

# **HENDERSON COUNTY NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

Prepared by: Finance Department  
Finance Director: Samantha Reynolds



# HENDERSON COUNTY, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

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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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November 21, 2018

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, 2018 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, 2018 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, 2018 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 the 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, 2018, 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 fifteen-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 June 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. Net 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 115,659. 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 hour 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 \$25 million and the Green Industry (greenhouses, nurseries, ornamentals and sod production) at \$34 million. The total annual income from all agriculture/agribusiness industries is \$650 million which employs over 4,272 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 2,440 in Henderson County which ranks 14<sup>th</sup> in travel impact, among North Carolina's 100 Counties. The benefit derived from tourists visiting the County increased by 7.13 percent over the previous fiscal year. Henderson County was 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 \$294.64 million. This provides an annual tax savings of approximately \$400.00 to each County resident.

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

<b><u>Fiscal Year</u></b>	<b><u>Permits</u></b>	<b><u>Dollar Value</u></b>	<b><u>Unemployment Rates</u></b>
2018	844	\$234,272,352	3.6%
2017	542	\$176,306,457	3.6%
2016	598	\$133,800,121	4.3%
2015	626	\$163,289,635	5.1%
2014	427	\$116,820,046	4.9%

The number of permits issued for new residential and commercial construction was up by 35.7 percent from FY2017. The total dollar value of those new permits increased by \$58 million or 32.8 percent. The local unemployment rate has held steady as the economy continued to improve both locally and regionally in FY2018.

Healthcare and social assistance ranks first in County employment with an estimated current value of \$356 million. Manufacturing ranks second with an estimated value of \$301 million while retail trade has an estimated value of \$161 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	750
Wilsonart International	Laminated plastics	633
Meritor Vehicle Systems	Truck axles	650
General Electric	Utility	525
UPM Raflatac, Inc.	Paper products	430
Borg-Warner	Automotive cooling systems	250
Manual Woodworkers	Wooden crafts and woven products	500

### **MAJOR INITIATIVES**

**FOR THE YEAR.** The Board of Commissioners adopted a balanced budget for the fiscal year with no change in the county-wide ad valorem property tax rate of 56.5 cents per \$100 dollars of taxable valuation. Total General Fund revenues increased by \$2.5 million over the previous fiscal year or 8.8 percent. Total General Fund expenditures increased by \$4.3 million or 1.9 percent over FY2017. Total General Fund Balance increased by \$3,489,711 to \$53,828,770. Unassigned Fund Balance, the amount available for appropriation in the General Fund, decreased by \$224,419 to \$27,593,418. Other Governmental Funds ended the fiscal year in a positive financial position. The School Capital Projects Fund ended with a deficit in fund balance as expenditures incurred exceeded revenues with the receipt of bond proceeds early in FY2019. The net position of the Solid Waste Landfill Fund and the Cane Creek Water and Sewer District Fund increased in FY2018. The Solid Waste Landfill Fund's net position increased over FY2017 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 FY2018. The net position of the Justice Academy Sewer Fund increased slightly in FY2018 due to a slight decrease in operating expenditures and an increase in interest income for the fiscal year.

Construction of the Emergency Services Facility to include Emergency Management, Emergency Medical Services and the Henderson County Rescue Squad continued in FY2018 and will be completed in FY2019. 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 \$13.8 million.

Design and construction of the new Edneyville Elementary School, which will replace the current Edneyville Elementary school, began in FY2018. The new 87,000 square foot school has an approved project budget of \$26.8 million, which was financed by the County in early FY2019.

A plan to design a new Hendersonville High School to replace the existing high school is currently underway by the Henderson County Board of Education. This new school is a high priority capital project for the Henderson County Board of Public Education. Once approved, the project is expected to be financed by the County.

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 FY2018.

**FOR THE FUTURE.** For FY2019, 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 FY2018. The Board budgeted \$14.8 million in Unassigned General Fund Balance to balance the FY2019 budget. For employees, a cost of living increase and performance pay was included in the FY2019 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 \$27.6 million in Unassigned General Fund Balance or 21.1 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 25 years of service with the County or are at least 50, 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, 2017. This was the 29<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.

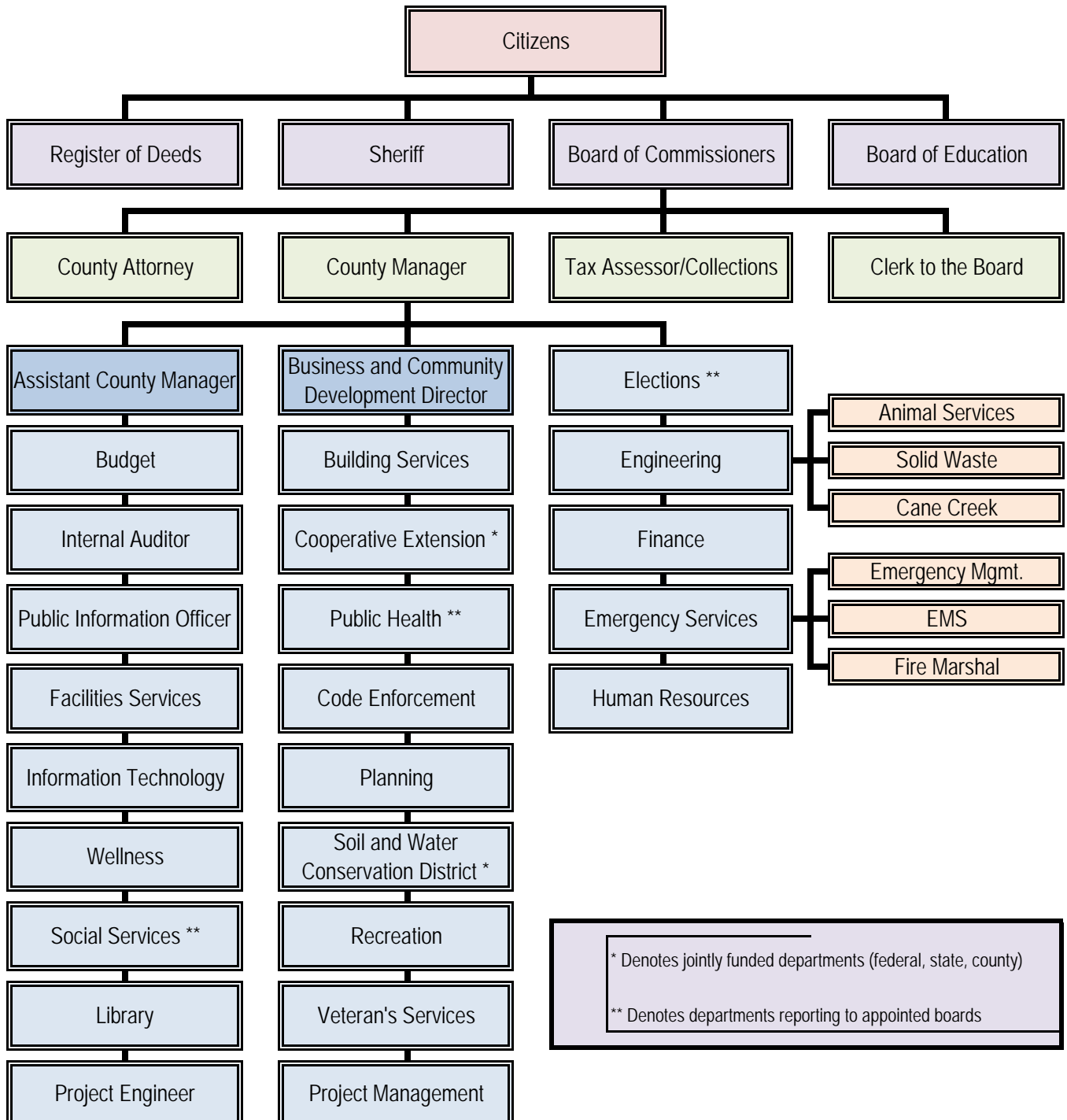
Sincerely,



Samantha R. Reynolds, CPA  
Finance Director

# Henderson County Organizational Chart

June 30, 2018



## HENDERSON COUNTY, NORTH CAROLINA

### List of Principal Officials

June 30, 2018

#### **Board of Commissioners**

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

#### **County Officials**

County Manager.....	Steven D. Wyatt
Assistant County Manager.....	Amy R. Brantley
Animal Services Director.....	Brad Rayfield
Building Services Director.....	Crystal Lyda
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
County Tax Administrator.....	Darlene Burgess
Elections Director .....	Beverly Cunningham
Emergency Services Director.....	Jimmy Brissie
Fire Marshal.....	Kevin Waldrup
EMS Manager .....	Michael Barnett
Facilities Services Director .....	Jerry Tucker
Finance Director.....	Samantha Reynolds
Human Resources Director .....	Janice Prichard
Information Technology Director .....	Becky Snyder
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.....	Janna Peterson
Purchasing Agent .....	Doug Guffey
Recreation Director .....	Carleen Dixon
Register of Deeds.....	Lee King
Sheriff .....	Charles S. McDonald
Social Services Director.....	Jerrie 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, 2017**

*Christopher P. Morrell*

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, 2018, 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 99.16%, 98.86%, and 98.98%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those 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, 2018, 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.

### ***Change in Accounting Principle***

As discussed in Note 8 to the financial statements, for fiscal year June 30, 2018, Henderson County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

### ***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' Schedule of Changes in the Total OPEB Liability and Related Ratios, 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 November 21, 2018 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  
November 21, 2018

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# HENDERSON COUNTY, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2018

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, 2018. 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

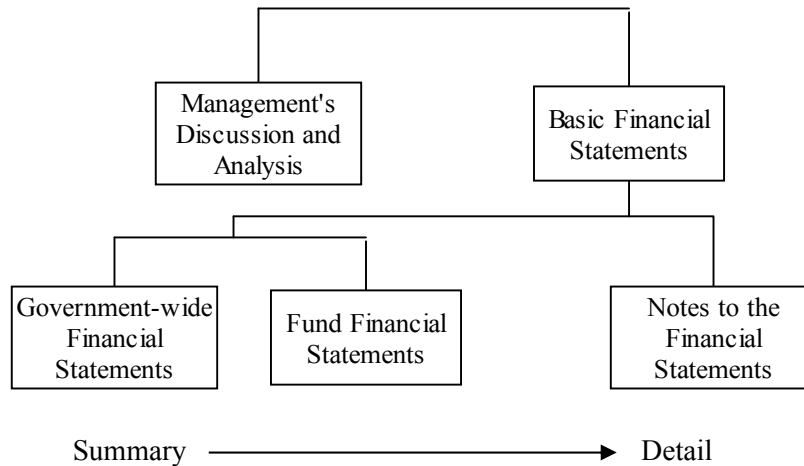
- The assets and deferred outflows of resources of Henderson County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$75,867,212 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$62,716,814 in long-term 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 \$7,117,178. Net position in the governmental activities increased by \$5,995,039. 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 \$1,122,139.
- As of the close of the current fiscal year, Henderson County's governmental funds reported combined ending fund balances of \$70,754,174, an increase of \$4,077,275, in comparison with the prior year. Approximately 25.99% of this total amount, or \$18,390,387, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$42,926,293, or 34.12%, of total General Fund expenditures.
- Henderson County's total limited obligation and installment note debt increased \$1,285,967 (1.14%) 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 next 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 and benefit plans. After the required supplemental information, **supplemental schedules** are provided to show details about the County's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## 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, education, and cultural recreation. Property taxes and state and federal grant funds finance most of these activities.

**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 three categories: governmental funds, proprietary funds, and fiduciary 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.

*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 its 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.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has one fiduciary fund, which is an agency fund. Within the agency fund are eight individual 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 employees. 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	
	2018	2017	2018	2017	2018	2017
<b>Assets and Deferred Outflows:</b>						
Current and other assets	\$ 87,163,753	\$ 83,791,237	\$ 5,080,264	\$ 4,880,156	\$ 92,244,017	\$ 88,671,393
Restricted non-current assets	242,521	265,773	-	-	242,521	265,773
Capital assets	115,662,721	110,335,529	26,679,808	25,989,280	142,342,529	136,324,809
Total assets	203,068,995	194,392,539	31,760,072	30,869,436	234,829,067	225,261,975
Deferred outflows of resources	10,633,033	14,188,032	152,665	231,285	10,785,698	14,419,317
Total assets and deferred outflows	213,702,028	208,580,571	31,912,737	31,100,721	245,614,765	239,681,292
<b>Liabilities and Deferred Inflows:</b>						
Long-term liabilities	135,596,982	124,676,947	2,845,123	3,603,067	138,442,105	128,280,014
Other liabilities	27,285,448	27,941,223	1,633,411	1,138,886	28,918,859	29,080,109
Total liabilities	162,882,430	152,618,170	4,478,534	4,741,953	167,360,964	157,360,123
Deferred inflows of resources	2,341,046	616,892	45,543	45,592	2,386,589	662,484
Total liabilities and deferred inflows	165,223,476	153,235,062	4,524,077	4,787,545	169,747,553	158,022,607
<b>Net Position:</b>						
Net investment in						
capital assets	70,562,443	70,393,139	25,186,584	24,244,707	95,749,027	94,637,846
Restricted	13,491,150	11,882,299	-	-	13,491,150	11,882,299
Unrestricted	(35,575,041)	(26,929,929)	2,202,076	2,068,469	(33,372,965)	(24,861,460)
Total net position	\$ 48,478,552	\$ 55,345,509	\$ 27,388,660	\$ 26,313,176	\$ 75,867,212	\$ 81,658,685

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 \$75,867,212, as of June 30, 2018. The County's net position increased by \$7,117,178 for the fiscal year ended June 30, 2018. Net position of the County is reported in three categories: net investment in capital assets of \$95,749,027, restricted net position of \$13,491,150, and unrestricted net position of (\$33,372,965).

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, education, and public transit.

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 \$62.7 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 99.13%
- Other budgetary control efforts, including the cutoff of departmental spending prior to fiscal year-end
- Actual expenditures, transfers, and other financing uses in the General Fund were less than the budgeted amount by \$8,211,273.
- Revenues, transfers, and other financing sources in the General Fund exceeded expenditures and other financing uses by \$3,489,711.

**Governmental Activities.** Governmental activities increased the County's net position by \$5,995,039, or 84.23%, 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 \$1,122,139, or a 15.77%, of the total increase in the net position of the Henderson County. (See Figure 3.)

**Henderson County's Change in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$10,619,973	\$10,020,660	\$ 8,627,148	\$ 8,137,833	\$19,247,121	\$18,158,493
Operating grants and contributions	18,231,359	22,209,087	161,908	159,490	18,393,267	22,368,577
Capital grants and contributions	-	1,916,161	611,400	832,040	611,400	2,748,201
General revenues:						
Property taxes	87,077,402	85,178,794	-	-	87,077,402	85,178,794
Other taxes	28,806,583	26,707,792	-	-	28,806,583	26,707,792
Other	1,005,343	660,977	48,049	37,959	1,053,392	698,936
Total revenues	<u>145,740,660</u>	<u>146,693,471</u>	<u>9,448,505</u>	<u>9,167,322</u>	<u>155,189,165</u>	<u>155,860,793</u>
<b>Expenses:</b>						
General government	29,246,192	36,563,329	-	-	29,246,192	36,563,329
Public safety	39,956,163	38,211,707	-	-	39,956,163	38,211,707
Environmental protection	380,516	365,917	-	-	380,516	365,917
Economic and physical development	3,682,014	3,048,352	-	-	3,682,014	3,048,352
Human services	26,585,642	28,971,340	-	-	26,585,642	28,971,340
Cultural and recreational	4,851,900	4,765,661	-	-	4,851,900	4,765,661
Education	31,398,959	29,320,894	-	-	31,398,959	29,320,894
Interest on long-term debt	3,590,235	3,505,326	-	-	3,590,235	3,505,326
Solid waste disposal	-	-	6,897,973	5,980,357	6,897,973	5,980,357
Other	-	-	1,482,393	1,540,699	1,482,393	1,540,699
Total expenses	<u>139,691,621</u>	<u>144,752,526</u>	<u>8,380,366</u>	<u>7,521,056</u>	<u>148,071,987</u>	<u>152,273,582</u>
Change in net position before transfers	6,049,039	1,940,945	1,068,139	1,646,266	7,117,178	3,587,211
Transfers	<u>(54,000)</u>	<u>(54,000)</u>	<u>54,000</u>	<u>54,000</u>	<u>-</u>	<u>-</u>
Change in net position	<u>5,995,039</u>	<u>1,886,945</u>	<u>1,122,139</u>	<u>1,700,266</u>	<u>7,117,178</u>	<u>3,587,211</u>
<b>Net Position:</b>						
Beginning of year - July 1	55,345,509	55,439,091	26,313,176	24,612,910	81,658,685	80,052,001
Restatement	<u>(12,861,996)</u>	<u>(1,980,527)</u>	<u>(46,655)</u>	<u>-</u>	<u>(12,908,651)</u>	<u>(1,980,527)</u>
Beginning, restated	<u>42,483,513</u>	<u>53,458,564</u>	<u>26,266,521</u>	<u>24,612,910</u>	<u>68,750,034</u>	<u>78,071,474</u>
End of year - June 30	<u>\$48,478,552</u>	<u>\$55,345,509</u>	<u>\$27,388,660</u>	<u>\$26,313,176</u>	<u>\$75,867,212</u>	<u>\$81,658,685</u>

## Financial Analysis of the County's Funds

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

**Governmental Funds.** The focus of Henderson County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Henderson County's financing requirements. Specifically, 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 \$42,926,293, while total fund balance was \$53,828,770. 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 34.12% of General Fund expenditures, while total fund balance represents 42.78% of that same amount.

At June 30, 2018, the governmental funds of the County reported a combined fund balance of \$70,754,174, a 6.11% increase from last year. This increase was primarily due to the positive budget to actual variance in the County's General Fund for FY2018 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 and increased in current year by \$3,489,233 due to the issuance of debt 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 and decreased in the current year by \$6,990,733 due to capital outlay expenditures as work was completed on capital projects in the current fiscal 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 FY2018 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 \$8.2 million under budget at fiscal year-end. On the revenue side, the largest positive budget variances were in the ad valorem property taxes, local option sales taxes and sales and services categories, which combined to be \$9,325,917 over budget. Separately, a total of \$12.4 million in General Fund balance was appropriated to balance the FY2018 budget. None of the \$12.4 million ended up having to be utilized due to total revenues and other financing sources having a positive budget variance combined with total expenditures and other financing uses having a significant positive budget variance.

Total fiscal year 2018 General Fund revenues increased by \$2.6 million, or 2.0%, over the prior fiscal year, as compared to General Fund expenditures, which increased by \$4.2 million, or 3.4%, over fiscal year 2017. The significant increase in expenditures over the previous fiscal year is primarily within the Public Safety and Human Services categories. This can be attributed in large part to providing an increased level of services needed for public safety departments and an increase in service demands for Public Health and Social Services departments. The public schools and the community college were provided the increased funding they requested for education. Total General Fund balance increased \$3,489,711, while the amount of unassigned fund balance that is available for appropriation decreased by \$224,419 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 by \$1,709,854. The budgetary increase is primarily attributable to increases during the year for restricted intergovernmental revenues and miscellaneous revenues. 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 \$5,584,883. The second largest variance was in Ad Valorem Taxes, which had a positive actual to budget variance of \$2,751,424. Total General Fund revenues had a total positive actual to budget variance of \$8,034,291.

**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 \$2,202,076. During the fiscal year 2018, proprietary fund net position increased \$1,122,139. The majority of 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, 2018 totals \$142,342,529 (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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 15,349,827	\$ 15,349,827	\$ 6,362,485	\$ 6,362,485	\$ 21,712,312	\$ 21,712,312
Buildings	83,603,551	86,560,633	-	-	83,603,551	86,560,633
Plant and distribution systems	-	-	19,365,342	16,451,169	19,365,342	16,451,169
Equipment	2,131,180	2,151,031	599,735	614,123	2,730,915	2,765,154
Vehicles and motor equipment	3,114,336	2,660,902	198,760	148,764	3,313,096	2,809,666
Construction in progress	<u>11,463,827</u>	<u>3,613,136</u>	<u>153,486</u>	<u>2,412,739</u>	<u>11,617,313</u>	<u>6,025,875</u>
Total	<u>\$ 115,662,721</u>	<u>\$ 110,335,529</u>	<u>\$ 26,679,808</u>	<u>\$ 25,989,280</u>	<u>\$ 142,342,529</u>	<u>\$ 136,324,809</u>

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

**Long-Term Debt.** As of June 30, 2018, Henderson County had total bonded debt outstanding of \$91,916,827 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Limited obligation bonds	\$ 91,623,603	\$ 85,726,512	\$ 293,224	\$ 411,239	\$ 91,916,827	\$ 86,137,751
Installment notes payable	21,125,879	25,485,654	1,200,000	1,333,334	22,325,879	26,818,988
Total	<u>\$ 112,749,482</u>	<u>\$ 111,212,166</u>	<u>\$ 1,493,224</u>	<u>\$ 1,744,573</u>	<u>\$ 114,242,706</u>	<u>\$ 112,956,739</u>

Henderson County's total long-term debt increased by \$1,285,967 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 \$980,648,003.

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

### **Economic Factors and Next Year's Budget and Rates**

The County of Henderson has approved a \$142,223,087 General Fund budget for fiscal year 2019. The fiscal year 2019 ad valorem property tax rate was held constant at 56.50 cents per \$100 of assessed property valuation. Sales tax was budgeted at \$23,074,326, a 5.4 percent increase over the FY2018 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 FY2019 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 Local Government Commission requirement
- An increase in service demands for several County departments

## **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities.** For FY2019, 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 \$14.8 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 FY2019 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 FY2019. 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 FY2019. 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 FY2019.

The Cane Creek Water and Sewer District rates for service remain unchanged for FY2019 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 FY2019 that will impact the system. District user fees were increased to account for this anticipated growth in the district. Retained earnings of \$675,000 were also appropriated to pay for several ongoing sewer capital improvement projects that are expected to be completed in FY2019. 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 FY2019. 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Henderson County Hospital Corporation	Henderson County Tourism Development Authority
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 68,850,605	\$ 3,319,102	\$ 72,169,707	\$ 7,439,674	\$ 1,092,337
Investments	-	-	-	2,710,472	-
Taxes receivable, net	981,013	-	981,013	-	-
Receivables, net	11,514,724	1,761,162	13,275,886	27,642,234	256,871
Pledges receivable	-	-	-	617,698	-
Inventories	51,217	-	51,217	4,880,961	-
Prepaid items	228,858	-	228,858	6,531,548	-
Restricted cash and cash equivalents	5,537,336	-	5,537,336	-	-
Restricted investments	-	-	-	22,478,015	-
Total current assets	87,163,753	5,080,264	92,244,017	72,300,602	1,349,208
Noncurrent assets:					
Net pension asset	242,521	-	242,521	-	-
Capital assets:					
Land and construction in progress	26,813,654	6,515,971	33,329,625	9,605,637	-
Other capital assets, net of depreciation	88,849,067	20,163,837	109,012,904	68,178,721	16,582
Total capital assets	115,662,721	26,679,808	142,342,529	77,784,358	16,582
Other assets	-	-	-	10,421,543	-
Total noncurrent assets	115,905,242	26,679,808	142,585,050	88,205,901	16,582
Total assets	203,068,995	31,760,072	234,829,067	160,506,503	1,365,790
<b>Deferred Outflows of Resources</b>					
OPEB deferrals	755,680	2,741	758,421	-	-
Pension deferrals	7,188,820	149,924	7,338,744	-	-
Charge on refunding	2,688,533	-	2,688,533	-	-
Total deferred outflows of resources	10,633,033	152,665	10,785,698	-	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued expenses	15,064,571	1,263,562	16,328,133	15,589,997	35,453
Liabilities to be paid from restricted assets	15,451	-	15,451	-	-
Third-party payer settlements	-	-	-	3,075,003	-
Due within one year	12,205,426	369,849	12,575,275	3,313,181	2,171
Total current liabilities	27,285,448	1,633,411	28,918,859	21,978,181	37,624
Long-term liabilities:					
Net pension liability - LGERS	8,547,650	158,995	8,706,645	-	-
Total pension liability - LEOSSA	4,644,992	-	4,644,992	-	-
Total OPEB liability	19,129,607	155,233	19,284,840	-	-
Other long-term liabilities	-	-	-	1,538,778	-
Due in more than one year	103,274,733	2,530,895	105,805,628	23,048,575	19,542
Total long-term liabilities	135,596,982	2,845,123	138,442,105	24,587,353	19,542
Total liabilities	162,882,430	4,478,534	167,360,964	46,565,534	57,166
<b>Deferred Inflows of Resources</b>					
Prepaid taxes	658,233	-	658,233	-	-
Other deferred inflows	1,682,813	45,543	1,728,356	394,436	-
Total deferred inflows of resources	2,341,046	45,543	2,386,589	394,436	-

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

# HENDERSON COUNTY, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2018

	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	70,562,443	25,186,584	95,749,027	50,668,315	16,582
Restricted for:					
Stabilization for state statute	11,855,624	-	11,855,624	-	256,871
Register of Deeds	107,884	-	107,884	-	-
Register of Deeds' pension plan	313,228	-	313,228	-	-
Emergency telephone	192,665	-	192,665	-	-
Education	1,441	-	1,441	-	-
Public transit	1,020,308	-	1,020,308	-	-
By donor	-	-	-	2,767,394	-
Tourism promotion	-	-	-	-	1,035,171
Unrestricted	(35,575,041)	2,202,076	(33,372,965)	60,110,824	-
Total net position	<u>\$ 48,478,552</u>	<u>\$ 27,388,660</u>	<u>\$ 75,867,212</u>	<u>\$ 113,546,533</u>	<u>\$ 1,308,624</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, 2018

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 29,246,192	\$ 1,873,496	\$ -	\$ -
Public safety	39,956,163	6,472,797	2,115,379	-
Environmental protection	380,516	-	102,681	-
Economic and physical development	3,682,014	1,448,581	1,128,121	-
Human services	26,585,642	607,698	13,688,029	-
Cultural and recreational	4,851,900	217,401	286,229	-
Education	31,398,959	-	910,920	-
Interest on long-term debt	3,590,235	-	-	-
Total governmental activities	<u>139,691,621</u>	<u>10,619,973</u>	<u>18,231,359</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Landfill	6,897,973	7,075,106	161,908	-
Cane Creek Water and Sewer	1,442,393	1,513,162	-	611,400
Justice Academy Sewer	40,000	38,880	-	-
Total business-type activities	<u>8,380,366</u>	<u>8,627,148</u>	<u>161,908</u>	<u>611,400</u>
Total primary government	<u>\$ 148,071,987</u>	<u>\$ 19,247,121</u>	<u>\$ 18,393,267</u>	<u>\$ 611,400</u>
<b>Component Units:</b>				
Henderson County Hospital Corporation	\$ 241,072,981	\$ 236,953,351	\$ -	\$ -
Henderson County Tourism Development Authority	2,722,792	141,674	-	-
Total	<u>\$ 243,795,773</u>	<u>\$ 237,095,025</u>	<u>\$ -</u>	<u>\$ -</u>

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

# HENDERSON COUNTY, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ (27,372,696)	\$ -	\$ (27,372,696)		
Public safety	(31,367,987)	-	(31,367,987)		
Environmental protection	(277,835)	-	(277,835)		
Economic and physical development	(1,105,312)	-	(1,105,312)		
Human services	(12,289,915)	-	(12,289,915)		
Cultural and recreational	(4,348,270)	-	(4,348,270)		
Education	(30,488,039)	-	(30,488,039)		
Interest on long-term debt	(3,590,235)	-	(3,590,235)		
Total governmental activities	(110,840,289)	-	(110,840,289)		
<b>Business-Type Activities:</b>					
Landfill	-	339,041	339,041		
Cane Creek Water and Sewer	-	682,169	682,169		
Justice Academy Sewer	-	(1,120)	(1,120)		
Total business-type activities	-	1,020,090	1,020,090		
Total primary government	(110,840,289)	1,020,090	(109,820,199)		
<b>Component Units:</b>					
Henderson County Hospital Corporation				\$ (4,119,630)	\$ -
Henderson County Tourism Development Authority				-	(2,581,118)
Total				(4,119,630)	(2,581,118)
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose	87,077,402	-	87,077,402	-	-
Local option sales tax	27,475,944	-	27,475,944	-	-
Other taxes and licenses	1,330,639	-	1,330,639	-	2,304,334
Investment earnings, unrestricted	1,005,343	45,048	1,050,391	1,588,408	21,070
Gain on sale	-	3,001	3,001	-	-
Miscellaneous, unrestricted	-	-	-	-	10
Total general revenues	116,889,328	48,049	116,937,377	1,588,408	2,325,414
Transfers	(54,000)	54,000	-	-	-
Total general revenues and transfers	116,835,328	102,049	116,937,377	1,588,408	2,325,414
Change in net position	5,995,039	1,122,139	7,117,178	(2,531,222)	(255,704)
<b>Net Position:</b>					
Beginning of year - July 1	55,345,509	26,313,176	81,658,685	116,077,755	1,564,328
Restatement	(12,861,996)	(46,655)	(12,908,651)	-	-
Beginning of year, restated	42,483,513	26,266,521	68,750,034	116,077,755	1,564,328
End of year - June 30	\$ 48,478,552	\$ 27,388,660	\$ 75,867,212	\$ 113,546,533	\$ 1,308,624

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

HENDERSON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	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	\$ 53,578,349	\$ 2,335,470	\$ 36,984	\$ 2,851,775	\$ 10,048,027	\$ 68,850,605
Taxes receivable, net	981,013	-	-	-	-	981,013
Other receivables, net	10,839,157	210,472	72,879	73,328	318,888	11,514,724
Due from other funds	-	-	-	-	800,000	800,000
Inventories	51,217	-	-	-	-	51,217
Prepaid items	228,858	-	-	-	-	228,858
Restricted assets:						
Cash and investments	-	4,932,390	1,441	-	603,505	5,537,336
Total assets	<u>\$ 65,678,594</u>	<u>\$ 7,478,332</u>	<u>\$ 111,304</u>	<u>\$ 2,925,103</u>	<u>\$ 11,770,420</u>	<u>\$ 87,963,753</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,457,766	\$ 1,112,418	\$ 177,251	\$ 2,914,035	\$ 87,187	\$ 5,748,657
Liabilities to be paid from restricted assets	-	-	-	-	15,451	15,451
Accrued payroll liabilities	8,547,125	-	-	-	-	8,547,125
Due to other funds	-	-	800,000	-	-	800,000
Total liabilities	<u>10,004,891</u>	<u>1,112,418</u>	<u>977,251</u>	<u>2,914,035</u>	<u>102,638</u>	<u>15,111,233</u>
<b>Deferred Inflows of Resources:</b>						
Property taxes receivable	981,013	-	-	-	-	981,013
Unavailable revenues	51,587	-	-	-	242,345	293,932
Prepaid taxes	647,165	-	-	11,068	-	658,233
Other receivables	165,168	-	-	-	-	165,168
Total deferred inflows of resources	<u>1,844,933</u>	<u>-</u>	<u>-</u>	<u>11,068</u>	<u>242,345</u>	<u>2,098,346</u>
<b>Fund Balances:</b>						
Non-spendable:						
Inventory	51,217	-	-	-	-	51,217
Prepaid items	228,858	-	-	-	-	228,858
Restricted:						
Stabilization for state statute	10,622,402	210,472	72,879	73,328	876,543	11,855,624
Restricted, all other	107,884	4,932,390	1,441	-	1,212,973	6,254,688
Committed	-	1,223,052	-	-	9,335,921	10,558,973
Assigned for subsequent year's expenditures	14,792,344	-	-	-	-	14,792,344
Assigned, all other	432,647	-	-	-	-	432,647
Unassigned	27,593,418	-	(940,267)	(73,328)	-	26,579,823
Total fund balances	<u>53,828,770</u>	<u>6,365,914</u>	<u>(865,947)</u>	<u>-</u>	<u>11,425,437</u>	<u>70,754,174</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 65,678,594</u>	<u>\$ 7,478,332</u>	<u>\$ 111,304</u>	<u>\$ 2,925,103</u>	<u>\$ 11,770,420</u>	

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



# HENDERSON COUNTY, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

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.		115,662,721
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.		1,146,181
Net pension asset		242,521
Net pension liability LGERS		(8,547,650)
Total pension liability LEOSSA		(4,644,992)
OPEB Liability		(19,129,607)
Deferred inflows of resources related to pensions are not reported in the funds.		
ROD	(6,977)	
LGERS	(215,972)	
LEOSSA	<u>(204,256)</u>	(427,205)
Deferred inflows of resources related to OPEB are not reported in the funds.		(961,676)
Deferred outflows of resources related to pensions are not reported in the funds.		
ROD	77,683	
LGERS	6,738,291	
LEOSSA	<u>372,846</u>	7,188,820
Deferred outflows of resources related to OPEB are not reported in the funds.		755,680
Long-term liabilities and compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.		(115,480,159)
Deferred charges related to advance refunding bond issued - included on government-wide Statement of Net Position, but are not current financial resources.		2,688,533
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(768,789)</u>
Net position of governmental activities		<u>\$ 48,478,552</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, 2018

	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	\$ 76,982,725	\$ -	\$ -	\$ 9,191,494	\$ 1,151,906	\$ 87,326,125
Local option sales taxes	27,475,944	-	-	-	-	27,475,944
Other taxes and licenses	1,275,186	-	-	-	-	1,275,186
Unrestricted intergovernmental revenues	55,453	-	-	-	-	55,453
Restricted intergovernmental revenues	16,088,421	557,562	-	-	383,519	17,029,502
Permits and fees	2,257,302	-	-	-	-	2,257,302
Sales and services	7,644,384	-	-	-	718,287	8,362,671
Investment earnings	861,492	86,888	12,121	36,699	8,143	1,005,343
Miscellaneous	1,665,118	210,471	72,878	-	-	1,948,467
Total revenues	<u>134,306,025</u>	<u>854,921</u>	<u>84,999</u>	<u>9,228,193</u>	<u>2,261,855</u>	<u>146,735,993</u>
<b>Expenditures:</b>						
Current:						
General government	15,593,554	-	-	-	871,789	16,465,343
Public safety	29,374,463	-	-	9,228,193	632,830	39,235,486
Environmental protection	370,056	-	-	-	-	370,056
Economic and physical development	2,777,532	-	-	-	775,735	3,553,267
Human services	25,968,885	-	-	-	-	25,968,885
Cultural and recreational	4,662,296	-	-	-	-	4,662,296
Education	31,387,446	-	-	-	-	31,387,446
Capital outlay	-	11,802,107	7,075,732	-	-	18,877,839
Debt service:						
Principal retirement	11,942,938	-	-	-	-	11,942,938
Interest and other charges	3,746,338	235,494	-	-	-	3,981,832
Total expenditures	<u>125,823,508</u>	<u>12,037,601</u>	<u>7,075,732</u>	<u>9,228,193</u>	<u>2,280,354</u>	<u>156,445,388</u>
Revenues over (under) expenditures	<u>8,482,517</u>	<u>(11,182,680)</u>	<u>(6,990,733)</u>	<u>-</u>	<u>(18,499)</u>	<u>(9,709,395)</u>
<b>Other Financing Sources (Uses):</b>						
From General Fund	-	354,000	-	-	4,584,806	4,938,806
From Capital Reserve Fund	-	477,243	-	-	-	477,243
Transfers to other funds	(4,992,806)	-	-	-	(477,243)	(5,470,049)
Debt issued	-	12,475,000	-	-	-	12,475,000
Bond premium	-	1,365,670	-	-	-	1,365,670
Total other financing sources (uses)	<u>(4,992,806)</u>	<u>14,671,913</u>	<u>-</u>	<u>-</u>	<u>4,107,563</u>	<u>13,786,670</u>
Net change in fund balances	<u>3,489,711</u>	<u>3,489,233</u>	<u>(6,990,733)</u>	<u>-</u>	<u>4,089,064</u>	<u>4,077,275</u>
<b>Fund Balances:</b>						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 53,828,770</u>	<u>\$ 6,365,914</u>	<u>\$ (865,947)</u>	<u>\$ -</u>	<u>\$ 11,425,437</u>	<u>\$ 70,754,174</u>

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

**HENDERSON COUNTY, NORTH CAROLINA****RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 4,077,275
--	--------------

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	(122,938)
Property tax revenues and other fees and services	(248,723)

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.	10,908,472
--	------------

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(4,957,608)
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Gain/loss on the disposal of capital assets not recognized on modified accrual basis	(623,672)
--	-----------

Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(112,509)
--	-----------

Pension expense - LEOSSA	(105,672)
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Pension expense - LGERS	(183,942)
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Pension expense - ROD	(18,604)
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OPEB plan expense	(690,821)
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Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	31,181
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The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(12,475,000)
--	--------------

Issuance and amortization of debt premiums is a reduction of expenses on the Statement of Activities.	(1,005,254)
---	-------------

Expenses reported on fund financial statements that are capitalized on government-wide statements - refunding costs	(420,084)
---	-----------

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.	11,942,938
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Total change in net position of governmental activities	<u>\$ 5,995,039</u>
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*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, 2018

	General Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 74,231,301	\$ 74,231,301	\$ 76,982,725	\$ 2,751,424
Local option sales taxes	21,891,061	21,891,061	27,475,944	5,584,883
Other taxes and licenses	1,161,200	1,161,200	1,275,186	113,986
Unrestricted intergovernmental revenues	38,000	38,000	55,453	17,453
Restricted intergovernmental revenues	17,230,746	18,091,077	16,088,421	(2,002,656)
Permits and fees	1,893,400	1,893,400	2,257,302	363,902
Sales and services	6,649,374	6,654,774	7,644,384	989,610
Investment earnings	500,000	500,000	861,492	361,492
Miscellaneous	966,798	1,810,921	1,665,118	(145,803)
Total revenues	124,561,880	126,271,734	134,306,025	8,034,291
<b>Expenditures:</b>				
Current:				
General government	15,719,268	16,071,668	15,593,554	478,114
Public safety	30,403,404	31,345,661	29,374,463	1,971,198
Environmental protection	411,202	442,033	370,056	71,977
Economic and physical development	3,056,565	3,256,692	2,777,532	479,160
Human services	30,538,884	30,259,913	25,968,885	4,291,028
Cultural and recreational	4,791,681	4,905,399	4,662,296	243,103
Intergovernmental:				
Education	31,844,273	31,869,273	31,387,446	481,827
Debt service:				
Principal retirement	12,332,939	12,027,939	11,942,938	85,001
Interest and other charges	4,300,796	3,856,203	3,746,338	109,865
Total expenditures	133,399,012	134,034,781	125,823,508	8,211,273
Revenues over (under) expenditures	(8,837,132)	(7,763,047)	8,482,517	16,245,564
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	325,000	-	(325,000)
Transfers to other funds	(3,090,188)	(4,992,806)	(4,992,806)	-
Appropriated fund balance	11,927,320	12,430,853	-	(12,430,853)
Total other financing sources (uses)	8,837,132	7,763,047	(4,992,806)	(12,755,853)
Net change in fund balance	\$ -	\$ -	3,489,711	\$ 3,489,711
<b>Fund Balance:</b>				
Beginning of year - July 1			50,339,059	
End of year - June 30			\$ 53,828,770	

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, 2018

	Fire Districts Fund			
	Budgeted Amounts			Variance from
	Original	Final	Actual	Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 8,852,005	\$ 9,163,005	\$ 9,191,494	\$ 28,489
Investment earnings	19,950	19,950	36,699	16,749
Total revenues	<u>8,871,955</u>	<u>9,182,955</u>	<u>9,228,193</u>	<u>45,238</u>
<b>Expenditures:</b>				
Current:				
Public safety	<u>8,871,955</u>	<u>9,182,955</u>	<u>9,228,193</u>	<u>(45,238)</u>
Total expenditures	<u>8,871,955</u>	<u>9,182,955</u>	<u>9,228,193</u>	<u>(45,238)</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, 2018

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District Fund	Justice Academy Sewer Fund	Total
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 1,195,822	\$ 1,415,499	\$ 707,781	\$ 3,319,102
Accounts receivable, net	726,739	1,027,943	6,480	1,761,162
Total current assets	1,922,561	2,443,442	714,261	5,080,264
Capital assets:				
Land and construction in progress	6,031,371	477,936	6,664	6,515,971
Other capital assets, net of depreciation	2,483,335	17,463,240	217,262	20,163,837
Total non-current assets	8,514,706	17,941,176	223,926	26,679,808
Total assets	10,437,267	20,384,618	938,187	31,760,072
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	2,741	-	-	2,741
Pension deferrals	149,924	-	-	149,924
Total deferred outflows of resources	152,665	-	-	152,665
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	562,004	700,337	1,221	1,263,562
Current portion of compensated absences	3,231	3,038	-	6,269
Current portion of long-term obligations	246,546	117,034	-	363,580
Total current liabilities	811,781	820,409	1,221	1,633,411
Non-current liabilities:				
Liabilities payable from restricted assets:				
Accrued landfill closure and post-closure care costs	1,231,617	-	-	1,231,617
Compensated absences	29,081	27,340	-	56,421
Total OPEB liability	155,233	-	-	155,233
Net pension liability - LGERS	158,995	-	-	158,995
Long-term obligations	1,066,667	176,190	-	1,242,857
Total non-current liabilities	2,641,593	203,530	-	2,845,123
Total liabilities	3,453,374	1,023,939	1,221	4,478,534
<b>Deferred Inflows of Resources</b>	45,543	-	-	45,543
<b>Net Position:</b>				
Net investment in capital assets	7,314,706	17,647,952	223,926	25,186,584
Unrestricted	(223,691)	1,712,727	713,040	2,202,076
Total net position	\$ 7,091,015	\$ 19,360,679	\$ 936,966	\$ 27,388,660

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, 2018

	Enterprise Funds			
	Major			
	Landfill Fund	Cane Creek Water and Sewer District	Justice Academy Sewer Fund	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 7,075,106	\$ 1,513,162	\$ 38,880	\$ 8,627,148
Total operating revenues	<u>7,075,106</u>	<u>1,513,162</u>	<u>38,880</u>	<u>8,627,148</u>
<b>Operating Expenses:</b>				
Salaries and employee benefits	1,196,142	-	-	1,196,142
Other operating expenses	4,873,456	787,523	27,316	5,688,295
Repairs and maintenance	544,877	77,826	1,821	624,524
Depreciation	245,576	575,866	10,863	832,305
Total operating expenses	<u>6,860,051</u>	<u>1,441,215</u>	<u>40,000</u>	<u>8,341,266</u>
Operating income (loss)	<u>215,055</u>	<u>71,947</u>	<u>(1,120)</u>	<u>285,882</u>
<b>Non-Operating Revenues (Expenses):</b>				
Miscellaneous revenue	161,908	-	-	161,908
Interest income	15,948	19,928	9,172	45,048
Interest expense	(37,922)	(1,178)	-	(39,100)
Gain/(loss) on sale of capital assets	3,001	-	-	3,001
Total non-operating revenues (expenses)	<u>142,935</u>	<u>18,750</u>	<u>9,172</u>	<u>170,857</u>
Income (loss) before capital contributions and transfers	<u>357,990</u>	<u>90,697</u>	<u>8,052</u>	<u>456,739</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	<u>-</u>	<u>611,400</u>	<u>-</u>	<u>611,400</u>
Change in net position	<u>411,990</u>	<u>702,097</u>	<u>8,052</u>	<u>1,122,139</u>
<b>Net Position:</b>				
Beginning of year - July 1	6,725,680	18,658,582	928,914	26,313,176
Restatement	(46,655)	-	-	(46,655)
Beginning of year, restated	<u>6,679,025</u>	<u>18,658,582</u>	<u>928,914</u>	<u>26,266,521</u>
End of year - June 30	<u>\$ 7,091,015</u>	<u>\$ 19,360,679</u>	<u>\$ 936,966</u>	<u>\$ 27,388,660</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, 2018

	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	\$ 6,862,805	\$ 1,261,037	\$ 32,400	\$ 8,156,242
Cash paid for goods and services	(5,509,356)	(761,844)	(29,796)	(6,300,996)
Cash paid to employees for services	(1,188,119)	-	-	(1,188,119)
Net cash provided (used) by operating activities	<u>165,330</u>	<u>499,193</u>	<u>2,604</u>	<u>667,127</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers in	54,000	-	-	54,000
Proceeds from non-capital grants	161,908	-	-	161,908
Net cash provided (used) by non-capital financing activities	<u>215,908</u>	<u>-</u>	<u>-</u>	<u>215,908</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(260,353)	(651,080)	-	(911,433)
Proceeds from sale of long-term asset	3,001	-	-	3,001
Long-term debt payments	(133,334)	(108,837)	-	(242,171)
Interest paid	(37,922)	(10,356)	-	(48,278)
Net cash provided (used) by capital and related financing activities	<u>(428,608)</u>	<u>(770,273)</u>	<u>-</u>	<u>(1,198,881)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	<u>15,948</u>	<u>19,928</u>	<u>9,172</u>	<u>45,048</u>
Net increase (decrease) in cash and cash equivalents	(31,422)	(251,152)	11,776	(270,798)
<b>Cash and Cash Equivalents:</b>				
Beginning of year - July 1	<u>1,227,244</u>	<u>1,666,651</u>	<u>696,005</u>	<u>3,589,900</u>
End of year - June 30	<u>\$ 1,195,822</u>	<u>\$ 1,415,499</u>	<u>\$ 707,781</u>	<u>\$ 3,319,102</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, 2018

	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)	\$ 215,055	\$ 71,947	\$ (1,120)	\$ 285,882
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	245,576	575,866	10,863	832,305
(Increase) decrease in deferred outflows of resources for pensions	81,361	-	-	81,361
Increase (decrease) in net pension liability	(74,070)	-	-	(74,070)
Increase (decrease) in deferred inflows of resources for pensions	(3,537)	-	-	(3,537)
Landfill closure and post-closure care costs	(113,213)	-	-	(113,213)
(Increase) decrease in accounts receivable	(212,301)	(252,125)	(6,480)	(470,906)
Increase (decrease) in accounts payable and accrued liabilities	22,190	103,145	(659)	124,676
(Increase) decrease in deferred outflows of resources - OPEB	(2,741)	-	-	(2,741)
Increase (decrease) in deferred inflows of resources - OPEB	3,488	-	-	3,488
Increase (decrease) in other post-employment benefits	1,759	-	-	1,759
Increase (decrease) in accrued vacation pay	1,763	360	-	2,123
Total adjustments	(49,725)	427,246	3,724	381,245
Net cash provided (used) by operating activities	\$ 165,330	\$ 499,193	\$ 2,604	\$ 667,127
<b>Non-Cash Capital and Related Financing Activities:</b>				
Capital assets contributed by developers	\$ -	\$ 611,400	\$ -	\$ 611,400

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

**HENDERSON COUNTY, NORTH CAROLINA****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2018**

	<b><u>Agency Funds</u></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,058,998
 Total assets	 <u>\$ 1,058,998</u>
<b>Liabilities:</b>	
Intergovernmental payable	\$ 1,058,998
 Total liabilities	 <u><u>\$ 1,058,998</u></u>

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

# **HENDERSON COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **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, Inc.**

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 June 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 and Affiliates  
715 Fleming Street  
Hendersonville, North Carolina 28791

# **HENDERSON COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **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, 2018

### 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, 2018

**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 non-major 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, 2018

### 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.

# **HENDERSON COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

### **C. Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for all funds except the capital project funds 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, 2018**

### **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) government money market fund, 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:

- \$603,505 in the Tax Revaluation Fund is classified as a restricted asset because its use is restricted per North Carolina General Statute 153A-150.
- \$4,932,390 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.
- \$1,441 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, 2018**

### **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, 2017. 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. Prepaid items for the County's governmental funds are treated using the consumption method.

### **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, 2018

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
Plant and distribution systems	40 years
Improvements	25 years
Furniture, equipment, and computer equipment	5-10 years
Vehicles	6 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, 2018

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, OPEB deferrals and pension deferrals.

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 several items that meet the criteria for this category – property taxes receivable, prepaid taxes, unavailable revenues, other receivables, OPEB deferrals and pension deferrals.

### **Estimates**

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

### **Net Position/Fund Balances**

#### **Net Position**

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

#### **Fund Balances**

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

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

Restricted fund balance at June 30, 2018 is as follows:

Purpose	General Fund	General Capital Projects Fund	Other Governmental Funds	School Capital Project Fund	Total Restricted
Restricted, all other:					
Register of Deeds	\$ 107,884	\$ -	\$ -	\$ -	\$ 107,884
Public safety	-	-	192,665	-	192,665
Economic and physical development	-	4,932,390	1,020,308	-	5,952,698
Education	-	-	-	1,441	1,441
Total	<u>\$ 107,884</u>	<u>\$ 4,932,390</u>	<u>\$ 1,212,973</u>	<u>\$ 1,441</u>	<u>\$ 6,254,688</u>

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$4,932,390 and the restriction for the Register of Deeds' pension plan of \$313,228 for a net difference of \$4,619,163.

#### **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, 2018 is as follows:

<b>Purpose</b>	<b>General Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Committed:			
Revaluation	\$ -	\$ 588,054	\$ 588,054
General government	-	6,641,890	6,641,890
Economic and physical development	<u>1,223,052</u>	<u>2,105,977</u>	<u>3,329,029</u>
Total	<u>\$ 1,223,052</u>	<u>\$ 9,335,921</u>	<u>\$ 10,558,973</u>

#### **Assigned Fund Balance**

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

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

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*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, 2018 is as follows:

<b>Purpose</b>	<b>General Fund</b>
Assigned:	
Subsequent year's expenditures	\$ 14,792,344
Public safety	<u>432,647</u>
Total	<u>\$ 15,224,991</u>

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

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

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

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

Total fund balance - General Fund	\$ 53,828,770
Less:	
Inventories	(51,217)
Prepaid items	(228,858)
Stabilization by state statute	<u>(10,622,402)</u>
Total available fund balance	<u>\$ 42,926,293</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Defined Benefit Cost-Sharing Plans

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

## 2. Stewardship, Compliance, And Accountability

### Deficit Fund Balance

At June 30, 2018, the School Capital Projects Fund, a major fund, has a deficit fund balance of \$865,947. It is unusual for a capital projects fund, especially one that finances capital projects mainly by borrowings, to report a deficit. The reason for the deficit in this case is that the government issued limited obligation bonds (LOBS) in the current fiscal year, but did not receive the proceeds until after year end. The deficit will be eliminated as the proceeds are obtained.

### Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, the expenditures made in the following funds exceeded the authorized appropriations made by the governing board. These over-expenditures occurred because of unplanned expenditures occurring toward year end. Management and the Board will more closely review the budget reports to ensure compliance in future years.

<b>Stewardship</b>	<b>Amount</b>
School Capital Projects Fund	\$ 1,803,567
Landfill Fund	130,618
Fire Districts Fund	45,238



# **HENDERSON COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **3. Detail Notes On All Funds**

#### **A. Assets**

##### **Deposits**

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

At June 30, 2018, the County's deposits had a carrying amount of \$20,127,608 and a bank balance of \$21,949,456. Of the bank balance, \$513,075 was covered by federal depository insurance, and \$21,436,381 was covered by collateral held under the Pooling Method. At June 30, 2018, the County had \$6,606 cash on hand.

At June 30, 2018, the Hospital's deposits had a carrying amount of approximately \$7,439,674 and a bank balance of approximately \$11,155,000. Of the bank balance, approximately \$500,000 was covered by federal depository insurance, and \$10,655,000 was covered by collateral held under the Pooling Method.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Investments

At June 30, 2018, the County had the following investments and maturities:

Investment Type	Valuation	Book Value	Less Than 6 Months	6-12 Months	1-5 Years
	Measurement Method				
U.S. government agencies	Fair Value-Level 2	\$ 28,650,453	\$ -	\$ 541,692	\$ 28,108,761
Commercial paper	Fair Value-Level 2	19,690,915	19,690,915	-	-
North Carolina Capital Management Trust Government Portfolio	Amortized Cost	10,288,970	10,288,970	-	-
North Carolina Capital Management Trust Term Portfolio *	Amortized Cost	1,489	1,489	-	-
Total		<u>\$ 58,631,827</u>	<u>\$ 29,981,374</u>	<u>\$ 541,692</u>	<u>\$ 28,108,761</u>

\*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

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 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.** The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, 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, 2018. 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, 2018. The County has no formal policy on credit risk.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**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 29%, Federal National Mortgage Association are 67%, and Federal Home Loan Bank are 4%. More than 5% of the County's investments are in commercial paper. Investments in Credit Suisse are 50% and J.P. Morgan are 50%. The County has no formal policy on the concentration of credit risk.

At June 30, 2018, the Hospital's investments consisted of the following:

Investment Type	Valuation	Fair Value	Less Than Year	2-3 Years	4-7 Years	No
	Measurement					Maturity
	Method					Date
U.S. government securities	Fair Value-Level 1	\$ 2,985,630	\$ 1,497,765	\$ 1,487,865	\$ -	\$ -
U.S. government agencies	Fair Value-Level 2	495,900	-	495,900	-	-
North Carolina Capital Management Trust	Fair Value-Level 1	4,501	-	-	-	4,501
Equity securities and funds	Fair Value-Level 1	15,124,680	-	-	-	15,124,680
Other investments	Fair Value-Level 1	2,710,472	-	-	-	2,710,472
Cash and cash equivalents	Fair Value-Level 1	3,867,304	-	-	-	3,867,304
Total		\$ 25,188,487	\$ 1,497,765	\$ 1,983,765	\$ -	\$ 21,706,957

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**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 AAA by Standard & Poor's as of June 30, 2018. The Hospital's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and also in high-grade money market instruments as permitted under North Carolina. 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>	
2015	\$ 1,647,812	\$ 465,507	\$ 2,113,319	
2016	2,064,749	397,464	2,462,213	
2017	2,297,753	235,520	2,533,273	
2018	2,278,818	-	2,278,818	
Total	<u>\$ 11,643,476</u>	<u>\$ 1,970,620</u>	<u>\$ 13,614,096</u>	

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Receivables

Receivables at the government-wide level at June 30, 2018 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due From Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 4,316,365	\$ 1,845,600	\$ 7,705,796	\$ 13,867,761
Other governmental	<u>392,216</u>	<u>-</u>	<u>283,351</u>	<u>675,567</u>
Total receivables	4,708,581	1,845,600	7,989,147	14,543,328
Allowance for doubtful accounts	<u>(1,183,004)</u>	<u>(864,587)</u>	<u>-</u>	<u>(2,047,591)</u>
Total governmental activities	<u>\$ 3,525,577</u>	<u>\$ 981,013</u>	<u>\$ 7,989,147</u>	<u>\$ 12,495,737</u>
<b>Business-Type Activities:</b>				
Landfill	\$ 723,228	\$ -	\$ 3,511	\$ 726,739
Cane Creek	1,323,252	-	4,136	1,327,388
Justice Academy	<u>6,480</u>	<u>-</u>	<u>-</u>	<u>6,480</u>
Total receivables	2,052,960	-	7,647	2,060,607
Allowance for doubtful accounts	<u>(299,445)</u>	<u>-</u>	<u>-</u>	<u>(299,445)</u>
Total business-type activities	<u>\$ 1,753,515</u>	<u>\$ -</u>	<u>\$ 7,647</u>	<u>\$ 1,761,162</u>

Due from other governments consisted of the following:

### Governmental Activities:

Local option sales tax	\$ 6,798,976
Franchise tax	127,346
Sales tax reimbursement	812,845
Other taxes	<u>249,980</u>
Total	<u>7,989,147</u>

### Business-Type Activities:

Sales tax reimbursement	<u>7,647</u>
Total	<u>\$ 7,996,794</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 15,349,827	\$ -	\$ -	\$ -	\$ 15,349,827
Construction in progress	3,613,136	9,031,837	(335,861)	(845,285)	11,463,827
Total non-depreciable capital assets	<u>18,962,963</u>	<u>9,031,837</u>	<u>(335,861)</u>	<u>(845,285)</u>	<u>26,813,654</u>
<b>Depreciable Capital Assets:</b>					
Buildings	124,127,400	-	(333,991)	845,285	124,638,694
Equipment	6,991,132	587,573	(129,337)	-	7,449,368
Vehicles and motor equipment	8,059,514	1,289,062	(608,680)	-	8,739,896
Total depreciable capital assets	<u>139,178,046</u>	<u>1,876,635</u>	<u>(1,072,008)</u>	<u>845,285</u>	<u>140,827,958</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	37,566,767	3,558,832	(90,456)	-	41,035,143
Equipment	4,840,101	604,833	(126,746)	-	5,318,188
Vehicles and motor equipment	5,398,612	793,943	(566,995)	-	5,625,560
Total accumulated depreciation	<u>47,805,480</u>	<u>4,957,608</u>	<u>(784,197)</u>	<u>-</u>	<u>51,978,891</u>
Total depreciable capital assets	<u>91,372,566</u>	<u>\$ (3,080,973)</u>	<u>\$ (287,811)</u>	<u>\$ -</u>	<u>88,849,067</u>
Total depreciable capital assets, net	<u>\$ 110,335,529</u>				<u>\$ 115,662,721</u>

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

General government	\$ 2,676,128
Public safety	1,675,842
Economic and physical development	32,237
Human services	403,976
Cultural and recreational	169,425
Total	<u>\$ 4,957,608</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
<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	1,103,586	138,718	(3,290)	-	1,239,014
Vehicles	762,691	121,635	(16,662)	-	867,664
Total depreciable capital assets	<u>5,274,289</u>	<u>260,353</u>	<u>(19,952)</u>	<u>-</u>	<u>5,514,690</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution systems	1,447,486	77,597	-	-	1,525,083
Furniture and maintenance equipment	664,492	111,045	(3,290)	-	772,247
Vehicles	693,753	56,934	(16,662)	-	734,025
Total accumulated depreciation	<u>2,805,731</u>	<u>245,576</u>	<u>(19,952)</u>	<u>-</u>	<u>3,031,355</u>
Total depreciable capital assets, net	<u>2,468,558</u>	<u>14,777</u>	<u>-</u>	<u>-</u>	<u>2,483,335</u>
Landfill capital assets, net	<u>8,499,929</u>	<u>\$ 14,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,514,706</u>
<b>Cane Creek Water and Sewer District:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	324,450	\$ -	\$ -	\$ -	324,450
Construction in progress	2,412,739	642,480	-	(2,901,733)	153,486
Total non-depreciable capital assets	<u>2,737,189</u>	<u>642,480</u>	<u>-</u>	<u>(2,901,733)</u>	<u>477,936</u>
<b>Depreciable Capital Assets:</b>					
Plant and distribution systems	20,314,026	611,400	-	2,901,733	23,827,159
Furniture and maintenance equipment	505,928	8,600	-	-	514,528
Vehicles	192,874	-	-	-	192,874
Total depreciable capital assets	<u>21,012,828</u>	<u>620,000</u>	<u>-</u>	<u>2,901,733</u>	<u>24,534,561</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution systems	6,051,508	510,500	-	-	6,562,008
Furniture and maintenance equipment	330,899	50,661	-	-	381,560
Vehicles	113,048	14,705	-	-	127,753
Total accumulated depreciation	<u>6,495,455</u>	<u>575,866</u>	<u>-</u>	<u>-</u>	<u>7,071,321</u>
Total depreciable capital assets, net	<u>14,517,373</u>	<u>44,134</u>	<u>-</u>	<u>2,901,733</u>	<u>17,463,240</u>
Cane Creek Water and Sewer District capital assets, net	<u>17,254,562</u>	<u>\$ 686,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>17,941,176</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
<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	206,398	10,863	-	-	217,261
Furniture and maintenance equipment	17,234	-	-	-	17,234
Total accumulated depreciation	223,632	10,863	-	-	234,495
Total depreciable capital assets, net	228,125	(10,863)	-	-	217,262
Justice Academy Water and Sewer District capital assets, net	234,789	\$ (10,863)	\$ -	\$ -	223,926
Business-type activities capital assets, net	\$ 25,989,280				\$ 26,679,808



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Capital asset activity for the Henderson County Hospital Corporation for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Transfers/ Decreases	Balance June 30, 2018
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 8,588,824	\$ -	\$ -	\$ 8,588,824
Construction in progress	7,042,581	4,642,432	(10,668,200)	1,016,813
Total non-depreciable capital assets	<u>15,631,405</u>	<u>4,642,432</u>	<u>(10,668,200)</u>	<u>9,605,637</u>
<b>Depreciable Capital Assets:</b>				
Land improvements	2,782,620	-	1,182,131	3,964,751
Buildings and fixed equipment	110,164,385	-	6,690,652	116,855,037
Moveable equipment	131,941,078	3,614,193	1,848,171	137,403,442
Total depreciable capital assets	<u>244,888,083</u>	<u>3,614,193</u>	<u>9,720,954</u>	<u>258,223,230</u>
<b>Less Accumulated Depreciation:</b>				
Land improvements	1,227,226	176,188	-	1,403,414
Buildings and fixed equipment	70,068,569	4,126,118	87,257	74,281,944
Moveable equipment	110,145,278	5,588,204	(620,044)	115,113,438
Total accumulated depreciation	<u>181,441,073</u>	<u>9,890,510</u>	<u>(532,787)</u>	<u>190,798,796</u>
Total depreciable capital assets, net	<u>63,447,010</u>	<u>\$ (1,633,885)</u>	<u>\$ (414,459)</u>	<u>67,424,434</u>
Total capital assets, net	<u>\$ 79,078,415</u>			<u>\$ 77,030,071</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### B. Liabilities

#### Payables

Payables at the government-wide level at June 30, 2018 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Insurance Claims Incurred, But Not Reported	Total
<b>Governmental Activities:</b>					
General	\$ 1,457,766	\$ 8,175,835	\$ 768,789	\$ 371,290	\$ 10,773,680
Other governmental	4,296,030	10,312	-	-	4,306,342
Total governmental activities	<u>\$ 5,753,796</u>	<u>\$ 8,186,147</u>	<u>\$ 768,789</u>	<u>\$ 371,290</u>	<u>\$ 15,080,022</u>
<b>Business-Type Activities:</b>					
Landfill	\$ 562,004	\$ -	\$ -	\$ -	\$ 562,004
Water and Sewer Fund	700,337	-	-	-	700,337
Justice Academy Sewer	1,221	-	-	-	1,221
Total business-type activities	<u>\$ 1,263,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,263,562</u>

#### 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

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

at the 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018 was 8.25% of compensation for law enforcement officers and 7.50% 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 \$2,883,778 for the year ended June 30, 2018.

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

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

At June 30, 2018, the County reported a liability of \$8,706,645 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was .569%, which was an decrease of .015% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$3,071,474. At June 30, 2018, 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	\$ 501,583	\$ 246,458
Changes of assumptions	1,243,430	-
Net difference between projected and actual earnings on pension plan investments	2,113,984	-
Changes in proportion and differences between County contributions and proportionate share of contributions	145,440	11,569
County's contributions subsequent to the measurement date	2,883,778	-
Total	<u>\$ 6,888,215</u>	<u>\$ 258,027</u>

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$2,883,778 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, 2019. 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>
2019	\$ 562,412
2020	2,560,799
2021	1,274,929
2022	(651,730)
2023	-
Thereafter	-
Total	<u>\$ 3,746,410</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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	7.20 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, 2016 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, 2018

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real</u>
		<u>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 2017 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 26,137,549</u>	<u>\$ 8,706,645</u>	<u>\$ (5,842,655)</u>

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

### **Law Enforcement Officers' Special Separation Allowance**

**Plan Description.** Henderson County administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers 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, 2016, the Separation Allowance's membership consisted of 124 active plan members and 23 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.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

**Deaths After Retirement (Healthy):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 2015 using MP-2015.

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

**Deaths After Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 \$320,273 as benefits came due for the reporting period.



## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

At June 30, 2018, the County reported a total pension liability of \$4,644,992. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$328,254.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 141,477
Changes of assumptions	199,972	62,779
County's benefit payments and plan administrative expense made subsequent to the measurement date	172,874	-
Total	<u>\$ 372,846</u>	<u>\$ 204,256</u>

The County paid \$172,874 in benefit payments made subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2019	\$ (3,371)
2020	(3,371)
2021	(3,371)
2022	635
2023	5,194
Total	<u>\$ (4,284)</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*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 3.16%, 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 (2.16%) or 1-percentage-point higher (4.16%) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	<u>\$ 4,992,153</u>	<u>\$ 4,644,992</u>	<u>\$ 4,326,373</u>

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

	<b>2018</b>
Beginning balance	\$ 4,561,820
Service cost	161,720
Interest on total pension liability	169,905
Differences between expected and actual experience in the measurement of the total pension liability	(173,704)
Changes of assumptions or other inputs	245,524
Benefit payments	<u>(320,273)</u>
Ending balance of the total pension liability	<u>\$ 4,644,992</u>

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.86 percent at December 31, 2016 to 3.16 percent at December 31, 2017.

*Changes in Benefit Terms.* Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **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. The County contributed \$637,279 for the reporting year. 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, 2018

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by the General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$11,871 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$242,521 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was 1.42%, which was a decrease of .0007% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$30,476. At June 30, 2018, 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	\$ 4,163	\$ 781
Changes of assumptions	40,920	-
Net difference between projected and actual earnings on pension plan investments	20,616	-
Changes in proportion and differences between County contributions and proportionate share of contributions	113	6,195
County's contributions subsequent to the measurement date	11,871	-
Total	<u>\$ 77,683</u>	<u>\$ 6,976</u>

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$11,871 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, 2019. 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>
2019	\$ 32,924
2020	18,296
2021	2,359
2022	5,257
Total	<u>\$ 58,836</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2016 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, 2016 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, 2017 is 1.4%.

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 (4.75%) than the current rate.

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 190,619</u>	<u>\$ 242,521</u>	<u>\$ 286,169</u>

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

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

The net pension liability for LGERS and ROD was measure as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$ 8,706,645	\$ (242,521)	\$ -	\$ 8,464,124
Proportion of the net pension liability (asset)	0.56991%	1.42083%	n/a	-
Total pension liability	-	-	4,644,992	4,644,992
Pension expense	3,071,474	30,476	328,254	3,430,204

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ 501,583	\$ 4,163	\$ -	\$ 505,746
Pensions - difference between projected and actual investment earnings	2,113,984	20,616	-	2,134,600
Changes of assumptions	1,243,430	40,920	199,972	1,484,322
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	145,440	113	-	145,553
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>2,883,778</u>	<u>11,871</u>	<u>172,874</u>	<u>3,068,523</u>
Total	<u>\$ 6,888,215</u>	<u>\$ 77,683</u>	<u>\$ 372,846</u>	<u>\$ 7,338,744</u>
<b>Deferred Inflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ 246,458	\$ 781	\$ 141,477	\$ 388,716
Changes of assumptions	-	-	62,779	62,779
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	<u>11,569</u>	<u>6,195</u>	<u>-</u>	<u>17,764</u>
Total	<u>\$ 258,027</u>	<u>\$ 6,976</u>	<u>\$ 204,256</u>	<u>\$ 469,259</u>

### 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.



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

### 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, 2018, the County made payments for post-retirement health benefit premiums of \$758,421. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

#### **County Contributions Based on Years of Creditable Service**

<b>Years of Creditable Service</b>	
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%

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Membership of the plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit payments	72
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>710</u>
	<u>782</u>

#### **Total OPEB Liability**

The County's total OPEB liability of \$19,284,840 was measured as of June 30, 2017 and was determined by an actuarial valuation as June 30, 2016.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	
General Employees & Firefighters	3.50 to 7.75 percent, including wage inflation
Law Enforcement Officers	3.50 to 7.35 percent, including wage inflation
Health Care Cost Trends	
Pre-Medicare	7.75 percent for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75 percent for 2016 decreasing to an ultimate rate of 5.00% by 2019

The discount rate is based on the yield of the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of the measurement date.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2017</b>	<u>\$ 19,572,675</u>
<b>Changes for the year:</b>	
Service Cost	1,023,125
Interest	577,569
Differences between expected and actual experience	(171,424)
Changes of assumptions or other inputs	(942,686)
Benefit payments	<u>(774,419)</u>
<b>Net changes</b>	<u>(287,835)</u>
<b>Balance at June 30, 2018</b>	<u><u>\$ 19,284,840</u></u>

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<b>1% Decrease (2.56%)</b>	<b>Current Discount Rate (3.56%)</b>	<b>1% Increase (4.56%)</b>
Total OPEB liability	<u>\$ 21,038,735</u>	<u>\$ 19,284,840</u>	<u>\$ 17,702,309</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 17,053,126</u>	<u>\$ 19,284,840</u>	<u>\$ 21,922,070</u>

### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the County recognized OPEB expense of \$1,451,748. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 148,506
Changes of assumptions	-	816,659
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>758,421</u>	<u>-</u>
Total	<u>\$ 758,421</u>	<u>\$ 965,165</u>

\$758,421 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2019	\$ (148,946)
2020	(148,946)
2021	(148,946)
2022	(148,946)
2023	(148,946)
Thereafter	<u>(220,435)</u>
Total	<u>\$ (965,165)</u>

# **HENDERSON COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **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 \$1,344,830 reported as landfill post-closure care liability at June 30, 2018 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 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

### **Henderson County Hospital Corporation Pension Plan**

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

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Deferred Outflows and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Charge on refunding of debt	\$ 2,688,533	\$ -
Pensions - difference between expected and actual experience		
LGERS	501,583	246,458
Register of Deeds	4,163	781
OPEB	-	148,506
LEOSSA	-	141,477
Pensions - difference between projected and actual investment earnings		
LGERS	2,113,984	-
Register of Deeds	20,616	-
Changes of assumptions		
LGERS	1,243,430	-
Register of Deeds	40,920	-
LEOSSA	199,972	62,779
OPEB	-	816,659
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	145,440	11,569
Register of Deeds	113	6,195
Contributions to pension plans in 2017-2018 fiscal year - LGERS, LEOSSA, ROD, OPEB	3,826,944	-
Prepaid taxes not yet earned (General Fund)	-	647,165
Unavailable revenues	-	293,932
Taxes receivable, net (General Fund)	-	981,013
Other receivables (General Fund)	-	165,168
Prepaid fire district tax, net (Special Revenue Fund)	-	11,068
Total	<u>\$ 10,785,698</u>	<u>\$ 3,532,770</u>

# **HENDERSON COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **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 \$163.9 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 \$2,000,000, subject to a \$250,000 limit per person, and an annual aggregate of \$10,000,000, 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, 2018

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>2017</b>	<b>2018</b>
Unpaid claims:		
Beginning of year - July 1	\$ 329,565	\$ 634,454
Incurred claims	10,042,430	10,179,912
Claim payments	<u>(9,737,541)</u>	<u>(10,443,076)</u>
End of year - June 30	<u>\$ 634,454</u>	<u>\$ 371,290</u>

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

#### **Claims and Judgments**

At June 30, 2018, 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, 2018

#### 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, 2018 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>\$ 4,000,000</u>
Total installment contracts	<u><u>\$ 4,000,000</u></u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 500,000	\$ 192,000
2020	500,000	168,000
2021	500,000	144,000
2022	500,000	120,000
2023	500,000	96,000
2024-2026	<u>1,500,000</u>	<u>144,000</u>
Total	<u><u>\$ 4,000,000</u></u>	<u><u>\$ 864,000</u></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, 2018

Other installment purchase contracts payable at June 30, 2018 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.	\$ 13,714,286
\$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.	434,000
\$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.	854,080
\$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.	361,500
\$8,610,000 Series 2010 A Recovery Zone Economic Development Bonds, financing contract due in annual principal payments ranging from \$860,000 to \$865,000 on December 1 through 2019. Interest is paid semi-annually at rates ranging from 1.0% to 4.4%, fluctuating throughout the life of the bonds.	1,720,000
\$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.	<u>42,013</u>
Total installment purchases indebtedness	<u><u>\$ 17,125,879</u></u>

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

Year Ending June 30	Principal	Interest
2019	\$ 3,772,376	\$ 443,072
2020	3,296,361	329,917
2021	1,828,571	246,240
2022	1,828,571	199,337
2023	1,828,571	152,434
2024-2026	<u>4,571,429</u>	<u>175,886</u>
Total	<u><u>\$ 17,125,879</u></u>	<u><u>\$ 1,546,886</u></u>

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### 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.

\$ 1,200,000

<b>Year Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 133,333	\$ 42,667
2020	133,334	38,400
2021	133,333	34,133
2022	133,333	29,867
2023	133,333	21,333
2024-2026	<u>533,334</u>	<u>42,667</u>
Total	<u>\$ 1,200,000</u>	<u>\$ 209,067</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, 2018

The County's limited obligation bonds payable at June 30, 2018 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. \$ 2,625,948

\$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. 10,395,000

\$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%. 18,446,000

\$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%. 25,070,000

\$14,600,000 Series 2016A Limited Obligation bonds,  
due in annual principal payments of \$975,000. Payment  
is due annually beginning in 2023 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%. 3,740,000

\$12,475,000 Series 2017A Limited Obligation bonds,  
due in annual principal payments ranging from \$560,000  
to \$630,000. Payment is due semi-annually on December 1st  
and June 1st at an interest rate ranging from 5% to 3% 11,915,000

Total governmental limited obligation bonds payable 86,791,948

### 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. 284,051

Total limited obligation bonds payable \$ 87,075,999

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

#### Governmental Activities:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 7,575,139	\$ 2,868,133
2020	7,487,579	2,676,920
2021	7,125,231	2,479,359
2022	6,428,000	2,288,965
2023	6,429,000	2,107,640
2024-2028	23,657,000	7,779,877
2029-2033	16,055,000	3,843,910
2034-2037	12,034,999	771,037
Total	<u>\$ 86,791,948</u>	<u>\$ 24,815,841</u>

#### Business-Type Activities:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 107,861	\$ 7,743
2020	105,421	4,478
2021	70,769	1,415
Total	<u>\$ 284,051</u>	<u>\$ 13,636</u>

At June 30, 2018, the County had no bonds authorized, but unissued, and a legal debt margin of \$980,648,003.

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	<b>Restated Balance July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Limited obligation bonds	\$ 81,900,111	\$ 12,475,000	\$ (7,583,163)	\$ 86,791,948	\$ 7,575,139
Add unamortized bond premium	3,826,401	1,365,670	(360,416)	4,831,655	84,843
Total limited obligation bonds	85,726,512	13,840,670	(7,943,579)	91,623,603	7,659,982
Other long-term obligations:					
Installment purchases	20,985,654	-	(3,859,775)	17,125,879	3,772,376
Installment contracts	4,500,000	-	(500,000)	4,000,000	500,000
Net pension liability (LGERS)	12,177,076	-	(3,629,426)	8,547,650	-
Compensated absences	2,618,168	1,063,501	(950,992)	2,730,677	273,068
Total OPEB liability	24,427,568		(5,297,961)	19,129,607	-
Total pension liability (LEOSSA)	4,561,820	83,172	-	4,644,992	-
Total governmental activities	<u>\$ 154,996,798</u>	<u>\$ 14,987,343</u>	<u>\$ (22,181,733)</u>	<u>\$ 147,802,408</u>	<u>\$ 12,205,426</u>
<b>Business-Type Activities:</b>					
<b>Landfill:</b>					
Installment purchase	\$ 1,333,334	\$ -	\$ (133,334)	\$ 1,200,000	\$ 133,333
Accrued landfill closure and post-closure care cost	1,458,043	-	(113,213)	1,344,830	113,213
Net pension liability (LGERS)	233,065	-	(74,070)	158,995	-
Total OPEB liability	153,474	1,759	-	155,233	-
Compensated absences	30,549	14,839	(13,076)	32,312	3,231
Total Landfill	<u>3,208,465</u>	<u>16,598</u>	<u>(333,693)</u>	<u>2,891,370</u>	<u>249,777</u>
<b>Cane Creek Water and Sewer District:</b>					
Limited obligation bonds	392,888	-	(108,837)	284,051	107,861
Add unamortized bond premium	18,351	-	(9,178)	9,173	9,173
Total limited obligation bonds	411,239	-	(118,015)	293,224	117,034
Compensated absences	30,018	8,392	(8,032)	30,378	3,038
Total Cane Creek Water and Sewer District	<u>441,257</u>	<u>8,392</u>	<u>(126,047)</u>	<u>323,602</u>	<u>120,072</u>
Total business-type activities	<u>\$ 3,649,722</u>	<u>\$ 24,990</u>	<u>\$ (459,740)</u>	<u>\$ 3,214,972</u>	<u>\$ 369,849</u>

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>	<b>Current Portion of Balance</b>
Revenue bonds	\$ 25,558,976	\$ -	\$ 2,438,900	\$ 23,120,076	\$ 2,495,545
Capitalized leases	475,106	3,614,193	847,619	3,241,680	817,636
Total	<u>\$ 14,590,691</u>	<u>\$ 3,614,193</u>	<u>\$ 3,286,519</u>	<u>\$ 26,361,756</u>	<u>\$ 3,313,181</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 June 30, 2018, the cost of assets held under capital leases was approximately \$4,183,000, less accumulated depreciation and amortization of approximately \$995,000.

Scheduled future debt service requirements of long-term debt for years subsequent to June 30, 2018 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>
2019	\$ 817,636
2020	785,023
2021	741,467
2022	734,413
2023	163,141
Total minimum lease payments	<u>\$ 3,241,680</u>

## HENDERSON COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### Revenue Bonds

On September 4, 2013, the County issued a \$9,545,000 County of Henderson, North Carolina Hospital Revenue Refunding Bond, Series 2013 (the 2013 Bond) and loaned the proceeds to the Hospital. The proceeds of the Series 2013 Bond were used to refund the then outstanding Series 2008 Bond and Series 2010 Bond.

On December 18, 2014, the County issued a \$5,000,000 County of Henderson, North Carolina, Hospital Revenue Bond, Series 2014 (the 2014 Bond) and loaned the proceeds to the Hospital. The proceeds of the loan were used to provide funds for constructing and equipping facilities and pay costs related to bond issuance. The principal amount is payable annually through October 1, 2029 and interest is payable bi-annually at 2.45%.

On July 21, 2016, the County issued \$8,342,209 County of Henderson, North Carolina, Tax-Exempt Hospital Revenue Bonds, Series 2016A (the 2016A Bonds). Also on July 21, 2016, the County issued \$8,657,791 County of Henderson, North Carolina Taxable Hospital Revenue Bonds, and Series 2016B (the 2016B Bonds). The proceeds of the 2016A Bonds and the 2016B Bonds were loaned to the Hospital to provide funds for constructing and equipping facilities and pay costs related to bonds issuance. The principal amount is payable annually through June 1, 2023 and interest is payable bi-annually at 1.62% for the 2016A Bonds. The principal amount is payable annually through June 1, 2031 and interest is payable bi-annually at 2.93% for the 2016B Bonds.

The master indenture and loan agreements underlying the bonds contain certain financial covenants including minimum long-term debt service coverage ratio and minimum days' cash on hand as well as a requirement to file the audit report within 180 days of period end. 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</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 2,495,545	\$ 590,507
2020	2,551,491	522,505
2021	2,608,745	454,021
2022	2,665,311	385,424
2023	1,578,193	337,688
Thereafter	11,220,791	1,368,996
Total	<u>\$ 23,120,076</u>	<u>\$ 3,659,141</u>



# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Net Investment in Capital Assets

Net investment in capital assets at June 30, 2018 is computed as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets, net of accumulated depreciation	\$ 115,662,721	\$ 26,679,808
Restricted cash from debt issuance	4,932,390	-
Long-term debt	(112,749,482)	(1,493,224)
Long-term debt for assets not owned by the County	62,716,814	-
Net investment in capital assets	<u>\$ 70,562,443</u>	<u>\$ 25,186,584</u>

Unspent debt proceeds of \$1,441 and deferred outflows - charge on refunding of \$2,688,533 are both related to Schools and are not included in the net investment in capital assets calculation.

### 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>
Emergency Services Headquarters project	\$ 3,080,602
Edneyville Elementary School project	21,745,725
Mud Creek Interceptor Project	3,204,134
Total	<u>\$ 28,030,461</u>

### Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018, consists of the following:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>	<b>Purpose</b>
Debt Service Fund	School Capital Project Fund	<u>\$ 800,000</u>	To cover expenditures since bond proceeds were received after year end

# HENDERSON COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Transfers to/from other funds for the year ended June 30, 2018 consist of the following:

	<b>Transfers</b>		<b>Purpose</b>
	<b>From</b>	<b>To</b>	
General Capital Reserve Fund	\$ 477,243		
General Capital Projects Fund		\$ 477,243	Fund capital expansion
General Fund	354,000		
General Capital Projects Fund		354,000	Fund capital expansion
General Fund	221,539		
Public Transit Fund		221,539	Program contribution
General Fund	54,000		
Landfill Fund		54,000	Fund capital expansion
General Fund	1,853,618		
General Capital Reserve Fund		1,853,618	Fund reserve for future capital expansion
General Fund	<u>2,509,649</u>		
Debt Service Fund		<u>2,509,649</u>	Fund debt service reserve
Total	<u>\$ 5,470,049</u>	<u>\$ 5,470,049</u>	

### 4. Joint Ventures

The County, in conjunction with the State of North Carolina and Henderson County Board of Education, participates in a joint venture to operate Blue Ridge Community College ("Community College"). Each of the three participants appoints four members of the 13-member Board of Trustees of the Community College. The President of the Community College's student government association serves as a non-voting, ex-officio member of the Board of Trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the Community College, because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$3,756,273 to the Community College for operational expenses during the fiscal year ended June 30, 2018. In addition, the County made debt service payments of \$1,988,905, including interest, during the year ended June 30, 2018, 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, 2018.

## **HENDERSON COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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, 2018. Complete financial statements for the LME may be obtained from the LME's administrative office at 200 Ridgefield Court, Asheville, North Carolina.

#### **5. Jointly Governed Organization**

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

#### **6. 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.

#### **7. Subsequent Event**

On August 1, 2018, Henderson County issued \$24,225,000 in County Series 2018A Limited Obligation Bonds for the costs incurred for capital expenditures associated with a new elementary school.

# **HENDERSON COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

### **8. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period. As a result, net position for the governmental activities decreased \$12,861,996 and \$46,655 for the business-type activities.

## **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
- Schedule of Changes in the Total OPEB Liability and Related Ratios
- 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**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST TWO FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>	
	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 4,561,820	\$ 4,609,945
Service cost	161,720	179,379
Interest on the total pension liability	169,905	159,386
Differences between expected and actual	(173,704)	-
Changes of assumptions or other inputs	245,524	(96,170)
Benefit payments	(320,273)	(290,720)
Ending balance of the total pension liability	<u>\$ 4,644,992</u>	<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  
LAST TWO FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>	
	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 4,644,992	\$ 4,561,820
Covered payroll	6,908,636	7,221,929
Total pension liability as a percentage of covered payroll	67.23%	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**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Total OPEB Liability</b>	
	<b>2018</b>
Beginning balance	\$ 19,572,675
Service cost	1,023,125
Interest on TOL and cash flows	577,569
Differences between expected and actual experience	(171,424)
Changes of assumptions or other inputs	(942,686)
Benefit payments	(774,419)
Ending balance of the total OPEB liability	<u>\$ 19,284,840</u>
Covered Payroll	\$ 31,515,633
Total OPEB liability as a percentage of covered payroll	61.19%

**Notes to Schedule**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<b>Fiscal Year</b>	<b>Rate</b>
2018	3.56%

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

<b>Local Government Employees' Retirement System</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	0.56991%	0.58474%	0.55923%	0.54613%	0.54613%
County's proportion of the net pension liability (asset) (\$)	\$ 8,706,645	\$ 12,410,141	\$ 2,509,790	\$ (3,220,780)	\$ 6,384,919
County's covered payroll	\$ 39,475,827	\$ 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	22.06%	36.78%	7.55%	-10.15%	20.84%
Plan fiduciary net position as a percentage of the total pension liability **	94.18%	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 FIVE FISCAL YEARS**

	<b>Local Government Employees' Retirement System</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,883,778	\$ 2,763,724	\$ 2,291,770	\$ 2,356,655	\$ 2,246,169
Contributions in relation to the contractually required contribution	<u>2,883,778</u>	<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>	<u>\$ -</u>
County's covered payroll	\$ 39,907,050	\$ 39,475,827	\$ 33,738,533	\$ 33,231,069	\$ 31,738,665
Contributions as a percentage of covered-employee payroll	7.23%	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 FIVE FISCAL YEARS\***

<b>Register of Deeds' Supplemental Pension Fund</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	1.42083%	1.42155%	1.36491%	1.31871%	1.25345%
County's proportion of the net pension liability (asset) (\$)	\$ (242,521)	\$ (265,773)	\$ (316,304)	\$ (298,899)	\$ (267,737)
County's covered payroll	\$ 79,713	\$ 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	-304.24%	-362.92%	-430.84%	-432.94%	-389.86%
Plan fiduciary net position as a percentage of the total pension liability **	153.77%	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 FIVE FISCAL YEARS**

<b>Register of Deeds' Supplemental Pension Fund</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 11,871	\$ 12,345	\$ 11,612	\$ 10,922	\$ 10,767
Contributions in relation to the contractually required contribution	11,871	12,345	11,612	10,922	10,767
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 90,827	\$ 79,713	\$ 73,231	\$ 73,416	\$ 69,039
Contributions as a percentage of covered-employee payroll	13.07%	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, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		2017
	Budget	Actual	Variance Over/Under
			Actual
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes - current		\$ 76,437,552	\$ 74,934,090
Penalties, interest, and advertising		545,173	417,965
Total	\$ 74,231,301	76,982,725	\$ 2,751,424
<b>Local Option Sales Taxes:</b>			
Article 39 one percent		11,255,541	10,373,085
Article 40 one-half of one percent		7,302,295	6,838,576
Article 42 one-half of one percent		6,327,155	5,862,665
Article 44 one-half of one percent		514,338	481,978
Medicaid hold harmless		2,076,615	1,833,041
Total	21,891,061	27,475,944	5,584,883
<b>Other Taxes and Licenses:</b>			
Deed stamp excise tax		879,504	861,300
Gross receipts rental tax+A30		51,961	49,116
Privilege licenses		343,721	354,128
Total	1,161,200	1,275,186	113,986
<b>Unrestricted Intergovernmental Revenues:</b>			
Payment in lieu of taxes	38,000	55,453	17,453
Total	38,000	55,453	17,453
<b>Restricted Intergovernmental Revenues:</b>			
Federal and state grants		15,800,740	18,758,552
Controlled substance tax		16,368	18,503
Court facility fee		132,972	132,034
ABC net revenues		111,969	98,649
ABC bottles taxes		26,372	29,333
Total	18,091,077	16,088,421	(2,002,656)
<b>Permits and Fees:</b>			
Inspection fees		1,569,269	1,239,189
Register of Deeds		522,781	551,243
Enforcement fees		149,447	182,563
Stormwater Permit fees		11,905	6,355
Watershed fees		3,900	2,715
Total	1,893,400	2,257,302	363,902
<b>Sales and Services:</b>			
Rents, concessions, and fees		3,690,017	3,430,131
Jail fees		210,292	158,067
Ambulance fees		3,526,674	3,590,654
Recreation fees		217,401	232,412
Total	6,654,774	7,644,384	989,610

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		2017
	Budget	Actual	Variance Over/Under
			Actual
<b>Investment Earnings</b>	500,000	861,492	361,492
<b>Miscellaneous:</b>			
Sale of materials		829,835	73,051
Other		835,283	575,129
Total	1,810,921	1,665,118	(145,803)
Total revenues	126,271,734	134,306,025	8,034,291
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and employee benefits		218,051	209,796
Operating expenditures		139,466	124,832
Donations and dues		483,737	434,497
Total	874,773	841,254	33,519
<b>Administration:</b>			
Salaries and employee benefits		1,536,229	1,336,706
Operating expenditures		201,975	197,348
Total	1,802,451	1,738,204	64,247
<b>Elections:</b>			
Salaries and employee benefits		426,299	488,034
Operating expenditures		195,179	244,828
Total	900,221	621,478	278,743
<b>Finance:</b>			
Salaries and employee benefits		838,845	806,310
Operating expenditures		59,690	46,708
Total	915,986	898,535	17,451
<b>Taxes:</b>			
Salaries and employee benefits		1,446,048	1,390,001
Operating expenditures		474,188	460,025
Capital outlay		-	46,141
Total	2,297,757	1,920,236	377,521
<b>Legal:</b>			
Salaries and employee benefits		701,689	680,821
Contracted services		35,993	25,127
Total	783,062	737,682	45,380

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018		2017
	Budget	Actual	Variance Over/Under
			Actual
<b>Register of Deeds:</b>			
Salaries and employee benefits		389,101	374,377
Operating expenditures		285,482	288,473
Total	761,449	674,583	86,866
<b>Public Buildings:</b>			
Salaries and employee benefits		1,229,740	1,179,041
Operating expenditures		2,333,051	2,240,004
Capital outlay		56,567	7,085
Total	3,624,315	3,619,358	4,957
<b>Garage and Grounds:</b>			
Salaries and employee benefits		298,181	297,266
Operating expenditures		138,967	116,488
Capital outlay		51,269	23,595
Total	515,840	488,417	27,423
<b>Court Facilities:</b>			
Operating expenditures		160,658	152,061
Capital outlay	-	-	24,555
Total	190,000	160,658	29,342
<b>Data Processing:</b>			
Salaries and employee benefits		1,025,515	1,004,618
Operating expenditures		1,890,856	1,793,890
Capital outlay		372,859	71,632
Total	3,405,814	3,289,230	116,584
<b>Wellness Clinic:</b>			
Salaries and employee benefits		421,283	401,019
Operating expenditures		182,636	153,006
Total	658,829	603,919	54,910
Total general government	16,071,668	15,593,554	1,136,943
<b>Public Safety:</b>			
<b>Sheriff and Communications:</b>			
Salaries and employee benefits		12,635,010	11,858,688
Operating expenditures		1,828,154	1,669,375
Capital outlay		578,787	387,048
Total	15,692,048	15,041,951	650,097

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		2017
	Budget	Actual	Variance Over/Under
			Actual
<b>Jail:</b>			
Salaries and employee benefits		3,130,605	2,946,739
Operating expenditures		1,359,561	1,147,392
Capital outlay		207,041	60,308
Total	4,864,821	4,697,207	167,614
<b>Emergency Management:</b>			
Salaries and employee benefits		243,463	360,160
Operating expenditures		322,348	64,865
Capital outlay		-	80,259
Total	735,958	565,811	170,147
<b>Fire Services:</b>			
Salaries and employee benefits		427,482	376,089
Operating expenditures		197,073	259,296
Total	628,176	624,555	3,621
<b>Inspections:</b>			
Salaries and employee benefits		791,563	769,363
Operating expenditures		103,255	77,398
Capital outlay		33,164	-
Total	1,035,447	927,982	107,465
<b>Code Enforcement Services:</b>			
Salaries and employee benefits		239,379	240,510
Operating expenditures		16,011	74,670
Total	287,546	255,390	32,156
<b>Emergency Medical Services:</b>			
Salaries and employee benefits		5,305,565	5,120,821
Operating expenditures		616,213	624,216
Capital outlay		463,741	606,216
Total	6,483,380	6,385,519	97,861
<b>Animal Control:</b>			
Salaries and employee benefits		406,133	395,285
Operating expenditures		166,916	160,460
Total	656,446	573,049	83,397
<b>Rescue Squad:</b>			
Operating expenditures	303,010	302,999	303,712
Total	303,010	302,999	11
Total public safety	31,345,661	29,374,463	1,312,369

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018		2017	
	Budget	Actual	Variance Over/Under	Actual
<b>Environmental Protection:</b>				
<b>Soil and Water Conservation:</b>				
Salaries and employee benefits		281,776		292,528
Operating expenditures		55,527		19,878
Total	366,587	337,303	29,284	312,406
<b>Forestry Service</b>				
	75,446	32,753	42,693	39,070
Total environmental protection	442,033	370,056	71,977	351,476
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits		542,573		454,230
Operating expenditures		25,497		16,621
Total	616,279	568,070	48,209	470,851
<b>Agricultural Extension:</b>				
Salaries and employee benefits		309,208		261,587
Operating expenditures		61,871		63,283
Total	398,153	371,079	27,074	324,870
<b>Land Records Management:</b>				
Salaries and employee benefits		231,817		226,056
Operating expenditures		9,473		6,575
Total	248,802	241,290	7,512	232,631
<b>Agri-Business Development:</b>				
Salaries and employee benefits		141,471		139,896
Operating expenditures		36,000		37,815
Total	206,338	177,471	28,867	177,711
<b>Other Transfers:</b>				
Economic development contracts	1,787,120	1,419,622	367,498	1,157,080
Total	1,787,120	1,419,622	367,498	1,157,080
Total economic and physical development	3,256,692	2,777,532	479,160	2,363,143
<b>Human Services:</b>				
<b>Health:</b>				
<b>General and Administration:</b>				
Salaries and employee benefits		5,612,125		5,239,369
Operating expenditures		1,064,196		1,037,072
Capital outlay		10,869		25,396
Total	7,181,316	6,687,190	494,126	6,301,837

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017
	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	 7,281,316	 6,787,190	 494,126	 6,401,837
<b>Environmental Health:</b>				
Salaries and employee benefits		1,059,513		957,026
Operating expenditures		80,662		74,019
Capital outlay		23,060		63,276
Total	1,229,642	1,163,235	66,407	1,094,321
<b>Home and Community Block Grant:</b>				
Operating expenditures	740,136	713,830	26,306	750,513
Total	740,136	713,830	26,306	750,513
<b>Medical Services:</b>				
Operating expenditures		61,850		58,450
Total	61,850	61,850	-	58,450
<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		11,041,404		10,954,874
Operating expenditures		1,713,644		1,473,187
Capital outlay		35,219		40,993
Total	13,780,282	12,790,267	990,015	12,469,054
<b>TANF Program:</b>				
County participation only	1,000	275	725	-
<b>Income Maintenance Program:</b>				
Supplemental aid to the aged		421,076		452,405
Supplemental aid to the disabled		535,716		551,302
Crisis intervention payments		300,644		300,067
Total	1,649,150	1,257,436	391,714	1,303,774
<b>Daycare Operations:</b>				
Daycare for children	1,300,000	-	1,300,000	2,764,473



**HENDERSON COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>LIEAP Operations:</b>				
LIEAP Operations	320,655	316,903	3,752	299,900
<b>Foster Care:</b>				
State boarding home		298,179		217,998
Foster care - children		620,353		817,911
Adoption assistance		348,404		292,676
Total	1,774,584	1,266,936	507,648	1,328,585
<b>Other Assistance:</b>				
Social work contracts	120,460	120,460	-	106,060
Medicaid transportation	353,495	52,499	300,996	448,049
Aid to the blind	8,000	5,121	2,879	4,747
Adult day care	86,256	85,920	336	87,640
General assistance	100,000	65,233	34,767	69,299
JOBS program	15,000	11,723	3,277	2,404
EDTAP program	299,721	293,130	6,591	85,887
Emergency assistance	3,500	-	3,500	-
Other assistance	337,079	192,684	144,395	165,296
Total	1,323,511	826,770	496,741	969,382
Total social services	20,677,794	16,987,199	3,690,595	19,663,780
<b>Veteran Services:</b>				
Salaries and employee benefits		41,363		40,878
Operating expenditures		2,182		2,407
Total	44,987	43,545	1,442	43,285
<b>Juvenile Justice Grant:</b>				
Operating expenditures	224,188	212,036	12,152	238,896
Total human services	30,259,913	25,968,885	4,291,028	28,251,082
<b>Cultural and Recreational:</b>				
<b>Library:</b>				
Salaries and employee benefits		2,266,798		2,211,231
Operating expenditures		711,156		734,672
Capital outlay		-		22,999
Total	3,092,441	2,977,954	114,487	2,968,902
<b>Parks and Recreation:</b>				
Salaries and employee benefits		988,730		1,028,902
Operating expenditures		695,612		603,837
Capital outlay		-		22,200
Total	1,812,958	1,684,342	128,616	1,654,939
Total cultural and recreational	4,905,399	4,662,296	243,103	4,623,841

HENDERSON COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018		2017	
	Budget	Actual	Variance Over/Under	Actual
<b>Intergovernmental:</b>				
Education:				
Public schools - current expense		27,113,000		24,320,000
Public schools - capital expense		518,173		1,600,000
Community colleges - capital expense		3,756,273		3,387,235
Total education	31,869,273	31,387,446	481,827	29,307,235
<b>Debt Service:</b>				
Principal	12,027,939	11,942,938	85,001	11,444,005
Interest	3,856,203	3,746,338	109,865	3,122,900
Total debt service	15,884,142	15,689,276	194,866	14,566,905
Total expenditures	134,034,781	125,823,508	8,211,273	121,664,836
Revenues over (under) expenditures	(7,763,047)	8,482,517	16,245,564	10,058,878
<b>Other Financing Sources (Uses):</b>				
Transfers in	325,000	-	(325,000)	37,000
Transfers (out)	(4,992,806)	(4,992,806)	-	(4,789,926)
Appropriated fund balance	12,430,853	-	(12,430,853)	-
Total other financing sources (uses)	7,763,047	(4,992,806)	(12,755,853)	(4,752,926)
Net changes in fund balance	\$ -	3,489,711	\$ 3,489,711	5,305,952
<b>Fund Balance:</b>				
Beginning of year - July 1		50,339,059		45,033,107
End of year - June 30		\$ 53,828,770		\$ 50,339,059

## **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, 2018

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental revenues	\$ 1,431,424	\$ 808,195	\$ 557,562	\$ 1,365,757
Investment earnings	-	-	86,888	86,888
Contribution from Henderson County Hospital Corporation	3,041,525	3,041,525	-	3,041,525
Miscellaneous	-	2,387,620	210,471	2,598,091
Total	<u>4,472,949</u>	<u>6,237,340</u>	<u>854,921</u>	<u>7,092,261</u>
<b>Expenditures:</b>				
General government	<u>55,433,927</u>	<u>38,208,325</u>	<u>11,802,107</u>	<u>50,010,432</u>
Total general government	<u>55,433,927</u>	<u>38,208,325</u>	<u>11,802,107</u>	<u>50,010,432</u>
<b>Debt Service:</b>				
Interest and fees	<u>235,494</u>	-	235,494	235,494
Total debt service	<u>235,494</u>	-	235,494	235,494
Total expenditures	<u>55,669,421</u>	<u>38,208,325</u>	<u>12,037,601</u>	<u>50,245,926</u>
Revenues over (under) expenditures	<u>(51,196,472)</u>	<u>(31,970,985)</u>	<u>(11,182,680)</u>	<u>(43,153,665)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (out):				
To General Fund	(137,300)	(137,300)	-	(137,300)
Transfers in:				
From General Fund	2,566,626	1,628,768	354,000	1,982,768
From Capital Reserve Fund	<u>775,000</u>	<u>673,248</u>	<u>477,243</u>	<u>1,150,491</u>
Total transfers in (out)	<u>3,204,326</u>	<u>2,164,716</u>	<u>831,243</u>	<u>2,995,959</u>
Debt issued	39,260,000	26,785,000	12,475,000	39,260,000
Cost of issuance	(318,022)	(318,021)	-	(318,021)
Bond premium	4,042,625	3,022,220	1,365,670	4,387,890
Appropriated fund balance	<u>5,007,543</u>	-	-	-
Total other financing sources (uses)	<u>51,196,472</u>	<u>31,653,915</u>	<u>14,671,913</u>	<u>46,325,828</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (317,070)</u>	3,489,233	<u>\$ 3,172,163</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>2,876,681</u>	
End of year - June 30			<u>\$ 6,365,914</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, 2018**

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 456,629	\$ 456,629	\$ -	\$ 456,629
Investment earnings	-	1,702,621	12,121	1,714,742
Miscellaneous	-	1,609,684	72,878	1,682,562
Total revenues	<u>456,629</u>	<u>3,768,934</u>	<u>84,999</u>	<u>3,853,933</u>
<b>Expenditures:</b>				
Capital outlay:				
General education	<u>92,437,199</u>	<u>87,165,034</u>	<u>7,075,732</u>	<u>94,240,766</u>
Total expenditures	<u>92,437,199</u>	<u>87,165,034</u>	<u>7,075,732</u>	<u>94,240,766</u>
<b>Debt Service:</b>				
Interest and fees	<u>200,364</u>	<u>200,364</u>	<u>-</u>	<u>200,364</u>
Revenues over (under) expenditures	<u>(92,180,934)</u>	<u>(83,596,464)</u>	<u>(6,990,733)</u>	<u>(90,587,197)</u>
<b>Other Financing Sources (Uses):</b>				
Installment financing issued	87,968,574	87,968,574	-	87,968,574
Bond premiums issued	1,327,942	982,676	-	982,676
Transfers in:				
From General Fund	1,595,000	1,595,000	-	1,595,000
From sewer districts	600,000	600,000	-	600,000
From Debt Service Fund	800,000	-	-	-
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>92,180,934</u>	<u>89,721,250</u>	<u>-</u>	<u>89,721,250</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,124,786</u>	<u>(6,990,733)</u>	<u>\$ (865,947)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>6,124,786</u>	
End of year - June 30			<u>\$ (865,947)</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, 2018

	<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	\$ -	\$ 225,168	\$ 1,074,992
Accounts receivable, net	-	59,857	259,031
Due from other funds	-	-	-
Restricted cash	<u>603,505</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 603,505</u>	<u>\$ 285,025</u>	<u>\$ 1,334,023</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ -	\$ 32,503	\$ 54,684
Liabilities to be paid from restricted assets	<u>15,451</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>15,451</u>	<u>32,503</u>	<u>54,684</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	<u>-</u>	<u>-</u>	<u>242,345</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>242,345</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization for state statute	-	59,857	16,686
Restricted, all other	-	192,665	1,020,308
Committed	<u>588,054</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>588,054</u>	<u>252,522</u>	<u>1,036,994</u>
Total liabilities and fund balances	<u>\$ 603,505</u>	<u>\$ 285,025</u>	<u>\$ 1,334,023</u>



# HENDERSON COUNTY, NORTH CAROLINA

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2018

	<b>Nonmajor Capital Project Funds</b>			
	<b>General Capital Reserve Fund</b>	<b>Totals June 30, 2018</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>				
Cash and investments	\$ 2,105,977	\$ 3,406,137	\$ 6,641,890	\$ 10,048,027
Accounts receivable, net	-	318,888	-	318,888
Due from other funds	-	-	800,000	800,000
Restricted cash	-	603,505	-	603,505
Total assets	<u>\$ 2,105,977</u>	<u>\$ 4,328,530</u>	<u>\$ 7,441,890</u>	<u>\$ 11,770,420</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 87,187	\$ -	\$ 87,187
Liabilities to be paid from restricted assets	-	15,451	-	15,451
Total liabilities	-	102,638	-	102,638
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	242,345	-	242,345
Total deferred inflows of resources	-	242,345	-	242,345
<b>Fund Balances:</b>				
Restricted:				
Stabilization for state statute	-	76,543	800,000	876,543
Restricted, all other	-	1,212,973	-	1,212,973
Committed	2,105,977	2,694,031	6,641,890	9,335,921
Total fund balances	<u>2,105,977</u>	<u>3,983,547</u>	<u>7,441,890</u>	<u>11,425,437</u>
Total liabilities and fund balances	<u>\$ 2,105,977</u>	<u>\$ 4,328,530</u>	<u>\$ 7,441,890</u>	<u>\$ 11,770,420</u>

**HENDERSON COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Nonmajor Special Revenue Funds</b>		
	<b>Revaluation Reserve Fund</b>	<b>Emergency Telephone System Fund (E-911)</b>	<b>Public Transit Fund</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,151,906	\$ -	\$ -
Restricted intergovernmental revenues	-	-	383,519
Sales and services	-	718,287	-
Investment earnings	5,516	2,627	-
Total revenues	<u>1,157,422</u>	<u>720,914</u>	<u>383,519</u>
<b>Expenditures:</b>			
Current:			
General government	871,789	-	-
Public safety	-	632,830	-
Economic and physical development	-	-	775,735
Total expenditures	<u>871,789</u>	<u>632,830</u>	<u>775,735</u>
Revenues over (under) expenditures	<u>285,633</u>	<u>88,084</u>	<u>(392,216)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from:			
General Fund	-	-	221,539
Transfers to:			
General Capital Projects Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>221,539</u>
Net change in fund balances	285,633	88,084	(170,677)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>302,421</u>	<u>164,438</u>	<u>1,207,671</u>
End of year - June 30	<u>\$ 588,054</u>	<u>\$ 252,522</u>	<u>\$ 1,036,994</u>

# HENDERSON COUNTY, NORTH CAROLINA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	<b>Nonmajor Capital Project Fund</b>			
	<b>General Capital Reserve Fund</b>	<b>Totals June 30, 2018</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ 1,151,906	\$ -	\$ 1,151,906
Restricted intergovernmental revenues	-	383,519	-	383,519
Sales and services	-	718,287	-	718,287
Investment earnings	-	8,143	-	8,143
Total revenues	-	2,261,855	-	2,261,855
<b>Expenditures:</b>				
Current:				
General government	-	871,789	-	871,789
Public safety	-	632,830	-	632,830
Economic and physical development	-	775,735	-	775,735
Total expenditures	-	2,280,354	-	2,280,354
Revenues over (under) expenditures	-	(18,499)	-	(18,499)
<b>Other Financing Sources (Uses):</b>				
Transfers from:				
General Fund	1,853,618	2,075,157	2,509,649	4,584,806
Transfers to:				
General Capital Projects Fund	(477,243)	(477,243)	-	(477,243)
Total other financing sources (uses)	1,376,375	1,597,914	2,509,649	4,107,563
Net change in fund balances	1,376,375	1,579,415	2,509,649	4,089,064
<b>Fund Balances:</b>				
Beginning of year - July 1	729,602	2,404,132	4,932,241	7,336,373
End of year - June 30	\$ 2,105,977	\$ 3,983,547	\$ 7,441,890	\$ 11,425,437

**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, 2018****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,151,906	\$ 1,151,906	\$ -	\$ 1,007,586
Investment earnings	-	5,516	5,516	2,447
Total revenues	<u>1,151,906</u>	<u>1,157,422</u>	<u>5,516</u>	<u>1,010,033</u>
<b>Expenditures:</b>				
Current:				
General government	<u>1,151,906</u>	<u>871,789</u>	<u>280,117</u>	<u>962,523</u>
Total expenditures	<u>1,151,906</u>	<u>871,789</u>	<u>280,117</u>	<u>962,523</u>
Net change in fund balance	<u>\$ -</u>	<u>285,633</u>	<u>\$ 285,633</u>	<u>47,510</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>302,421</u>		<u>254,911</u>
End of year - June 30		<u>\$ 588,054</u>		<u>\$ 302,421</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Investment earnings	\$ 55,515	\$ 2,627	\$ (52,888)	\$ 1,294
Restricted intergovernmental revenues	-	-	-	24,748
Subscriber charges	718,334	718,287	(47)	618,793
Total revenues	<u>773,849</u>	<u>720,914</u>	<u>(52,935)</u>	<u>644,835</u>
<b>Expenditures:</b>				
Current:				
Public safety	773,849	632,830	141,019	658,436
Total expenditures	<u>773,849</u>	<u>632,830</u>	<u>141,019</u>	<u>658,436</u>
Net change in fund balance	\$ -	88,084	\$ 88,084	(13,601)
<b>Fund Balance:</b>				
Beginning of year - July 1		164,438		178,039
End of year - June 30		<u>\$ 252,522</u>		<u>\$ 164,438</u>
<b>PSAP Reconciliation:</b>				
Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP Revenue - Expenditure Report because:				
Ending fund balance, reported on budget to actual		\$ 252,522		
Cumulative prior period revenues and expenditures not reported in the fund (difference in beginning fund balance - budget to actual vs. revised PSAP report)		<u>68,388</u>		
Ending balance, PSAP revenue - expenditure report		<u>\$ 184,134</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, 2018****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 716,531	\$ 383,519	\$ (333,012)	\$ 401,806
Total revenues	<u>716,531</u>	<u>383,519</u>	<u>(333,012)</u>	<u>401,806</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	<u>977,553</u>	<u>775,735</u>	<u>201,818</u>	<u>555,457</u>
Total expenditures	<u>977,553</u>	<u>775,735</u>	<u>201,818</u>	<u>555,457</u>
Revenues over (under) expenditures	<u>(261,022)</u>	<u>(392,216)</u>	<u>(131,194)</u>	<u>(153,651)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
General Fund	221,539	221,539	-	213,145
Appropriated fund balance	<u>39,483</u>	<u>-</u>	<u>(39,483)</u>	<u>-</u>
Total other financing sources (uses)	<u>261,022</u>	<u>221,539</u>	<u>(39,483)</u>	<u>213,145</u>
Net change in fund balance	<u>\$ -</u>	<u>(170,677)</u>	<u>\$ (170,677)</u>	<u>59,494</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,207,671</u>		<u>1,148,177</u>
End of year - June 30		<u>\$ 1,036,994</u>		<u>\$ 1,207,671</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, 2018****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out:				
To General Fund	\$ (1,371,045)	\$ -	\$ 1,371,045	\$ -
To General Capital Projects Fund	(884,816)	(477,243)	407,573	(75,000)
To Debt Service Fund	-	-	-	(923,463)
Transfers in:				
From General Fund	1,853,618	1,853,618	-	75,000
Appropriated fund balance	<u>402,243</u>	<u>-</u>	<u>(402,243)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>1,376,375</u>	<u>1,376,375</u>	<u>(923,463)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,376,375</u>	<u>\$ 1,376,375</u>	<u>(923,463)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>729,602</u>		<u>1,653,065</u>
End of year - June 30		<u>\$ 2,105,977</u>		<u>\$ 729,602</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, 2018****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Expenditures:</b>				
Debt service:				
Interest	\$ 2,509,649	\$ -	\$ 2,509,649	\$ -
Total expenditures	<u>2,509,649</u>	<u>-</u>	<u>2,509,649</u>	<u>-</u>
Revenues over (under) expenditures	<u>(2,509,649)</u>	<u>-</u>	<u>2,509,649</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	2,509,649	2,509,649	-	3,417,781
From Capital Reserve Fund	-	-	-	923,463
Transfers out:				
To School Capital Project Fund	(800,000)	-	800,000	-
Appropriated fund balance	<u>800,000</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,509,649</u>	<u>2,509,649</u>	<u>-</u>	<u>4,341,244</u>
Net change in fund balance	<u>\$ -</u>	<u>2,509,649</u>	<u>\$ 2,509,649</u>	<u>4,341,244</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>4,932,241</u>		<u>590,997</u>
End of year - June 30		<u>\$ 7,441,890</u>		<u>\$ 4,932,241</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, 2018**

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

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues	\$ 6,624,281	\$ 7,075,106	\$ 450,825	\$ 6,441,492
Operating grants	108,200	161,908	53,708	159,490
Non-operating revenues:				
Sale of capital assets	5,000	3,001	(1,999)	1,710
Interest income	10,000	15,948	5,948	9,501
Total revenues	<u>6,747,481</u>	<u>7,255,963</u>	<u>508,482</u>	<u>6,612,193</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,226,427	1,196,885	29,542	1,166,863
Other operating expenditures	4,552,200	4,753,983	(201,783)	4,115,959
Repairs and maintenance	576,000	544,877	31,123	665,398
Capital outlay	270,853	260,353	10,500	-
Total expenditures	<u>6,625,480</u>	<u>6,756,098</u>	<u>(130,618)</u>	<u>5,948,220</u>
<b>Debt Service:</b>				
Interest paid	42,667	37,922	4,745	46,933
Principal retirement	133,334	133,334	-	133,333
Total debt service	<u>176,001</u>	<u>171,256</u>	<u>4,745</u>	<u>180,266</u>
Revenues over (under) expenditures	<u>(54,000)</u>	<u>328,609</u>	<u>634,355</u>	<u>483,707</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	54,000	54,000	-	54,000
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>382,609</u>	<u>\$ 382,609</u>	<u>\$ 537,707</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Capital outlay, capitalized		260,353		
Principal paid on debt		133,334		
Change in compensated absences		(1,763)		
Change in net pension liability		74,070		
Change in deferred outflows of resources - pension		(81,361)		
Change in deferred inflows of resources - pension		3,537		
Change in other post-employment benefits		1,759		
Change in deferred outflows of resources - OPEB		(2,741)		
Change in deferred inflows of resources - OPEB		3,488		
Post-closure care costs		(113,213)		
Depreciation		(245,576)		
Total reconciling items		<u>29,381</u>		
Change in net position		<u>\$ 411,990</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, 2018****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues	\$ 1,183,612	\$ 1,513,162	\$ 329,550	\$ 1,530,122
Restricted intergovernmental	207,575	-	(207,575)	537,339
Non-operating revenues:				
Interest income	11,850	19,928	8,078	20,942
Total revenues	<u>1,403,037</u>	<u>1,533,090</u>	<u>130,053</u>	<u>2,088,403</u>
<b>Expenditures:</b>				
Water and sewer administration:				
Operating expenditures	722,487	787,883	(65,396)	848,278
Repairs and maintenance	82,500	77,826	4,674	104,932
Capital outlay	<u>1,320,880</u>	<u>651,080</u>	<u>669,800</u>	<u>1,707,849</u>
Total water and sewer administration	<u>2,125,867</u>	<u>1,516,789</u>	<u>609,078</u>	<u>2,661,059</u>
<b>Debt Service:</b>				
Interest paid	12,082	10,356	1,726	18,169
Principal retirement	<u>108,838</u>	<u>108,837</u>	<u>1</u>	<u>197,176</u>
Total debt service	<u>120,920</u>	<u>119,193</u>	<u>1,727</u>	<u>215,345</u>
Revenues over (under) expenditures	<u>(843,750)</u>	<u>(102,892)</u>	<u>740,858</u>	<u>(788,001)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated retained earnings	<u>843,750</u>	<u>-</u>	<u>(843,750)</u>	<u>-</u>
Total other financing sources (uses)	<u>843,750</u>	<u>-</u>	<u>(843,750)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(102,892)</u>	<u>\$ (102,892)</u>	<u>\$ (788,001)</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Capital contribution		611,400		
Capital outlay, capitalized		651,080		
Principal paid on debt		108,837		
Bond premium amortization		9,178		
Change in compensated absences		360		
Depreciation		<u>(575,866)</u>		
Total reconciling items		<u>804,989</u>		
Change in net position		<u>\$ 702,097</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, 2018****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<b>2018</b>			<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues	\$ 38,880	\$ 38,880	\$ -	\$ 38,880
Non-operating revenues:				
Interest income	2,468	9,172	6,704	5,806
Total revenues	<u>41,348</u>	<u>48,052</u>	<u>6,704</u>	<u>44,686</u>
<b>Expenditures:</b>				
Water and sewer administration:				
Salaries and employee benefits				
Operating expenditures	36,648	27,316	9,332	29,783
Repairs and maintenance	<u>4,700</u>	<u>1,821</u>	<u>2,879</u>	<u>5,822</u>
Total expenditures	<u>41,348</u>	<u>29,137</u>	<u>12,211</u>	<u>35,605</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>18,915</u>	<u>\$ 18,915</u>	<u>\$ 9,081</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Depreciation		(10,863)		
Total reconciling items		<u>(10,863)</u>		
Change in net position		<u>\$ 8,052</u>		

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## **Agency Funds**

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

### *Individual Fund Descriptions:*

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

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

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

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

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

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

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

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

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# HENDERSON COUNTY, NORTH CAROLINA

## AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Social Services Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 39,928	\$ 263,966	\$ 277,742	\$ 26,152
<b>Liabilities:</b>				
Intergovernmental payable	\$ 39,928	\$ 263,966	\$ 277,742	\$ 26,152
<b>Agriculture Fund:</b>				
<b>Assets:</b>				
Cash and accounts receivable	\$ 19,194	\$ 27,457	\$ 21,197	\$ 25,454
<b>Liabilities:</b>				
Intergovernmental payable	\$ 19,194	\$ 27,457	\$ 21,197	\$ 25,454
<b>Flexible Spending Fund:</b>				
<b>Assets:</b>				
Cash and accounts receivable	\$ -	\$ 235,104	\$ 235,104	\$ -
<b>Liabilities:</b>				
Intergovernmental payable	\$ -	\$ 235,104	\$ 235,104	\$ -
<b>Fireman's Association Fund:</b>				
<b>Assets:</b>				
Cash and accounts receivable	\$ 132,057	\$ 76,105	\$ 22,291	\$ 185,871
<b>Liabilities:</b>				
Intergovernmental payable	\$ 132,057	\$ 76,105	\$ 22,291	\$ 185,871
<b>Land Development Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 30,107	\$ 184	\$ 30,291	\$ -
<b>Liabilities:</b>				
Intergovernmental payable	\$ 30,107	\$ 184	\$ 30,291	\$ -

# HENDERSON COUNTY, NORTH CAROLINA

## AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<b>School Fines and Forfeitures Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 487,898	\$ 487,048	\$ 850
<b>Liabilities:</b>				
Intergovernmental payable	\$ -	\$ 487,898	\$ 487,048	\$ 850
<b>Deed of Trust Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 9,517	\$ 977,062	\$ 977,693	\$ 8,886
<b>Liabilities:</b>				
Intergovernmental payable	\$ 9,517	\$ 977,062	\$ 977,693	\$ 8,886
<b>Other Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 701,254	\$ 4,923,423	\$ 4,812,892	\$ 811,785
<b>Liabilities:</b>				
Intergovernmental payable	\$ 701,254	\$ 4,923,423	\$ 4,812,892	\$ 811,785
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and receivables	\$ 932,057	\$ 6,991,199	\$ 6,864,258	\$ 1,058,998
<b>Liabilities:</b>				
Intergovernmental payable	\$ 932,057	\$ 6,991,199	\$ 6,864,258	\$ 1,058,998

## **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, 2018

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2017</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2018</b>
2017-2018	\$ -	\$ 77,533,322	\$ 76,859,391	\$ 673,931
2016-2017	844,480	-	596,334	248,146
2015-2016	258,936	-	146,285	112,651
2014-2015	141,213	-	63,534	77,679
2013-2014	169,574	-	58,353	111,221
2012-2013	183,859	-	54,143	129,716
2011-2012	155,696	-	43,379	112,317
2010-2011	146,168	-	33,725	112,443
2009-2010	125,188	-	9,883	115,305
2008-2009	159,296	-	7,105	152,191
2007-2008	153,744	-	153,744	-
Total	<u>\$ 2,338,154</u>	<u>\$ 77,533,322</u>	<u>\$ 78,025,876</u>	1,845,600
Less: allowance for uncollectible accounts: General Fund				<u>(864,587)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 981,013</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 76,982,725
Ad valorem taxes - Revaluation Fund				<u>1,151,906</u>
Total ad valorem taxes				78,134,631
Reconciling items:				
Tax refunds				(373,734)
Other miscellaneous adjustments				111,235
Amounts written off per Statute of Limitations				<u>153,744</u>
Total collections and credits				<u>\$ 78,025,876</u>

# HENDERSON COUNTY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 13,710,456,867	\$ 0.5650	\$ 77,464,082	\$ 71,260,277	\$ 6,203,805
<b>Discoveries:</b>					
Current year taxes	91,111,981	0.5650	514,783	514,783	-
Prior year taxes	5,085,214	0.5650	28,731	28,731	-
Penalties	-		227,374	195,361	32,013
Total	96,197,195		770,888	738,875	32,013
<b>Releases</b>	(124,185,497)	0.5650	(701,648)	(701,648)	-
Total property valuation	\$ 13,682,468,565				
<b>Net Levy</b>			77,533,322	71,297,504	6,235,818
Uncollected taxes at June 30, 2018			(673,931)	(670,130)	(3,801)
<b>Current Year's Taxes Collected</b>			\$ 76,859,391	\$ 70,627,374	\$ 6,232,017
<b>Current Levy Collection Percentage</b>			99.13%	99.06%	99.94%

**HENDERSON COUNTY, NORTH CAROLINA****ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2018****Secondary Market Disclosures:**

Assessed Valuation:

Assessment ratio (1) 86.75%

Real property	\$ 11,263,652,430
Personal Property	2,147,663,504
Public service companies (2)	<u>271,152,631</u>

Total assessed valuation	<u>\$ 13,682,468,565</u>
--------------------------	--------------------------

Tax rate per \$100	<u>\$ 0.5650</u>
--------------------	------------------

Levy (includes discoveries, releases and abatements) (3)	\$ 77,533,322
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In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2018:

Fire protection districts	<u>9,075,684</u>
---------------------------	------------------

Total	<u>\$ 86,609,006</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 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	\$ 70,562,443
Restricted	-	343,790	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944	11,451,067	11,882,299	13,491,150
Unrestricted	(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)	(35,575,041)
Total governmental activities	\$ (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	\$ 48,478,552
Business-type activities										
Net investment in capital assets	\$ 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	\$ 25,186,584
Unrestricted	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	2,202,076
Total business-type activities	\$ 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	\$ 27,388,660
Primary government										
Net investment in capital assets	\$ 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	\$ 95,749,027
Restricted	-	343,790	9,154,768	10,996,211	10,873,904	12,822,921	10,346,944	11,451,067	11,882,299	13,491,150
Unrestricted	(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)	(33,372,965)
Total primary government net position	\$ 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	\$ 75,867,212

**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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 29,246,192
Public safety	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	39,956,163
Environmental protection	819,015	620,661	759,241	678,682	921,122	424,250	338,819	531,160	365,917	380,516
Economic and physical development	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	3,682,014
Human Services	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	26,585,642
Cultural and recreation	3,139,072	4,522,826	4,657,512	3,497,027	2,554,407	4,496,879	4,553,125	4,598,332	4,765,661	4,851,900
Education	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	31,398,959
Interest on long term debt	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	3,590,235
Total governmental activities	<u>141,145,757</u>	<u>120,156,049</u>	<u>118,262,171</u>	<u>108,536,361</u>	<u>109,891,917</u>	<u>111,656,216</u>	<u>115,166,069</u>	<u>125,861,196</u>	<u>144,752,526</u>	<u>139,691,621</u>
Business-type activities:										
Landfill	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	6,897,973
Cane Creek water and sewer	852,213	907,057	921,563	1,039,398	882,351	1,609,949	1,307,043	1,460,943	1,494,231	1,442,393
Other business-type activities	42,278	41,848	52,167	42,970	53,247	46,677	52,100	44,392	46,468	40,000
Total business-type activities	<u>5,005,031</u>	<u>5,314,002</u>	<u>5,285,045</u>	<u>5,756,138</u>	<u>5,761,907</u>	<u>6,658,003</u>	<u>6,335,897</u>	<u>6,509,270</u>	<u>7,521,056</u>	<u>8,380,366</u>
Total primary government expenses	<u>\$ 146,150,788</u>	<u>\$ 125,470,051</u>	<u>\$ 123,547,216</u>	<u>\$ 114,292,499</u>	<u>\$ 115,653,824</u>	<u>\$ 118,314,219</u>	<u>\$ 121,501,966</u>	<u>\$ 132,370,466</u>	<u>\$ 152,273,582</u>	<u>\$ 148,071,987</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government	\$ 631,057	\$ 565,665	\$ 2,877,560	\$ 631,150	\$ 711,063	\$ 672,612	\$ 783,476	\$ 798,409	\$ 1,645,719	\$ 1,873,496
Public safety	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	6,472,797
Economic and physical development	1,818,025	1,687,452	131,193	1,305,720	1,376,578	1,440,014	1,461,757	1,329,370	1,361,476	1,448,581
Human services	2,837,931	536,580	447,382	557,456	472,234	504,719	537,524	599,761	638,328	607,698
Cultural and recreation	243,102	245,224	436,437	167,661	157,272	180,563	195,252	227,410	232,412	217,401
Operating grants and contributions:										
General government	841,768	974,454	1,827,808	2,127,237	2,064,465	461,373	534,848	730,585	1,899,583	0
Public safety	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	2,115,379
Environmental protection	681,813	47,252	78,413	47,133	47,255	57,655	100,086	-	101,476	102,681
Economic and physical development	1,350,792	81,645	303,595	363,456	1,004,929	1,027,427	1,093,432	1,557,603	896,409	1,128,121
Human services	18,171,953	17,675,287	17,460,691	16,014,799	15,971,818	15,853,571	18,388,282	16,964,187	16,722,441	13,688,029
Cultural and recreation	267,173	242,402	230,446	197,661	202,240	206,592	213,366	298,926	294,362	286,229
Education	959,681	1,327,382	1,635,063	1,021,661	935,017	954,977	883,468	1,261,483	815,492	910,920
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	-	-	-	-	-	-
Total governmental activities program revenues	<u>33,508,705</u>	<u>31,173,789</u>	<u>32,300,048</u>	<u>29,031,428</u>	<u>28,958,335</u>	<u>29,340,895</u>	<u>34,330,621</u>	<u>31,532,567</u>	<u>34,145,908</u>	<u>28,851,332</u>



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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services	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	8,627,148
Operating grants and contributions	201,061	135,743	148,645	115,892	246,534	150,304	168,144	157,751	159,490	161,908
Capital grants and contributions	228,096	162,590	77,092	672,883	106,573	283,260	183,052	945,795	832,040	611,400
Total business-type activities program revenues	<u>6,046,031</u>	<u>5,888,523</u>	<u>5,486,755</u>	<u>6,449,893</u>	<u>5,915,469</u>	<u>6,309,202</u>	<u>6,952,338</u>	<u>8,400,688</u>	<u>9,129,363</u>	<u>9,400,456</u>
Total primary government program revenues	<u>\$ 39,554,736</u>	<u>\$ 37,062,312</u>	<u>\$ 37,786,803</u>	<u>\$ 35,481,321</u>	<u>\$ 34,873,804</u>	<u>\$ 35,650,097</u>	<u>\$ 41,282,959</u>	<u>\$ 39,933,255</u>	<u>\$ 43,275,271</u>	<u>\$ 38,251,788</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (110,840,289)
Business-type activities	<u>1,041,000</u>	<u>574,521</u>	<u>201,710</u>	<u>693,755</u>	<u>153,562</u>	<u>(451,643)</u>	<u>616,341</u>	<u>1,891,418</u>	<u>1,608,307</u>	<u>1,020,090</u>
Total primary government net (expense)/revenue	<u>\$ (106,596,052)</u>	<u>\$ (88,407,739)</u>	<u>\$ (85,760,413)</u>	<u>\$ (78,811,178)</u>	<u>\$ (80,780,020)</u>	<u>\$ (82,664,122)</u>	<u>\$ (80,219,007)</u>	<u>\$ (92,437,211)</u>	<u>\$ (108,998,311)</u>	<u>\$ (109,820,199)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 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	\$ 87,077,402
Local option sales tax	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	27,475,944
Other taxes and licenses	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	1,330,639
Grants and contributions not restricted	58,351	-	-	-	-	-	-	-	-	-
Investment earnings	1,161,801	614,221	821,618	761,199	675,387	(170,434)	444,340	674,764	660,977	1,005,343
Gain on sale	-	-	-	-	-	-	3,407,477	-	-	-
Miscellaneous	-	-	-	-	6,000,125	107,159	-	-	-	-
Transfers	165,492	179,064	198,359	112,105	849,231	(54,000)	(49,480)	(54,000)	(54,000)	(54,000)
Total governmental activities:	<u>90,631,243</u>	<u>86,160,195</u>	<u>87,254,196</u>	<u>88,828,141</u>	<u>96,919,675</u>	<u>92,840,224</u>	<u>98,344,092</u>	<u>102,284,557</u>	<u>112,493,563</u>	<u>116,835,328</u>
Business-type activities:										
Investment earnings	446,576	48,271	104,001	98,272	92,795	53,943	45,849	57,550	37,959	48,049
Transfers	<u>(165,492)</u>	<u>(179,064)</u>	<u>(198,359)</u>	<u>(112,105)</u>	<u>(849,231)</u>	<u>54,000</u>	<u>49,481</u>	<u>54,000</u>	<u>54,000</u>	<u>54,000</u>
Total business-type activities	<u>281,084</u>	<u>(130,793)</u>	<u>(94,358)</u>	<u>(13,833)</u>	<u>(756,436)</u>	<u>107,943</u>	<u>95,330</u>	<u>111,550</u>	<u>91,959</u>	<u>102,049</u>
Total primary government	<u>\$ 90,912,327</u>	<u>\$ 86,029,402</u>	<u>\$ 87,159,838</u>	<u>\$ 88,814,308</u>	<u>\$ 96,163,239</u>	<u>\$ 92,948,167</u>	<u>\$ 98,439,422</u>	<u>\$ 102,396,107</u>	<u>\$ 112,585,522</u>	<u>\$ 116,937,377</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (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	\$ 5,995,039
Business-type activities	<u>1,322,084</u>	<u>443,728</u>	<u>107,352</u>	<u>679,922</u>	<u>(602,874)</u>	<u>(343,700)</u>	<u>711,671</u>	<u>2,002,968</u>	<u>1,700,266</u>	<u>1,122,139</u>
Total primary government	<u>\$ (15,683,725)</u>	<u>\$ (2,378,337)</u>	<u>\$ 1,399,425</u>	<u>\$ 10,003,130</u>	<u>\$ 15,383,219</u>	<u>\$ 10,284,045</u>	<u>\$ 18,220,415</u>	<u>\$ 9,958,896</u>	<u>\$ 3,587,211</u>	<u>\$ 7,117,178</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable:										
Inventories	\$ 25,843	\$ 34,082	\$ 46,785	\$ 61,586	\$ 58,923	\$ 57,349	\$ 50,999	\$ 54,995	\$ 56,255	\$ 51,217
Prepays	92,671	136,140	145,801	124,902	152,058	178,654	227,910	210,479	260,721	228,858
Restricted:										
Stabilization for State statute	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	10,622,402
Restricted, all other	324,500	343,790	258,575	161,443	199,106	177,966	210,668	181,130	208,471	107,884
Committed:										
Assigned for subsequent year's expenditures	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	14,792,344
Assigned all other	37,422	87,492	305,525	77,195	175,128	220,978	224,033	179,625	512,301	432,647
Unassigned:	<u>26,747,571</u>	<u>23,498,852</u>	<u>26,849,372</u>	<u>28,032,866</u>	<u>25,332,238</u>	<u>24,141,639</u>	<u>23,683,102</u>	<u>27,732,716</u>	<u>27,817,837</u>	<u>27,593,418</u>
Total General Fund	<u>\$ 35,211,964</u>	<u>\$ 37,042,137</u>	<u>\$ 37,168,139</u>	<u>\$ 40,824,647</u>	<u>\$ 39,374,425</u>	<u>\$ 41,537,760</u>	<u>\$ 42,191,196</u>	<u>\$ 45,033,107</u>	<u>\$ 50,339,059</u>	<u>\$ 53,828,770</u>
All Other Governmental Funds										
Nonspendable:										
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,337	\$ 28,365	\$ -
Restricted:										
Stabilization for State statute	409,967	526,857	962,962	608,963	284,997	619,125	351,130	662,353	498,849	1,233,222
Restricted, all other	-	-	3,413,004	3,476,356	3,662,858	3,993,721	1,457,705	8,493,457	6,742,264	6,146,804
Committed:										
Special revenue and debt service funds	4,165,361	5,549,793	1,115,294	1,319,314	1,510,873	552,441	3,714,300	3,564,211	3,932,534	7,229,944
Capital project funds	6,114,403	9,320,682	4,775,469	1,628,356	9,148,014	9,295,256	7,686,242	4,637,656	5,206,297	3,329,029
Assigned all other:	-	-	7,834	310,293	-	-	-	-	-	-
Unassigned:	<u>-</u>	<u>-</u>	<u>(19,551)</u>	<u>47,907</u>	<u>(71,825)</u>	<u>(196,705)</u>	<u>(51,791)</u>	<u>(250,075)</u>	<u>(70,469)</u>	<u>(1,013,595)</u>
Total all other governmental funds	<u>\$ 10,689,731</u>	<u>\$ 15,397,332</u>	<u>\$ 10,255,012</u>	<u>\$ 7,391,189</u>	<u>\$ 14,534,917</u>	<u>\$ 14,263,838</u>	<u>\$ 13,157,586</u>	<u>\$ 17,109,939</u>	<u>\$ 16,337,840</u>	<u>\$ 16,925,404</u>

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

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Revenues</b>					
Taxes:					
Property	\$ 66,018,584	\$ 67,108,338	\$ 67,640,556	\$ 68,869,266	\$ 69,683,310
Sales	20,674,811	16,265,083	16,463,074	17,504,095	18,596,584
Other	1,853,877	1,716,654	1,839,151	1,647,165	1,020,464
Total taxes	<u>88,547,272</u>	<u>85,090,075</u>	<u>85,942,781</u>	<u>88,020,526</u>	<u>89,300,358</u>
Intergovernmental	23,056,971	22,579,216	23,955,738	20,506,382	20,714,436
Permits and Fees	1,259,149	1,303,741	1,259,908	1,570,092	1,638,646
Sales and Services	8,060,928	5,606,937	5,808,063	5,204,757	5,657,362
Investment Earnings	1,161,801	614,221	821,618	761,199	675,311
Capital Contribution from Hospital Corporation	-	-	-	-	-
Miscellaneous	1,708,592	1,692,157	1,289,906	2,158,119	1,112,638
Total Revenues	<u>123,794,713</u>	<u>116,886,347</u>	<u>119,078,014</u>	<u>118,221,075</u>	<u>119,098,751</u>
<b>Expenditures</b>					
General Government	14,533,347	10,460,904	17,181,746	11,345,895	13,818,252
Public Safety	28,865,600	30,198,709	31,113,589	30,683,571	30,360,366
Environmental Protection	821,125	612,539	645,457	579,882	770,928
Economic and Physical Development	3,096,497	2,823,059	3,414,401	3,333,698	2,778,708
Human Services	32,308,980	28,796,898	28,494,208	26,736,224	26,102,907
Culture and Recreation	3,018,141	4,283,758	4,462,354	3,829,304	4,087,986
Education	48,916,897	32,884,958	29,708,049	22,798,061	24,025,977
Capital Outlay	3,321,887	1,197,171	2,433,642	3,231,758	3,862,734
Debt Service:					
Principal	14,324,588	8,947,223	9,654,619	10,189,756	10,630,317
Interest	5,505,708	5,612,835	4,929,086	5,084,218	3,967,959
Advanced payment to escrow agent	-	-	-	-	4,841,690
Total Expenditures	<u>154,712,770</u>	<u>125,818,054</u>	<u>132,037,151</u>	<u>117,812,367</u>	<u>125,247,824</u>
Excess of revenues over (under) expenditures	<u>(30,918,057)</u>	<u>(8,931,707)</u>	<u>(12,959,137)</u>	<u>408,708</u>	<u>(6,149,073)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,828,034	4,000,986	2,217,302	1,339,807	6,848,652
Transfers out	(1,662,542)	(3,821,922)	(2,018,943)	(1,205,208)	(5,999,421)
Refunding bonds issued	-	17,037,084	-	-	41,151,000
Payment to bond escrow agent	-	(17,282,996)	-	-	(36,110,000)
Bond premium	-	848,430	-	-	-
Insurance proceeds	-	-	-	-	6,000,125
Sale of capital assets	-	-	-	-	-
Debt issued	5,645,000	14,687,899	7,744,460	249,378	413,539
Contribution to TDA	-	-	-	-	(461,316)
Total other financing sources (uses)	<u>5,810,492</u>	<u>15,469,481</u>	<u>7,942,819</u>	<u>383,977</u>	<u>11,842,579</u>
Net change in fund balances	<u>\$ (25,107,565)</u>	<u>\$ 6,537,774</u>	<u>\$ (5,016,318)</u>	<u>\$ 792,685</u>	<u>\$ 5,693,506</u>
Debt service as a percentage of noncapital expenditures	13.10%	11.73%	11.84%	13.35%	12.03%

Fiscal Year					
	2014	2015	2016	2017	2018
\$	72,442,683	\$ 72,424,338	\$ 77,170,890	\$ 85,314,390	\$ 87,326,125
	19,760,279	21,620,139	23,366,239	25,389,345	27,475,944
	931,782	1,029,292	1,140,741	1,264,544	1,275,186
	93,134,744	95,073,769	101,677,870	111,968,279	116,077,255
	20,706,830	25,071,921	20,645,727	19,815,299	17,084,955
	1,619,034	1,826,678	1,733,166	1,982,065	2,257,302
	6,362,816	6,708,720	7,079,053	8,030,057	8,362,671
	(170,434)	444,340	674,764	660,977	1,005,343
	-	-	1,125,364	1,916,161	0
	836,742	742,227	1,066,521	2,845,046	1,948,467
	122,489,732	129,867,655	134,002,465	147,217,884	146,735,993
	12,558,117	13,889,012	15,013,218	15,580,807	16,465,343
	31,855,136	32,437,433	35,111,117	37,219,677	39,235,486
	353,846	349,239	535,599	351,476	370,056
	2,573,661	3,729,355	3,434,656	2,918,600	3,553,267
	27,215,341	28,095,417	28,615,327	28,251,082	25,968,885
	4,343,834	4,510,926	4,472,608	4,623,841	4,662,296
	25,214,625	26,739,498	28,845,578	29,307,235	31,387,446
	2,754,492	7,524,391	26,458,990	30,153,759	18,877,839
	10,924,205	13,962,623	10,937,860	11,434,004	11,942,938
	3,166,375	2,604,552	3,191,203	3,397,491	3,981,832
	-	-	-	-	-
	120,959,632	133,842,446	156,616,156	163,237,972	156,445,388
	1,530,100	(3,974,791)	(22,613,691)	(16,020,088)	(9,709,395)
	2,873,913	5,538,729	1,603,723	4,847,926	5,416,049
	(2,927,913)	(5,588,209)	(1,657,723)	(4,901,926)	(5,470,049)
	-	-	-	-	-
	-	-	-	-	-
	-	-	2,676,955	1,327,941	1,365,670
	107,159	-	-	-	-
	-	3,407,477	-	-	-
	308,997	163,978	26,785,000	19,280,000	12,475,000
	-	-	-	-	-
	362,156	3,521,975	29,407,955	20,553,941	13,786,670
\$	1,892,256	\$ (452,816)	\$ 6,794,264	\$ 4,533,853	\$ 4,077,275
	12.13%	12.84%	10.63%	9.89%	10.94%

**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)
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
2018	8,768,274,624	2,021,385,100	315,281,700	158,711,006	2,147,663,504	271,152,631	13,682,468,565	0.5650	16,741,060,278

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										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Henderson County	\$ 0.4620	\$ 0.4620	\$ 0.4620	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5136	\$ 0.5650	0.5650	
Municipality Rates:											
Hendersonville	0.3800	0.3800	0.3800	0.4100	0.4100	0.4400	0.4600	0.4600	0.4700	0.4700	
Laurel Park	0.2700	0.3100	0.3100	0.3600	0.3600	0.3900	0.4300	0.4300	0.4300	0.4300	
Fletcher	0.2700	0.3200	0.3200	0.3250	0.3250	0.3250	0.3400	0.3400	0.3400	0.3400	
Mills River	0.0750	0.0750	0.0750	0.0874	0.0974	0.0974	0.1124	0.1800	0.1800	0.1800	
Flat Rock	0.0750	0.0750	0.0750	0.0840	0.0840	0.0840	0.1100	0.1100	0.1100	0.1100	
Saluda	0.6050	0.5150	0.5150	0.6250	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050	
Downtown - Main Street	0.2500	0.2500	0.2500	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	
Downtown - Seventh Ave.	0.0800	0.0800	0.0800	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	
Fire Districts:											
Bat Cave	0.0900	0.0900	0.0900	0.1000	0.1000	0.1000	0.1200	0.1200	0.1200	0.1200	
Blue Ridge	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1200	0.1200	0.1200	0.1200	
Dana	0.1000	0.1000	0.1000	0.1100	0.1100	0.1100	0.1300	0.1300	0.1300	0.1300	
Edneyville	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050	0.1050	
Etowah-Horse Shoe	0.0850	0.0850	0.0850	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050	0.1050	
Fletcher	0.0950	0.0950	0.0950	0.1000	0.1000	0.1000	0.1150	0.1150	0.1150	0.1150	
Gerton	0.1150	0.1150	0.1150	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250	0.1250	
Green River	0.0600	0.0600	0.0600	0.0650	0.0650	0.0700	0.0800	0.0800	0.0800	0.0800	
Mills River	0.0650	0.0650	0.0650	0.0750	0.0750	0.0750	0.0900	0.0900	0.0900	0.0900	
Mountain Home	0.0950	0.0950	0.0950	0.1050	0.1050	0.1050	0.1200	0.1200	0.1200	0.1200	
Raven Rock	0.0750	0.0750	0.0750	0.0850	0.0850	0.0850	0.1000	0.1000	0.1000	0.1000	
Valley Hill	0.0700	0.0700	0.0700	0.0800	0.0800	0.0850	0.0950	0.0950	0.0950	0.0950	
Valley Hill II	0.0700	0.0700	0.0700	N/A	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 Nine Years Ago**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Fiscal Year 2018</b>		
		<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
Duke Energy Carolinas LLC	Public Service	163,027,290	1	1.20%
Continental Teves Inc.	Manufacturing	138,754,467	2	1.03%
Meritor Heavy Vehicle Systems	Manufacturing	98,590,431	4	0.73%
Sierra Nevada Brewing Co	Manufacturing	98,007,027	3	0.72%
Kimberly Clark	Manufacturing	77,091,289	5	0.57%
Ingles Markets	Retail - Grocery	54,778,583	7	0.40%
Public Service Co of NC	Manufacturing	50,568,633	6	0.37%
Wilsonart	Manufacturing	50,285,595	8	0.37%
UPM Raflatac Inc	Manufacturing	43,127,677	9	0.32%
Borg Warner Thermal Systems	Manufacturing	41,561,043	10	0.31%
Totals		<b>\$ 815,792,035</b>		6.03%

**Source: Henderson County Assessor**

**N/A - information not available**



<b>Fiscal Year 2008</b>		
<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
111,206,118	2	0.89%
76,042,493	3	0.61%
149,138,298	1	1.19%
N/A	N/A	N/A
61,410,251	5	0.49%
N/A	N/A	N/A
28,772,931	9	0.23%
34,427,552	8	0.27%
76,022,235	4	0.61%
26,262,316	10	0.21%
\$ <u>563,282,194</u>		4.50%

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2009	60,238,220	(244,892)	59,993,328	58,473,336	97.47%	1,367,803	59,841,139	99.75%	152,189
2010	60,846,087	(276,429)	60,569,659	59,003,033	97.41%	1,451,321	60,454,354	99.81%	115,305
2011	61,296,106	(268,085)	61,028,021	58,085,624	95.18%	2,829,954	60,915,578	99.82%	112,443
2012	61,814,359	(215,538)	61,598,821	59,928,822	97.29%	1,557,682	61,486,504	99.82%	112,317
2013	62,467,870	(155,714)	62,312,153	60,535,291	97.17%	1,647,146	62,182,437	99.79%	129,716
2014	64,735,610	(228,522)	64,964,132	63,251,387	97.04%	1,601,524	64,852,911	99.83%	111,221
2015	65,114,773	(341,011)	65,455,784	63,736,547	97.88%	959,536	64,696,083	98.84%	77,679
2016	68,212,928	(404,105)	68,617,033	66,808,823	98.62%	887,349	67,696,172	98.66%	112,651
2017	75,819,372	169,288	75,988,660	75,144,181	98.89%	1,211,156	76,355,337	100.48%	248,146
2018	77,464,082	69,240	77,533,322	76,859,391	99.13%	-	76,859,391	99.13%	673,931
									\$ <u>1,845,600</u>

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			
2009	1,060,000	-	69,320,000	49,184,096	58,388	-	2,383,500	122,005,984	1,172	3.34%
2010	-	17,800,671	57,190,000	50,876,518	29,195	1,925,513	79,450	127,901,347	1,214	3.63%
2011	-	16,493,092	52,755,000	54,653,290	220,566	1,784,074	-	125,906,022	1,178	3.58%
2012	-	14,319,221	56,140,000	43,416,940	-	1,548,921	2,000,000	118,766,940	1,100	3.27%
2013	-	52,909,398	16,328,539	39,377,603	-	1,315,723	1,866,667	111,797,930	1,035	2.92%
2014	-	50,159,087	12,112,073	35,644,329	-	1,083,014	1,733,334	100,731,837	923	2.62%
2015	-	47,326,776	7,894,338	28,810,887	-	850,303	1,600,000	86,482,304	780	2.15%
2016	-	72,372,527	5,105,319	24,852,515	-	617,593	1,466,667	104,414,621	930	2.47%
2017	-	85,726,512	4,500,000	20,985,654	-	411,239	1,333,334	112,956,739	988	2.54%
2018	-	91,623,603	4,000,000	17,125,879	-	293,224	1,200,000	114,242,706	969	*

**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.

\* - Information not yet available.

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

Fiscal Year	General/Limited Obligation Bonded Debt Outstanding			Total	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Limited Obligation Bonds	Less: Amounts Restricted to Repaying Principal				
2009	1,060,000	-	1,060,000	-	0.00%	0.00%	-
2010	-	19,726,184	1,355,000	18,371,184	0.52%	0.14%	174
2011	-	18,277,166	2,315,000	15,962,166	0.45%	0.12%	149
2012	-	15,868,142	2,295,000	13,573,142	0.37%	0.11%	126
2013	-	54,225,121	2,889,000	51,336,121	1.34%	0.42%	475
2014	-	51,242,101	2,971,000	48,271,101	1.26%	0.38%	442
2015	-	48,177,079	4,413,996	43,763,083	1.09%	0.35%	395
2016	-	72,990,120	7,159,000	65,831,120	1.56%	0.49%	586
2017	-	86,137,751	7,132,000	79,005,751	1.77%	0.59%	691
2018	-	91,916,827	7,683,000	84,233,827	*	0.62%	714

**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>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Assessed Value of Property	\$ 12,960,934	\$ 13,092,488	\$ 13,191,457	\$ 12,053,856	\$ 12,203,794
Debt Limit, 8% of Assessed Value (Statutory Limitation)	1,036,874	1,047,399	1,055,316	964,308	976,304
Amount of Debt Applicable to Limit:					
Less: Gross debt	<u>122,006</u>	<u>127,055</u>	<u>125,154</u>	<u>114,767</u>	<u>111,798</u>
Less: Debt outstanding for water and sewer purposes	<u>2,384</u>	<u>1,922</u>	<u>1,711</u>	<u>1,485</u>	<u>3,182</u>
Total net debt applicable to limit	<u>119,622</u>	<u>125,133</u>	<u>123,443</u>	<u>113,282</u>	<u>108,616</u>
Legal Debt Margin	<u>\$ 917,252</u>	<u>\$ 922,266</u>	<u>\$ 931,873</u>	<u>\$ 851,026</u>	<u>\$ 867,688</u>
Total debt applicable to the limit as a percentage of debt limit	11.54%	11.95%	11.70%	11.75%	11.13%

**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.

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 12,610,836	\$ 12,523,976	\$ 13,182,825	\$ 13,423,998	\$ 13,682,469
1,008,867	1,001,918	1,054,626	1,073,920	1,094,597
100,732	86,482	104,414	112,957	114,243
2,816	2,450	617	411	293
97,916	84,032	103,797	112,546	113,950
\$ 910,951	\$ 917,886	\$ 950,829	\$ 961,374	\$ 980,647
9.71%	8.39%	9.84%	10.48%	10.41%

**Schedule 12**  
**Henderson County**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2018**

<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	\$ 112,749,482	100.00%	\$ 112,749,482
Overlapping:			
City of Hendersonville	6,572,301	100.00%	6,572,301
Town of Fletcher	7,166,958	100.00%	<u>7,166,958</u>
Total overlapping debt			<u>13,739,259</u>
Total direct and overlapping debt			<u>\$ 126,488,741</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**

<b>Year</b>	<b>Population(1)</b>	<b>Personal Income (2) (thousands of dollars)</b>	<b>Per Capita Personal Income (2)</b>	<b>Public School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>	<b>Number of Building Inspections Performed(5)</b>
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	4,454,428	39,002	13,320	3.60%	25,161
2018	117,902	*	*	13,536	3.60%	27,397

**Notes:**

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

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

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

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

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

\* Information not yet available.

**Schedule 14  
Henderson County  
Principal Employers  
Current Year**

Employer	2018			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Henderson County Public Schools	1889	1	4.35%	1865	1	3.99%
Margaret R. Pardee Hospital	1501	2	3.46%	1141	2	2.44%
Ingles Markets, Inc.*	1281	4	2.95%	674	6	1.44%
Park Ridge Hospital	1162	3	2.67%	1050	3	2.25%
Henderson County	803	5	1.85%	738	4	1.58%
Continental Teves, Inc.	750	6	1.73%	*	*	*
Meritor Heavy Vehicle Systems LLC	650	8	1.50%	485	9	1.04%
Wilsonart International Inc.	633	7	1.46%	697	5	1.49%
General Electric	500	9	1.15%	520	7	1.11%
Wal-Mart Associates, Inc.	388	10	0.89%	500	8	1.07%

\* Information not available

Countywide Total Employment June 2018:

43,443

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
General government	106	98	95	97	100	100	104	105	103	109
Public safety	271	266	274	261	269	277	281	299	302	310
Environmental protection	23	18	20	22	22	22	20	19	19	21
Economic and physical development	22	23	23	22	22	23	24	24	25	25
Human Services	281	285	288	272	267	269	268	281	284	286
Cultural and recreation	56	48	51	49	50	49	51	51	51	52
<b>Total</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>	<b>803</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>General Government</u>										
# of Registered Voters	74,581	76,117	75,821	78,326	76,224	77,321	76,099	79,621	81,736	84,393
<u>Public Safety</u>										
# of building permits issued	4,471	4,915	4,735	5,077	6,025	6,430	6,542	6,430	6,771	9,598
# of calls dispatched	120,202	117,422	131,706	133,353	140,288	146,494	152,408	177,818	181,115	187,067
<u>Human Services</u>										
# of food & lodging sites inspected	1,431	1,492	1,546	1,479	1,545	1,497	1,595	1,563	1,256	1,600
# of Health clients served	10,250	13,210	12,494	12,090	11,344	12,447	13,152	14,693	15,428	15,781
<u>Economic and Physical Development</u>										
Number of major subdivision plan reviews	11	4	2	3	5	4	6	4	5	13
<u>Cultural and Recreation</u>										
Library book circulation	952,439	972,262	987,905	947,866	981,738	951,697	910,636	927,596	1,056,328	1,031,647
<u>Education</u>										
Total \$ spent per ADM	\$ 2,426	\$ 2,281	\$ 2,319	\$ 2,162	\$ 2,226	\$ 2,306	\$ 2,346	\$ 2,366	\$ 2,480	\$ 2,615
<u>Enterprise Fund - Landfill</u>										
Solid waste generated # tons/day	272	245	203	218	240	249	258	294	318	343

**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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Public Safety</u>										
Sheriff's Department:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	159	162	163	176	168	158	180	184	176	185
<u>Cultural and Recreation</u>										
Park Acreage	320	320	320	323	349	331	332	332	332	332
Parks	8	8	8	8	10	11	12	12	12	12
Ballfields and courts	31	31	31	36	35	37	37	37	37	37
Libraries	6	6	6	6	6	6	6	6	6	6

Source: Various County Departments

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