286,994	-	1,286,994
Committed	729,602	1,003,658	4,932,241	5,935,899
Total fund balances	<u>729,602</u>	<u>2,404,132</u>	<u>4,932,241</u>	<u>7,336,373</u>
Total liabilities and fund balances	<u>\$ 729,602</u>	<u>\$ 2,418,449</u>	<u>\$ 4,932,241</u>	<u>\$ 7,350,690</u>

**HENDERSON COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Nonmajor Special Revenue Funds</u>		
	<u>Revaluation Reserve Fund</u>	<u>Emergency Telephone System Fund (E-911)</u>	<u>Public Transit Fund</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,007,586	\$ -	\$ -
Restricted intergovernmental revenues	-	24,748	401,806
Sales and services	-	618,793	-
Investment earnings	2,447	1,294	-
Total revenues	<u>1,010,033</u>	<u>644,835</u>	<u>401,806</u>
<b>Expenditures:</b>			
Current:			
General government	962,523	-	-
Public safety	-	658,436	-
Economic and physical development	-	-	555,457
Total expenditures	<u>962,523</u>	<u>658,436</u>	<u>555,457</u>
Revenues over (under) expenditures	<u>47,510</u>	<u>(13,601)</u>	<u>(153,651)</u>
<b>Other Financing Sources (Uses):</b>			
General Fund	-	-	213,145
General Capital Reserve	-	-	-
General Capital Projects Fund	-	-	-
Debt Service Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>213,145</u>
Net change in fund balances	47,510	(13,601)	59,494
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>254,911</u>	<u>178,039</u>	<u>1,148,177</u>
End of year - June 30	<u>\$ 302,421</u>	<u>\$ 164,438</u>	<u>\$ 1,207,671</u>

**HENDERSON COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Nonmajor Capital Project Fund</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>General Capital Reserve Fund</b>	<b>Totals June 30, 2017</b>	<b>Debt Service Fund</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ 1,007,586	\$ -	\$ 1,007,586
Restricted intergovernmental revenues	-	426,554	-	426,554
Sales and services	-	618,793	-	618,793
Investment earnings	-	3,741	-	3,741
Total revenues	-	<u>2,056,674</u>	-	<u>2,056,674</u>
<b>Expenditures:</b>				
Current:				
General government	-	962,523	-	962,523
Public safety	-	658,436	-	658,436
Economic and physical development	-	555,457	-	555,457
Total expenditures	-	<u>2,176,416</u>	-	<u>2,176,416</u>
Revenues over (under) expenditures	-	<u>(119,742)</u>	-	<u>(119,742)</u>
<b>Other Financing Sources (Uses):</b>				
General Fund	75,000	288,145	3,417,781	3,705,926
General Capital Reserve	-	-	923,463	923,463
General Capital Projects Fund	(75,000)	(75,000)	-	(75,000)
Debt Service Fund	<u>(923,463)</u>	<u>(923,463)</u>	-	<u>(923,463)</u>
Total other financing sources (uses)	<u>(923,463)</u>	<u>(710,318)</u>	<u>4,341,244</u>	<u>3,630,926</u>
Net change in fund balances	(923,463)	(830,060)	4,341,244	3,511,184
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>1,653,065</u>	<u>3,234,192</u>	<u>590,997</u>	<u>3,825,189</u>
End of year - June 30	<u>\$ 729,602</u>	<u>\$ 2,404,132</u>	<u>\$ 4,932,241</u>	<u>\$ 7,336,373</u>

**HENDERSON COUNTY, NORTH CAROLINA**

**REVALUATION RESERVE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2017**

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

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,007,586	\$ 1,007,586	\$ -	\$ 900,629
Investment earnings	-	2,447	2,447	2,902
Total revenues	<u>1,007,586</u>	<u>1,010,033</u>	<u>2,447</u>	<u>903,531</u>
<b>Expenditures:</b>				
Current:				
General government	<u>1,007,586</u>	<u>962,523</u>	<u>45,063</u>	<u>807,645</u>
Total expenditures	<u>1,007,586</u>	<u>962,523</u>	<u>45,063</u>	<u>807,645</u>
Net change in fund balance	<u>\$ -</u>	47,510	<u>\$ 47,510</u>	95,886
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>254,911</u>		<u>159,025</u>
End of year - June 30		<u>\$ 302,421</u>		<u>\$ 254,911</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ 83,305	\$ 1,294	\$ (82,011)	\$ 4,955
Restricted intergovernmental revenues	-	24,748	24,748	61,683
Subscriber charges	618,756	618,793	37	641,495
Total revenues	<u>702,061</u>	<u>644,835</u>	<u>(57,226)</u>	<u>708,133</u>
<b>Expenditures:</b>				
Current:				
Public safety	702,061	658,436	43,625	912,812
Total expenditures	<u>702,061</u>	<u>658,436</u>	<u>43,625</u>	<u>912,812</u>
Revenues over (under) expenditures	-	(13,601)	(13,601)	(204,679)
<b>Other Financing Sources (Uses):</b>				
Transfers out:				
To General Capital Projects Fund	-	-	-	(61,683)
Total other financing sources (uses)	-	-	-	(61,683)
Net change in fund balance	<u>\$ -</u>	<u>(13,601)</u>	<u>\$ (13,601)</u>	<u>(266,362)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>178,039</u>		<u>444,401</u>
End of year - June 30		<u>\$ 164,438</u>		<u>\$ 178,039</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 702,406	\$ 401,806	\$ (300,600)	\$ 626,066
Total revenues	<u>702,406</u>	<u>401,806</u>	<u>(300,600)</u>	<u>626,066</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	<u>953,576</u>	<u>555,457</u>	<u>398,119</u>	<u>646,896</u>
Total expenditures	<u>953,576</u>	<u>555,457</u>	<u>398,119</u>	<u>646,896</u>
Revenues over (under) expenditures	<u>(251,170)</u>	<u>(153,651)</u>	<u>97,519</u>	<u>(20,830)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
General Fund	213,145	213,145	-	192,962
Appropriated fund balance	<u>38,025</u>	<u>-</u>	<u>(38,025)</u>	<u>-</u>
Total other financing sources (uses)	<u>251,170</u>	<u>213,145</u>	<u>(38,025)</u>	<u>192,962</u>
Net change in fund balance	<u>\$ -</u>	<u>59,494</u>	<u>\$ 59,494</u>	<u>172,132</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,148,177</u>		<u>976,045</u>
End of year - June 30		<u>\$ 1,207,671</u>		<u>\$ 1,148,177</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Transfers out:				
To General Capital Projects Fund	\$ (75,000)	\$ (75,000)	\$ -	\$ -
To Debt Service Fund	(923,463)	(923,463)	-	-
Transfers in:				
From General Fund	75,000	75,000	-	75,000
Appropriated fund balance	<u>923,463</u>	<u>-</u>	<u>(923,463)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(923,463)</u>	<u>(923,463)</u>	<u>75,000</u>
Net change in fund balance	<u>\$ -</u>	<u>(923,463)</u>	<u>\$ (923,463)</u>	75,000
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,653,065</u>		<u>1,578,065</u>
End of year - June 30		<u>\$ 729,602</u>		<u>\$ 1,653,065</u>

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## **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, 2017**

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

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Expenditures:</b>				
Debt service:				
Principal repayments	\$ 2,413,594	\$ -	\$ 2,413,594	\$ -
Interest	<u>1,927,650</u>	<u>-</u>	<u>1,927,650</u>	<u>-</u>
Total expenditures	<u>4,341,244</u>	<u>-</u>	<u>4,341,244</u>	<u>-</u>
Revenues over (under) expenditures	<u>(4,341,244)</u>	<u>-</u>	<u>4,341,244</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	3,417,781	3,417,781	-	590,997
From Capital Reserve Fund	<u>923,463</u>	<u>923,463</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>4,341,244</u>	<u>4,341,244</u>	<u>-</u>	<u>590,997</u>
Net change in fund balance	<u>\$ -</u>	4,341,244	<u>\$ 4,341,244</u>	590,997
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>590,997</u>		<u>-</u>
End of year - June 30		<u>\$ 4,932,241</u>		<u>\$ 590,997</u>

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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, 2017

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

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues	\$ 5,853,955	\$ 6,031,492	\$ 177,537	\$ 5,621,286
Operating grants	138,200	159,490	21,290	157,751
Non-operating revenues:				
Sale of capital assets	1,710	1,710	-	-
Interest income	7,500	9,501	2,001	7,258
Total revenues	<u>6,001,365</u>	<u>6,202,193</u>	<u>200,828</u>	<u>5,786,295</u>
<b>Expenditures:</b>				
Salaries and employee benefits	765,197	756,863	8,334	803,705
Other operating expenditures	4,444,502	4,115,959	328,543	3,630,599
Repairs and maintenance	665,398	665,398	-	174,510
Capital outlay	-	-	-	192,952
Total expenditures	<u>5,875,097</u>	<u>5,538,220</u>	<u>336,877</u>	<u>4,801,766</u>
<b>Debt Service:</b>				
Interest paid	46,935	46,933	2	46,453
Principal retirement	133,333	133,333	-	133,333
Total debt service	<u>180,268</u>	<u>180,266</u>	<u>2</u>	<u>179,786</u>
Revenues over (under) expenditures	<u>(54,000)</u>	<u>483,707</u>	<u>(136,051)</u>	<u>804,743</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	<u>54,000</u>	<u>54,000</u>	<u>-</u>	<u>54,000</u>
Total other financing sources (uses)	<u>54,000</u>	<u>54,000</u>	<u>-</u>	<u>54,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>537,707</u>	<u>\$ 537,707</u>	<u>\$ 858,743</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Change in other post-employment benefits		(2,975)		
Principal paid on debt		133,333		
Change in compensated absences		(1,410)		
Increase in net pension liability		(198,007)		
Change in deferred outflows of resources - pension		166,882		
Change in deferred inflows of resources - pension		17,392		
Pension expense		(13,733)		
Post-closure care costs		(112,805)		
Depreciation		(250,548)		
Total reconciling items		<u>(261,871)</u>		
Change in net position		<u>\$ 275,836</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, 2017**

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

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues	\$ 1,451,151	\$ 1,530,122	\$ 78,971	\$ 1,436,976
Restricted intergovernmental	-	537,339	537,339	200,000
Non-operating revenues:				
Interest income	20,000	20,942	942	41,793
Total revenues	<u>1,471,151</u>	<u>2,088,403</u>	<u>617,252</u>	<u>1,678,769</u>
<b>Expenditures:</b>				
Water and sewer administration:				
Operating expenditures	861,827	848,278	13,549	833,603
Repairs and maintenance	105,500	104,932	568	88,057
Capital outlay	<u>1,707,900</u>	<u>1,707,849</u>	<u>51</u>	<u>1,643,305</u>
Total water and sewer administration	<u>2,675,227</u>	<u>2,661,059</u>	<u>14,168</u>	<u>2,564,965</u>
<b>Debt Service:</b>				
Interest paid	18,747	18,169	578	25,820
Principal retirement	<u>197,177</u>	<u>197,176</u>	<u>1</u>	<u>223,532</u>
Total debt service	<u>215,924</u>	<u>215,345</u>	<u>579</u>	<u>249,352</u>
Revenues over (under) expenditures	<u>(1,420,000)</u>	<u>(788,001)</u>	<u>631,999</u>	<u>(1,135,548)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated retained earnings	<u>1,420,000</u>	-	<u>(1,420,000)</u>	-
Total other financing sources (uses)	<u>1,420,000</u>	-	<u>(1,420,000)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(788,001)</u>	<u>\$ (788,001)</u>	<u>\$ (1,135,548)</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Capital contribution		832,040		
Capital outlay, capitalized		1,707,849		
Principal paid on debt		197,176		
Bond premium amortization		9,178		
Change in compensated absences		5,026		
Depreciation		<u>(537,056)</u>		
Total reconciling items		<u>2,214,213</u>		
Change in net position		<u>\$ 1,426,212</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, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues	\$ 38,880	\$ 38,880	\$ -	\$ 38,880
Non-operating revenues:				
Interest income	-	5,806	5,806	8,499
Total revenues	38,880	44,686	5,806	47,379
<b>Expenditures:</b>				
Water and sewer administration:				
Salaries and employee benefits				
Operating expenditures	58,999	29,783	29,216	29,591
Repairs and maintenance	5,822	5,822	-	3,938
Total expenditures	64,821	35,605	29,216	33,529
Revenues over (under) expenditures	(25,941)	9,081	35,022	13,850
<b>Other Financing Sources (Uses):</b>				
Appropriated retained earnings	25,941	-	(25,941)	-
Total other financing sources (uses)	25,941	-	(25,941)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	9,081	\$ 9,081	\$ 13,850
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Contributions made to the pension plan in the current fiscal year				
Pension expense				
Depreciation		(10,863)		
Total reconciling items		(10,863)		
Change in net position		\$ (1,782)		

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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, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Social Services Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 41,085	\$ 378,374	\$ 379,531	\$ 39,928
<b>Liabilities:</b>				
Intergovernmental payable	\$ 41,085	\$ 378,374	\$ 379,531	\$ 39,928
<b>Agriculture Fund:</b>				
<b>Assets:</b>				
Cash and accounts receivable	\$ 17,513	\$ 19,983	\$ 18,302	\$ 19,194
<b>Liabilities:</b>				
Intergovernmental payable	\$ 17,513	\$ 19,983	\$ 18,302	\$ 19,194
<b>Flexible Spending Fund:</b>				
<b>Assets:</b>				
Cash and accounts receivable	\$ -	\$ 204,315	\$ 204,315	\$ -
<b>Liabilities:</b>				
Intergovernmental payable	\$ -	\$ 204,315	\$ 204,315	\$ -
<b>Fireman's Association Fund:</b>				
<b>Assets:</b>				
Cash and accounts receivable	\$ 76,678	\$ 65,668	\$ 10,289	\$ 132,057
<b>Liabilities:</b>				
Intergovernmental payable	\$ 76,678	\$ 65,668	\$ 10,289	\$ 132,057
<b>Land Development Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 30,107	\$ -	\$ 30,107
<b>Liabilities:</b>				
Intergovernmental payable	\$ -	\$ 30,107	\$ -	\$ 30,107

## HENDERSON COUNTY, NORTH CAROLINA

### AGENCY FUNDS

#### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>School Fines and Forfeitures Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 445,903	\$ 445,903	\$ -
<b>Liabilities:</b>				
Intergovernmental payable	\$ -	\$ 445,903	\$ 445,903	\$ -
<b>Deed of Trust Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 9,238	\$ 97,408	\$ 97,129	\$ 9,517
<b>Liabilities:</b>				
Intergovernmental payable	\$ 9,238	\$ 97,408	\$ 97,129	\$ 9,517
<b>Other Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 457,925	\$ 3,893,723	\$ 3,650,394	\$ 701,254
<b>Liabilities:</b>				
Intergovernmental payable	\$ 457,925	\$ 3,893,723	\$ 3,650,394	\$ 701,254
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and receivables	\$ 602,439	\$ 5,135,481	\$ 4,805,863	\$ 932,057
<b>Liabilities:</b>				
Intergovernmental payable	\$ 602,439	\$ 5,135,481	\$ 4,805,863	\$ 932,057



## **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, 2017**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 75,988,660	\$ 75,144,180	\$ 844,480
2015-2016	932,453	-	673,517	258,936
2014-2015	229,047	-	87,834	141,213
2013-2014	217,330	-	47,756	169,574
2012-2013	225,147	-	41,288	183,859
2011-2012	177,649	-	21,953	155,696
2010-2011	173,599	-	27,431	146,168
2009-2010	151,464	-	26,276	125,188
2008-2009	180,856	-	21,560	159,296
2007-2008	179,040	-	25,296	153,744
2006-2007	239,293	-	239,293	-
Total	<u>\$ 2,705,878</u>	<u>\$ 75,988,660</u>	<u>\$ 76,356,384</u>	<u>2,338,154</u>
Less: allowance for uncollectible accounts: General Fund				<u>(1,108,418)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 1,229,736</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 75,352,055
Ad valorem taxes - Revaluation Fund				<u>1,007,586</u>
Total ad valorem taxes				76,359,641
Reconciling items:				
Interest				321,717
Tax refunds				(395,171)
Other miscellaneous adjustments				(169,096)
Amounts written off per Statute of Limitations				<u>239,293</u>
Total collections and credits				<u>\$ 76,356,384</u>

## HENDERSON COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2017

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$13,419,357,830	\$ 0.5650	\$ 75,819,372	\$ 69,870,805	\$ 5,948,567
Total	<u>13,419,357,830</u>		<u>75,819,372</u>	<u>69,870,805</u>	<u>5,948,567</u>
<b>Discoveries:</b>					
Current year taxes	109,519,002	0.5650	618,782	618,782	-
Prior year taxes	23,343,889	0.5650	131,893	131,893	-
Penalties	-		143,070	117,009	26,061
Total	<u>132,862,891</u>		<u>893,745</u>	<u>867,684</u>	<u>26,061</u>
<b>Releases</b>	<u>(128,222,440)</u>	0.5650	<u>(724,457)</u>	<u>(628,104)</u>	<u>(96,353)</u>
Total property valuation	<u>\$13,423,998,281</u>				
<b>Net Levy</b>			75,988,660	70,110,385	5,878,275
Uncollected taxes at June 30, 2017			<u>(844,480)</u>	<u>(836,623)</u>	<u>(7,857)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 75,144,180</u>	<u>\$ 69,273,762</u>	<u>\$ 5,870,418</u>
<b>Current Levy Collection Percentage</b>			<u>98.89%</u>	<u>98.81%</u>	<u>99.87%</u>

**HENDERSON COUNTY, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2017**

**Secondary Market Disclosures:**

Assessed Valuation:

Assessment ratio (1) 86.75%

Real property	\$	11,090,655,624
Personal Property		2,075,570,365
Public service companies (2)		<u>257,772,292</u>

Total assessed valuation \$ 13,423,998,281

Tax rate per \$100 \$ 0.5650

Levy (includes discoveries, releases and abatements) (3) \$ 75,988,660

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, 2017:

Fire protection districts		<u>8,118,123</u>
---------------------------	--	------------------

Total	\$	<u>84,106,783</u>
-------	----	-------------------

- (1) Percentage of appraised value has been established by statute.
- (2) Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.
- (3) The levy includes interest and penalties.

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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  
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 70,393,139
Restricted	346,809	-	343,790	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944	11,451,067	11,882,299
Unrestricted	(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)	(26,929,929)
Total governmental activities	\$ 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	\$ 55,345,509
Business-type activities										
Net investment in capital assets	\$ 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	\$ 24,244,707
Unrestricted	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	2,068,469
Total business-type activities	\$ 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	\$ 26,313,176
Primary government										
Net investment in capital assets	\$ 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	\$ 94,637,846
Restricted	346,809	-	343,790	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944	11,451,067	11,882,299
Unrestricted	(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)	(24,861,460)
Total primary government net position	\$ 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	\$ 81,658,685

**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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 36,563,329
Public safety	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	38,211,707
Environmental protection	715,577	819,015	620,661	759,241	678,682	921,122	424,250	338,819	531,160	365,917
Economic and physical development	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	3,048,352
Human Services	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	28,971,340
Cultural and recreation	3,712,969	3,139,072	4,522,826	4,657,512	3,497,027	2,554,407	4,496,879	4,553,125	4,596,332	4,765,661
Education	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	29,320,894
Interest on long term debt	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	3,505,326
Total governmental activities	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	144,752,526
Business-type activities:										
Landfill	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	5,980,357
Cane Creek water and sewer	771,571	852,213	907,057	921,563	1,039,398	882,351	1,609,949	1,307,043	1,460,943	1,494,231
Other business-type activities	36,104	42,278	41,848	52,167	42,970	53,247	46,677	52,100	44,392	46,468
Total business-type activities	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	7,521,056
<b>Total primary government expenses</b>	<b>\$ 127,629,579</b>	<b>\$ 146,150,788</b>	<b>\$ 125,470,051</b>	<b>\$ 123,547,216</b>	<b>\$ 114,292,499</b>	<b>\$ 115,653,824</b>	<b>\$ 118,314,219</b>	<b>\$ 121,501,966</b>	<b>\$ 132,370,466</b>	<b>\$ 152,273,582</b>
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government	\$ 737,144	\$ 631,057	\$ 565,665	\$ 2,877,560	\$ 631,150	\$ 711,063	\$ 672,612	\$ 783,476	\$ 798,409	\$ 1,645,719
Public safety	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	6,142,725
Economic and physical development	1,652,472	1,818,025	1,687,452	1,311,193	1,305,720	1,376,578	1,440,014	1,461,757	1,329,370	1,361,476
Human services	2,518,859	2,837,931	5,366,580	447,382	557,456	472,234	504,719	537,524	599,761	638,328
Cultural and recreation	283,541	243,102	245,224	436,437	167,661	157,272	180,563	195,252	227,410	232,412
Operating grants and contributions:										
General government	727,155	841,768	974,454	1,827,808	2,127,237	2,064,465	461,373	534,848	730,585	1,899,583
Public safety	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	1,479,324
Environmental protection	504,249	681,813	47,252	78,413	47,133	47,255	57,655	100,086	-	101,476
Economic and physical development	1,000,987	1,350,792	81,645	303,595	363,456	1,004,929	1,027,427	1,093,432	1,557,603	896,409
Human services	15,919,725	18,171,953	17,675,287	17,460,691	16,014,799	15,971,818	15,853,571	18,368,282	16,964,187	16,722,441
Cultural and recreation	280,165	267,173	242,402	230,446	197,661	202,240	206,592	213,366	298,926	294,362
Education	800,000	959,681	1,327,362	1,635,063	1,021,661	935,017	954,977	883,468	1,261,483	815,492
Capital grants and contributions:										
General government	-	-	48,242	-	-	-	-	-	1,125,364	1,916,161
Environmental protection	-	-	740,216	-	-	-	-	-	-	-
Economic and physical development	-	-	880,680	469,493	337,184	-	-	-	-	-
Education	-	-	-	139,428	120,744	-	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>\$ 31,025,694</b>	<b>\$ 33,508,705</b>	<b>\$ 31,173,789</b>	<b>\$ 32,300,048</b>	<b>\$ 29,031,428</b>	<b>\$ 28,958,335</b>	<b>\$ 29,340,895</b>	<b>\$ 34,330,621</b>	<b>\$ 31,532,567</b>	<b>\$ 34,145,908</b>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services	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	8,137,833
Operating grants and contributions	534,877	201,061	135,743	148,645	115,892	246,534	150,304	168,144	157,751	159,490
Capital grants and contributions	721,353	228,096	162,590	77,092	672,883	106,573	283,260	183,052	945,795	832,040
Total business-type activities program revenues	7,283,210	6,046,031	5,888,523	5,486,755	6,449,893	5,915,469	6,309,202	6,952,338	8,400,688	9,129,363
Total primary government program revenues	\$ 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	\$ 43,275,271
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (110,606,618)
Business-type activities	2,483,105	1,041,000	574,521	201,710	693,755	153,562	(451,643)	616,341	1,891,418	1,608,307
Total primary government net (expense)/revenue	\$ (89,320,675)	\$ (106,596,052)	\$ (88,407,739)	\$ (85,760,413)	\$ (78,811,178)	\$ (80,780,020)	\$ (82,664,122)	\$ (80,219,007)	\$ (92,437,211)	\$ (108,998,311)

**General Revenues and Other Changes in Net Position**

Governmental activities:										
Property taxes	\$ 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	\$ 85,178,794
Local option sales tax	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	25,389,345
Other taxes and licenses	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	1,318,447
Grants and contributions not restricted	27,035	58,351	-	-	-	-	-	-	-	-
Investment earnings	2,780,131	1,161,801	614,221	821,618	761,199	675,387	(170,434)	444,340	674,764	660,977
Gain on sale	-	-	-	-	-	-	-	3,407,477	-	-
Miscellaneous	-	-	-	-	-	6,000,125	107,159	-	-	-
Transfers	218,144	165,492	179,064	198,359	112,105	849,231	(54,000)	(49,480)	(54,000)	(54,000)
Total governmental activities:	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	112,493,563
Business-type activities:										
Investment earnings	317,517	446,576	48,271	104,001	98,272	92,795	53,943	45,849	57,550	37,959
Transfers	(218,144)	(165,492)	(179,064)	(198,359)	(112,105)	(849,231)	54,000	49,481	54,000	54,000
Total business-type activities	99,373	281,084	(130,793)	(94,358)	(13,833)	(756,436)	107,943	95,330	111,550	91,959
Total primary government	\$ 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	\$ 112,585,522

**Change in Net Position**

Governmental activities	\$ 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	\$ 1,886,945
Business-type activities	2,582,478	1,322,084	443,728	107,352	679,922	(602,874)	(343,700)	711,671	2,002,968	1,700,266
Total primary government	\$ 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	\$ 3,587,211

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable:										
Inventories	\$ 14,386	\$ 25,843	\$ 34,082	\$ 46,785	\$ 61,586	\$ 58,923	\$ 57,349	\$ 50,999	\$ 54,995	\$ 56,255
Prepays	98,803	92,671	136,140	145,801	124,902	152,058	178,654	227,910	210,479	260,721
Restricted:										
Stabilization for State statute	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	9,556,154
Restricted, all other	346,809	324,500	343,790	258,575	161,443	199,106	177,966	210,668	181,130	208,471
Committed:										
Assigned for subsequent year's expenditures	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	11,927,320
Assigned all other	26,996	37,422	87,492	305,525	77,195	175,128	220,978	224,033	179,625	512,301
Unassigned:	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	27,817,837
Total General Fund	\$ 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	\$ 50,339,059
All Other Governmental Funds										
Nonspendable:										
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,337	\$ 28,365
Restricted:										
Stabilization for State statute	273,611	409,967	526,857	962,962	608,963	284,997	619,125	351,130	662,353	498,849
Restricted, all other	-	-	-	3,413,004	3,476,356	3,662,858	3,993,721	1,457,705	8,493,457	6,742,264
Committed:										
Special revenue and debt service funds	4,127,851	4,165,361	5,549,793	1,115,294	1,319,314	1,510,873	552,441	3,714,300	3,564,211	5,935,899
Capital project funds	32,637,787	6,114,403	9,320,682	4,775,469	1,628,356	9,148,014	9,295,256	7,686,242	4,637,656	3,202,932
Assigned all other:	-	-	-	7,834	310,293	-	-	-	-	-
Unassigned:	-	-	-	(19,551)	47,907	(71,825)	(196,705)	(51,791)	(250,075)	(70,469)
Total all other governmental funds	\$ 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	\$ 16,337,840

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

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Revenues</b>					
Taxes:					
Property	\$ 64,439,584	\$ 66,018,584	\$ 67,108,338	\$ 67,640,556	\$ 68,869,266
Sales	23,380,137	20,674,811	16,265,083	16,463,074	17,504,095
Other	2,646,547	1,853,877	1,716,654	1,839,151	1,647,165
Total taxes	<u>90,466,268</u>	<u>88,547,272</u>	<u>85,090,075</u>	<u>85,942,781</u>	<u>88,020,526</u>
Intergovernmental	19,838,087	23,056,971	22,579,216	23,955,738	20,506,382
Permits and Fees	2,555,970	1,259,149	1,303,741	1,259,908	1,570,092
Sales and Services	7,395,847	8,060,928	5,606,937	5,808,063	5,204,757
Investment Earnings	2,780,131	1,161,801	614,221	821,618	761,199
Capital Contribution from Hospital Corporation	-	-	-	-	-
Miscellaneous	2,732,901	1,708,592	1,692,157	1,289,906	2,158,119
Total Revenues	<u>125,769,204</u>	<u>123,794,713</u>	<u>116,886,347</u>	<u>119,078,014</u>	<u>118,221,075</u>
<b>Expenditures</b>					
General Government	13,046,727	14,533,347	10,460,904	17,181,746	11,345,895
Public Safety	27,503,940	28,865,600	30,198,709	31,113,589	30,683,571
Environmental Protection	715,577	821,125	612,539	645,457	579,882
Economic and Physical Development	2,900,510	3,096,497	2,823,059	3,414,401	3,333,698
Human Services	31,776,627	32,308,980	28,796,898	28,494,208	26,736,224
Culture and Recreation	3,618,956	3,018,141	4,283,758	4,462,354	3,829,304
Education	36,524,184	48,916,897	32,884,958	29,708,049	22,798,061
Capital Outlay	14,678,560	3,321,887	1,197,171	2,433,642	3,231,758
Debt Service:					
Principal	7,535,472	14,324,588	8,947,223	9,654,619	10,189,756
Interest	4,640,599	5,505,708	5,612,835	4,929,086	5,084,218
Advanced payment to escrow agent	-	-	-	-	-
Total Expenditures	<u>142,941,152</u>	<u>154,712,770</u>	<u>125,818,054</u>	<u>132,037,151</u>	<u>117,812,367</u>
Excess of revenues over (under) expenditures	<u>(17,171,948)</u>	<u>(30,918,057)</u>	<u>(8,931,707)</u>	<u>(12,959,137)</u>	<u>408,708</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	2,540,801	1,828,034	4,000,986	2,217,302	1,339,807
Transfers out	(2,322,657)	(1,662,542)	(3,821,922)	(2,018,943)	(1,205,208)
Refunding bonds issued	-	-	17,037,084	-	-
Payment to bond escrow agent	-	-	(17,282,996)	-	-
Bond premium	-	-	848,430	-	-
Insurance proceeds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Debt issued	32,273,000	5,645,000	14,687,899	7,744,460	249,378
Contribution to TDA	-	-	-	-	-
Total other financing sources (uses)	<u>32,491,144</u>	<u>5,810,492</u>	<u>15,469,481</u>	<u>7,942,819</u>	<u>383,977</u>
Net change in fund balances	<u>\$ 15,319,196</u>	<u>\$ (25,107,565)</u>	<u>\$ 6,537,774</u>	<u>\$ (5,016,318)</u>	<u>\$ 792,685</u>
Debt service as a percentage of noncapital expenditures	9.49%	13.10%	11.73%	11.84%	13.35%

Fiscal Year				
2013	2014	2015	2016	2017
\$ 69,683,310	\$ 72,442,683	\$ 72,424,338	\$ 77,170,890	\$ 85,314,390
18,596,584	19,760,279	21,620,139	23,366,239	25,389,345
1,020,464	931,782	1,029,292	1,140,741	1,264,544
<u>89,300,358</u>	<u>93,134,744</u>	<u>95,073,769</u>	<u>101,677,870</u>	<u>111,968,279</u>
20,714,436	20,706,830	25,071,921	20,645,727	19,815,299
1,638,646	1,619,034	1,826,678	1,733,166	1,982,065
5,657,362	6,362,816	6,708,720	7,079,053	8,030,057
675,311	(170,434)	444,340	674,764	660,977
-	-	-	1,125,364	1,916,161
1,112,638	836,742	742,227	1,066,521	2,845,046
<u>119,098,751</u>	<u>122,489,732</u>	<u>129,867,655</u>	<u>134,002,465</u>	<u>147,217,884</u>
13,818,252	12,558,117	13,889,012	15,013,218	15,580,807
30,360,366	31,855,136	32,437,433	35,111,117	37,219,677
770,928	353,846	349,239	535,599	351,476
2,778,708	2,573,661	3,729,355	3,434,656	2,918,600
26,102,907	27,215,341	28,095,417	28,615,327	28,251,082
4,087,986	4,343,834	4,510,926	4,472,608	4,623,841
24,025,977	25,214,625	26,739,498	28,845,578	29,307,235
3,862,734	2,754,492	7,524,391	26,458,990	30,153,759
10,630,317	10,924,205	13,962,623	10,937,860	11,434,004
3,967,959	3,166,375	2,604,552	3,191,203	3,397,491
4,841,690	-	-	-	-
<u>125,247,824</u>	<u>120,959,632</u>	<u>133,842,446</u>	<u>156,616,156</u>	<u>163,237,972</u>
(6,149,073)	1,530,100	(3,974,791)	(22,613,691)	(16,020,088)
6,848,652	2,873,913	5,538,729	1,603,723	4,847,926
(5,999,421)	(2,927,913)	(5,588,209)	(1,657,723)	(4,901,926)
41,151,000	-	-	-	-
(36,110,000)	-	-	-	-
-	-	-	2,676,955	1,327,941
6,000,125	107,159	-	-	-
-	-	3,407,477	-	-
413,539	308,997	163,978	26,785,000	19,280,000
(461,316)	-	-	-	-
<u>11,842,579</u>	<u>362,156</u>	<u>3,521,975</u>	<u>29,407,955</u>	<u>20,553,941</u>
<u>\$ 5,693,506</u>	<u>\$ 1,892,256</u>	<u>\$ (452,816)</u>	<u>\$ 6,794,264</u>	<u>\$ 4,533,853</u>
12.03%	12.13%	12.84%	10.63%	11.14%

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)
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)	8,111,706,126	1,764,809,652	425,506,400	162,212,486	1,902,281,108	224,319,411	12,590,835,183	0.5136	12,515,740,739
2016	8,553,915,460	1,877,718,659	465,591,800	171,609,823	2,122,436,861	257,772,292	13,449,044,895	0.5136	14,261,977,620
2017	8,975,387,264	1,466,201,559	489,145,200	159,921,601	2,075,570,365	257,772,292	13,423,998,281	0.5650	15,474,349,604

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Henderson County	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5650
Municipality Rates:										
Hendersonville	0.3800	0.3800	0.3800	0.3800	0.4100	0.4100	0.4400	0.4600	0.4600	0.4700
Laurel Park	0.2700	0.2700	0.3100	0.3100	0.3600	0.3600	0.3900	0.4300	0.4300	0.4300
Fletcher	0.2700	0.2700	0.3200	0.3200	0.3250	0.3250	0.3250	0.3400	0.3400	0.3400
Mills River	0.0750	0.0750	0.0750	0.0750	0.0874	0.0974	0.0974	0.1124	0.1800	0.1800
Flat Rock	0.0750	0.0750	0.0750	0.0750	0.0840	0.0840	0.0840	0.1100	0.1100	0.1100
Saluda	0.6050	0.6050	0.5150	0.5150	0.6250	0.6050	0.6050	0.6050	0.6050	0.6050
Downtown - Main Street	0.2500	0.2500	0.2500	0.2500	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
Downtown - Seventh Ave.	0.1000	0.0800	0.0800	0.0800	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Fire Districts:										
Bat Cave	0.0800	0.0900	0.0900	0.0900	0.1000	0.1000	0.1000	0.1200	0.1200	0.1200
Blue Ridge	0.0850	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1200	0.1200	0.1200
Dana	0.1000	0.1000	0.1000	0.1000	0.1100	0.1100	0.1100	0.1300	0.1300	0.1300
Edneyville	0.0850	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050
Etowah-Horse Shoe	0.0800	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050
Fletcher	0.0950	0.0950	0.0950	0.0950	0.1000	0.1000	0.1000	0.1150	0.1150	0.1150
Gerton	0.1150	0.1150	0.1150	0.1150	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250
Green River	0.0600	0.0600	0.0600	0.0600	0.0650	0.0650	0.0700	0.0800	0.0800	0.0800
Mills River	0.0650	0.0650	0.0650	0.0650	0.0750	0.0750	0.0750	0.0900	0.0900	0.0900
Mountain Home	0.0950	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050	0.1200	0.1200	0.1200
Raven Rock	0.0750	0.0750	0.0750	0.0750	0.0850	0.0850	0.0850	0.1000	0.1000	0.1000
Valley Hill	0.0700	0.0700	0.0700	0.0700	0.0800	0.0800	0.0850	0.0950	0.0950	0.0950
Valley Hill II	0.0700	0.0700	0.0700	0.0700	N/A	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**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2017</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Duke Energy Carolinas LLC	Utility	\$ 148,073,370	1	1.10%
Continental Teves Automotive Systems, Inc.	Automotive Brake Systems	100,301,364	2	0.74%
Sierra Nevada Brewing Company	Beverages	97,844,014	3	0.73%
Meritor Heavy Vehicle Systems	Truck Axles	56,480,771	4	0.42%
Kimberly Clark - Berkley Mills	Textiles	52,935,230	5	0.39%
Public Service Company of NC	Lighting Systems	43,487,824	6	0.32%
Ingles Markets	Grocery	38,643,900	7	0.29%
Layman Foundation	Nonprofit Educational	38,364,400	8	0.28%
UPM Raflatac, Inc.	Paper Products	35,976,949	9	0.27%
GE Lighting Solutions	Lighting Systems	31,380,966	10	0.23%
Totals		<u>\$ 643,488,788</u>		4.77%

Source: Henderson County Assessor

N/A - information not available

**Fiscal Year 2007**

	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
\$	109,781,640	1	0.90%
	53,336,474	4	0.44%
	N/A	N/A	N/A
	67,595,570	2	0.55%
	57,423,753	3	0.47%
	27,390,778	8	0.22%
	N/A	N/A	N/A
	6,130,000	N/A	0.05%
	43,138,553	5	0.25%
	20,175,454	N/A	N/A
\$	<u>384,972,222</u>		2.88%

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

Fiscal Year	Taxes Levied for the Fiscal Year		Adjustments		Total Adjusted Levy		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)				Amount	Percentage of Original Levy	Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2008	\$ 58,186,499	\$ 64,973	\$	58,251,472	\$ 56,887,367	97.66%	\$ 1,204,809	99.73%	\$ 58,092,176	99.73%	\$ 153,744
2009	60,238,220	(244,892)		59,993,328	58,473,336	97.47%	1,394,804	99.79%	59,868,140	99.79%	159,296
2010	60,846,087	(276,429)		60,569,659	59,003,033	97.41%	1,420,457	99.76%	60,423,490	99.76%	125,188
2011	61,296,106	(268,085)		61,028,021	58,085,624	95.18%	2,786,701	99.74%	60,872,325	99.74%	146,168
2012	61,814,359	(215,538)		61,598,821	59,928,822	97.29%	1,486,140	99.70%	61,414,962	99.70%	155,696
2013	62,467,870	(155,714)		62,312,153	60,535,291	97.17%	1,607,288	99.73%	62,142,579	99.73%	183,859
2014	64,735,610	228,522		64,964,132	63,251,387	97.04%	1,571,532	99.78%	64,822,919	99.78%	169,574
2015	65,114,773	(341,011)		64,773,762	63,452,232	97.88%	778,279	98.40%	63,736,547	98.40%	141,213
2016	68,212,928	(404,105)		67,808,823	66,876,370	98.62%	673,517	98.62%	66,876,370	98.62%	258,936
2017	76,713,117	(724,457)		75,988,660	75,144,180	98.89%	-	98.89%	75,144,180	98.89%	844,480
											\$ 2,338,154

Source: Henderson County Tax Collector

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

Fiscal Year	Governmental Activities					Business - Type Activities					Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	General Obligation Bonds	Limited Obligation Bonds	Installment Contracts	Installment Purchases	Other	Limited Obligation Bonds	Installment Purchases						
2008	\$ 2,885,000	\$ -	\$ 77,780,000	\$ 47,445,041	\$ 187,581	\$ -	\$ 2,701,300	\$ -	\$ 130,998,922	\$ 1,282	3.71%		
2009	1,060,000	-	69,320,000	49,184,096	58,388	-	2,383,500	-	122,005,984	1,172	3.34%		
2010	-	17,037,084	57,190,000	50,876,518	29,195	1,842,916	79,450	-	127,055,163	1,206	3.60%		
2011	-	15,814,348	52,755,000	54,653,290	220,566	1,710,652	-	-	125,153,856	1,171	3.56%		
2012	-	13,725,320	56,140,000	43,416,940	-	1,484,680	2,000,000	-	118,766,940	1,100	3.27%		
2013	-	52,400,340	16,328,539	39,377,603	-	1,260,660	1,866,667	-	111,233,809	1,030	2.90%		
2014	-	50,159,087	12,112,073	35,644,329	-	1,083,014	1,733,334	-	100,731,837	923	2.62%		
2015	-	46,987,404	7,894,338	28,810,887	-	813,596	1,600,000	-	86,106,225	776	2.14%		
2016	-	72,372,527	5,105,319	24,852,515	-	590,064	1,466,667	-	104,387,092	930	2.47%		
2017	-	85,726,512	4,500,000	20,985,654	-	392,888	1,333,334	-	112,938,388	987	*		

**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 FY2017.

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

Fiscal Year	General/Limited Obligation Bonded Debt Outstanding			Less: Amounts			Total	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Limited Obligation Bonds		Restricted	to Repaying	Principal				
2008	\$ 2,885,000	\$ -	\$ -	\$ 1,825,000	\$ 1,060,000	\$ -	1,060,000	0.03%	0.01%	10
2009	1,060,000	-	-	1,060,000	-	-	-	0.00%	0.00%	-
2010	-	18,880,000	-	-	-	-	18,880,000	0.54%	0.14%	179
2011	-	17,525,000	-	-	-	-	17,525,000	0.50%	0.13%	164
2012	-	15,210,000	-	-	-	-	15,210,000	0.42%	0.13%	141
2013	-	53,661,000	-	-	-	-	53,661,000	1.40%	0.44%	497
2014	-	51,242,101	-	-	-	-	51,242,101	1.33%	0.41%	470
2015	-	47,801,000	-	-	-	-	47,801,000	1.19%	0.38%	431
2016	-	70,171,999	-	-	-	-	70,171,999	1.66%	0.52%	625
2017	-	82,292,999	-	-	-	-	82,292,999	-	0.61%	719

**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 2017.

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

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

	<b>Fiscal Year</b>				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Assessed Value of Property	\$ 12,525,917	\$ 12,960,934	\$ 13,092,488	\$ 13,191,457	\$ 12,053,856
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,002,073	1,036,874	1,047,399	1,055,316	964,308
Amount of Debt Applicable to Limit:					
Less: Gross debt	<u>130,998</u>	<u>122,006</u>	<u>127,055</u>	<u>125,154</u>	<u>114,767</u>
Less: Debt outstanding for water and sewer purposes	<u>2,701</u>	<u>2,384</u>	<u>1,922</u>	<u>1,711</u>	<u>1,485</u>
Total net debt applicable to limit	<u>128,297</u>	<u>119,622</u>	<u>125,133</u>	<u>123,443</u>	<u>113,282</u>
Legal Debt Margin	<u>\$ 873,776</u>	<u>\$ 917,252</u>	<u>\$ 922,266</u>	<u>\$ 931,873</u>	<u>\$ 851,026</u>
Total debt applicable to the limit as a percentage of debt limit	12.80%	11.54%	11.95%	11.70%	11.75%

**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**

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 12,203,794	\$ 12,610,836	\$ 12,523,976	\$ 13,182,825	\$ 13,423,998
976,304	1,008,867	1,001,918	1,054,626	1,073,920
<u>111,798</u>	<u>100,732</u>	<u>86,482</u>	<u>104,414</u>	<u>112,957</u>
<u>3,182</u>	<u>2,816</u>	<u>2,450</u>	<u>617</u>	<u>411</u>
108,616	97,916	84,032	103,797	112,546
<u>\$ 867,688</u>	<u>\$ 910,951</u>	<u>\$ 917,886</u>	<u>\$ 950,829</u>	<u>\$ 961,374</u>
11.13%	9.71%	8.39%	9.84%	10.48%

**Schedule 12  
Henderson County  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2017**

<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	\$ 107,385,765	100.00%	\$ 107,385,765
Overlapping:			
City of Hendersonville	6,745,294	100.00%	6,745,294
Town of Fletcher	7,466,087	100.00%	<u>7,466,087</u>
Total overlapping debt			<u>14,211,381</u>
Total direct and overlapping debt			<u>\$ 121,597,146</u>

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

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

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (2) (thousands of dollars)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>	<u>Number of Building Inspections Performed(5)</u>
2008	102,172	\$ 3,532,654	\$ 34,542	12,887	4.60%	39,544
2009	104,086	3,653,901	35,036	13,069	9.30%	25,123
2010	105,395	3,525,474	33,318	13,107	8.40%	18,642
2011	106,904	3,516,773	32,882	13,177	7.90%	15,799
2012	108,014	3,634,809	33,808	13,197	8.20%	16,114
2013	108,028	3,833,158	35,466	13,316	6.60%	18,918
2014	109,138	3,842,493	35,122	13,446	4.90%	19,742
2015	110,924	4,031,132	36,336	13,537	5.10%	21,437
2016	112,294	4,231,103	37,558	13,506	4.30%	24,420
2017	114,385	*	*	13,320	3.60%	25,161

**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**

	2017			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1950	1	3.83%	1668	1	3.62%
Margaret R. Pardee Hospital	1455	2	2.86%	1360	2	2.95%
Park Ridge Hospital	1157	3	2.27%	766	3	1.66%
Ingles Markets, Inc.	1084	4	2.13%	653	8	1.42%
Henderson County	784	5	1.54%	744	4	1.62%
Continental Teves, Inc.	730	6	1.43%	*	*	*
Wilsonart International Inc.	600	7	1.18%	740	5	1.61%
Meritor Heavy Vehicle Systems LLC	441	8	0.87%	501	9	1.09%
General Electric	400	9	0.79%	724	6	1.57%
Wal-Mart Associates, Inc.	380	10	0.75%	675	7	1.47%

\* Information not available

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	104	106	98	95	97	100	100	104	105	103
Public safety	265	271	266	274	261	269	277	281	299	302
Environmental protection	21	23	18	20	22	22	22	20	19	19
Economic and physical development	22	22	23	23	22	22	23	24	24	25
Human Services	272	281	285	288	272	267	269	268	281	284
Cultural and recreation	54	56	48	51	49	50	49	51	51	51
<b>Total</b>	<b>738</b>	<b>759</b>	<b>738</b>	<b>751</b>	<b>723</b>	<b>730</b>	<b>740</b>	<b>748</b>	<b>779</b>	<b>784</b>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>General Government</u>										
# of Registered Voters	74,823	74,581	76,117	75,821	78,326	76,224	77,321	76,099	79,621	81,736
<u>Public Safety</u>										
# of building permits issued	4,990	4,471	4,915	4,735	5,077	6,025	6,430	6,542	6,430	6,771
# of calls dispatched	133,644	120,202	117,422	131,706	133,353	140,288	146,494	152,408	177,818	181,115
<u>Human Services</u>										
# of food & lodging sites inspected	1,461	1,431	1,492	1,546	1,479	1,545	1,497	1,595	1,563	1,256
# of Health clients served	9,580	10,250	13,210	12,494	12,090	11,344	12,447	13,152	14,693	15,428
<u>Economic and Physical Development</u>										
Number of major subdivision plan reviews	29	11	4	2	3	5	4	6	4	5
<u>Cultural and Recreation</u>										
Library book circulation	955,670	952,439	972,262	987,905	947,866	981,738	951,697	910,636	927,596	1,056,328
<u>Education</u>										
Total \$ spent per ADM	\$ 2,286	\$ 2,426	\$ 2,281	\$ 2,319	\$ 2,162	\$ 2,226	\$ 2,306	\$ 2,346	\$ 2,366	\$ 2,480
<u>Enterprise Fund - Landfill</u>										
Solid waste generated # tons/day	255	272	245	203	218	240	249	258	294	318

**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 and 2017 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 2017 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Public Safety</u>										
Sheriff's Department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	136	159	162	163	176	168	158	180	184	176
<u>Cultural and Recreation</u>										
Park Acreage	320	320	320	320	323	349	331	332	332	332
Parks	7	8	8	8	8	10	11	12	12	12
Ballfields and courts	31	31	31	31	36	35	37	37	37	37
Libraries	6	6	6	6	6	6	6	6	6	6

Source: Various County Departments

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