

**Rutherford County, North Carolina**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2011**

**Prepared By**  
**Rutherford County Finance Department**



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**JULIUS OWENS**  
Chairman  
**WILLIAM ECKLER**  
Vice Chairman  
**SUSAN CROWE**  
Commissioner  
**EDDIE HOLLAND**  
Commissioner  
**ROGER RICHARD**  
Commissioner

**WILLIAM ECKLER**  
Interim County Manager  
**HAZEL S. HAYNES**  
Clerk to the Board  
**PAULA ROACH**  
Finance Director

# Rutherford County

**289 North Main Street**  
**Rutherfordton, NC 28139**  
**(828) 287-6045**  
**(828) 287-6262 FAX**

December 19, 2011

Rutherford County Board of Commissioners  
County of Rutherford  
289 North Main Street  
Rutherfordton, North Carolina 28139

Dear Commissioners:

In compliance with the General Statutes of the State of North Carolina, the Comprehensive Annual Financial Report (CAFR) of the County of Rutherford, North Carolina, is submitted for the fiscal year ended June 30, 2011. The responsibility for the accuracy, completeness, and clarity of the report rests with the County Finance Director. We believe the data presented is accurate in all material respects; that it is presented in a manner to fairly represent the financial position and the results of operations of the County of Rutherford as measured by the financial activities of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity 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 County's MD&A can be found immediately following the report of independent auditors.

## REPORTING ENTITY AND ITS SERVICES

The County has a commissioner/manager form of government with five commissioners elected for four-year staggered terms. The Board of Commissioners approves all tax and budget issues by a majority vote. An organizational chart is presented in this introductory section.

The financial reporting entity consists of the primary government, organizations for which a primary government is financially accountable, and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body; and (1) is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The following agencies have been included in the reporting entity as component units:

Rutherford County Airport Authority  
Rutherford County Economic Development Commission  
Rutherford County Transit Authority

Based on the foregoing criteria, it was not considered appropriate to include the following entities in the County of Rutherford reporting entity:

Rutherford County Board of Education  
Region C Council of Governments  
Fire and Sanitary Districts  
Isothermal Community College  
Rutherford/Polk/McDowell Public Health District  
Western Highlands Local Management Entity

The financial statements of these entities are audited and available at the County Finance Office and the office of each entity.

The County provides, in total or in part, a full range of governmental services including General Government, Public Safety, Environmental Protection, Human Services, Economic and Physical Development, Education, and Cultural Activities.

## ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

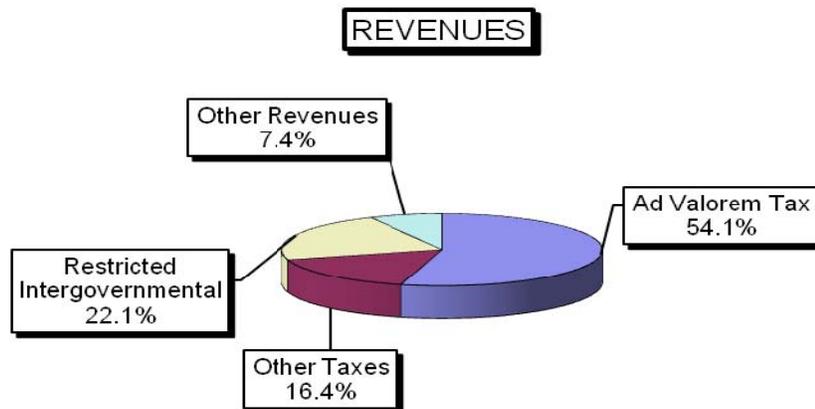
The County's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. The County believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary or other control is exercised over all funds. Appropriations are made at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project and Debt Service Funds. The Governing Board amends appropriations as necessary. The budget shown in the financial statements is the budget ordinance as amended through June 30, 2011. The County's budget ordinance is prepared on a modified accrual basis for all governmental fund types. The budgets for the General Fund, Special Revenue Funds with the exception of the Grant Fund and the CDBG Grant Fund, Debt Service Fund, and Enterprise Funds are prepared on an annual basis, and the budgets for the Grant Fund, CDBG Grant Fund and Capital Project Funds are authorized for the life of the grant/project.

### GENERAL GOVERNMENTAL FUNCTIONS

Revenues for annual general governmental functions come primarily from ad valorem taxes, the two and one-half-cent optional sales tax, and intergovernmental revenues (primarily state and federal). These governmental functions include the general, special revenue and debt service funds. Revenues in the General Fund are the sources used to carry out the general operations of the County. Special revenue funds are monies that are restricted by law or administrative action for specific purposes such as reappraisal, emergency telephone system fund, school capital projects, tourism development and the fire districts tax distribution.

The following graph illustrates the County's general governmental sources of revenue for the general, special revenue and debt service funds only:



Rutherford County's general governmental sources of revenue decreased by approximately one percent, or \$640,326, mainly due to decreases in restricted intergovernmental revenues.

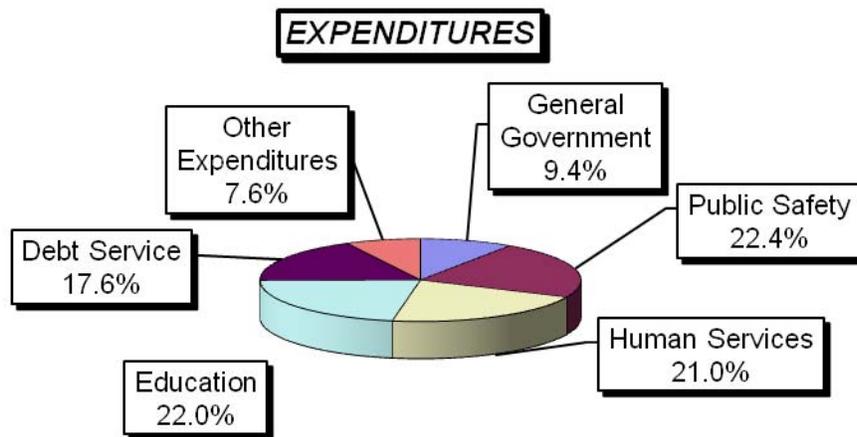
Ad valorem and restricted intergovernmental revenues are the largest source of revenues for the County accounting for 76% of total revenues. Ad valorem taxes account for 54.1% of revenues and decreased slightly by \$9,603 or .03%. The fiscal year 2010-2011 budget was adopted based on a tax rate of 53 cents per \$100 of value which was the same as the FY 2009-2010 tax rate. While overall property values in the County increased approximately .007%, a decrease in the property tax collection rate of 0.59% from 93.80% to 93.21% led to relatively flat property tax revenues. The property tax collection rate declined in the past two years mainly due to the bankruptcy of Land Resources, LLC, the developer of Grey Rock at Lake Lure, the County's second largest taxpayer.

One and sixth-tenths (1.6) of the 53 cents tax rate, equivalent to \$689,635, was appropriated to be placed in a reserve fund to continue accumulating funds for future County facilities needs.

Other taxes decreased by .71% or \$70,298. This reduction was largely a result of a decrease in sales tax due to the downturn in the economy. Losses in occupancy tax have begun to stabilize.

The County continued to experience decreases in the areas of permits and fees and investment earnings during FY 2010-11. Permits and fees decreased eight percent, or \$66,103, due largely to a \$20,000 decrease in building permit fees and a \$64,000 decrease in excise stamp revenue from the Register of Deeds office. These decreases are the result of a slowing economy that the County, as well as the nation, began experiencing since late FY 2007-08. In addition, interest earnings decreased by forty-four percent, or \$57,870, due to declining interest rates.

Management recognizes that local sources of revenue must be used to provide basic services instead of relying on the uncertainty of federal and state funding. Education, human services, and public safety continue to be the largest of County government expenditures representing 65% of all expenditures. The following graph illustrates the County's general governmental expenditures in the general, special revenue and debt service funds only:



Total expenditures increased 5.3% as compared to FY 2009-10. Increased expenditures in debt service of approximately \$768,000, or 7%, were partially offset by a \$240,000 decrease in cultural expenditures. Debt service increased mainly due to principal and/or interest payments related to the Rutherfordton Elementary COP issued in December 2007, a privately placed financing for County facilities in 2009, economic development grant repayments, and increased general fund lease purchase debt payments.

In response to the continuance of the economic recession which began in 2008, the County's fund balance decrease in FY 2009-10 was a planned expenditure. In order to provide the necessary functions of County government while facing declining revenues, during fiscal year

2008-2009 management recommended and the Board approved a goal of spending no more than approximately \$1.8 million of fund balance over the two year period of fiscal year 2008-2009 through fiscal year 2009-2010 to balance the two years' budgets. This not to exceed \$1.8 million planned expenditure was based on the amount that was added to the total (as opposed to available for appropriation) fund balance in fiscal year 2007-2008. As a result of the sale of County property to Andale (Facebook), the County has spent less than the \$1.8 million of fund balance anticipated over the three year period of fiscal year 2008-2009 to fiscal year 2010-2011.

The County's fund balance available for appropriation as of June 30, 2011 of approximately \$14.5 million or 28.8% of general fund expenditures remains comparable to the State-wide average and that of other North Carolina counties in our population group. One of the many reasons that governments retain fund balances is for unforeseen events. The current recession, being described by many as the worst recession since the Great Depression, is one instance where a healthy fund balance for a government can be useful in weathering the economy while still providing the services to its citizens that they have come to expect.

### CASH MANAGEMENT

Rutherford County has in place an approved Cash Management Policy. This policy has specific guidelines for both revenues and expenditures. The Finance Department strives for efficient and profitable use of the County's cash resources. A pooled cash concept is utilized to maximize funds available for investment. Cash temporarily idle during the year is invested in Certificates of Deposit, various instruments guaranteed by the United States Government and the North Carolina Capital Management Trust Fund (North Carolina Local Government Investment Pool).

The County's investments for fiscal year 2010-2011 earned \$251,572. The balance of cash and investments was \$23,338,564 as of June 30, 2011 as compared to \$24,022,106 as of June 30, 2010. The main reason for this decrease is the drawing down of project escrow funds remaining from construction to pay debt service. The County's unassigned fund balance as of June 30, 2011 was \$12,797,792 in the General Fund.

### DEBT ADMINISTRATION

Rutherford County has efficiently managed its debt and has planned for future debt payment. The Governmental Funds Long-Term Debt outstanding as of June 30, 2011 is comprised of the following:

- 2003 Certificates of Participation issued for school construction - \$5,040,000
- General Obligation Bonds issued for school construction - \$945,000
- General Obligation Bonds issued for water and sewer construction - \$3,875,000
- 2001 Private Placement for County building projects - \$1,375,000
- 2002 Refunding of 1994 Certificates of Participation issued for County facilities – \$5,615,000
- 2002 Certificates of Participation issued for school construction - \$13,682,380
- 2002 Certificates of Participation industrial development - \$540,000
- 2005 Private Placement for school construction - \$3,473,467
- 2006 Private Placement for school construction - \$3,514,217
- 2007 DENR loan for water and sewer construction - \$265,120

- 2007 Certificates of Participation issued for school construction - \$14,722,380
- 2009 Private Placement for County facilities - \$2,816,667
- Other Capitalized Leases - \$2,385,102
- Economic Development Grant Repayments - \$196,872
- Other commitments (accrued vacation, pension) - \$1,603,193

The general obligation bonds, certificates of participation, and private placement debt service are being funded with sales tax revenue (which is set aside in reserve funds). Ninety-four percent of the Article 40 one-half cent sales tax adopted in 1983 and sixty percent of the Article 42 one-half cent sales tax adopted in 1986 have been designated for school construction. These funds are being set aside to pay for construction of schools and the debt service on borrowed funds used to construct schools. The remaining forty percent of the Article 42 one-half cent sales tax adopted in 1986 and one and six-tenths cents (1.6 cents) of property tax have been designated for County building construction. Seven percent of the Article 39 one cent sales tax has been designated for the water and sewer construction. The capitalized lease payments and other commitments are being funded by general and special revenue fund revenues as the commitments come due.

The County bond rating for the outstanding general obligation debt is "Aa3" with Moody Investor Service, "A+" with Fitch Ratings, and "A+" with Standard and Poors Corporation. The rating for the December 2007 COPS financing is "A1" with Moody Investor Service, and "A-" with Standard and Poors Corporation. The rating for the September 2002 COPS financing is "A+" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues.

The General Statutes control general long-term debts that local governments in North Carolina can issue. Long-term debt cannot exceed 8% of the assessed valuation of the County which was \$5,941,961,062 as of January 1, 2010. Thus, the legal debt limit of the County as of June 30, 2011 is \$475,356,885 with a legal debt margin of \$412,464,932 considering the outstanding bond debt of \$4,820,000 and other debt of \$58,071,953.

### 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. To protect itself in these cases, the County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these two pools, the County obtains property, general, auto, professional liability, crime and worker's compensation coverage.

Beginning July 1, 2005, the County began to participate in fully insured health and dental insurance plans. The Insurance Plan Administrators are the State Health Plan for medical and Citizens Security for dental.

### THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 67,810 with a work force of 25,708. The population has grown by 7.8% since the 2000 census. This census revealed that the greatest population growth occurred in the Lake Lure area. The goods-producing industry employment

has declined over the last decade, while the service industry employment has increased. The median age has increased to 42.5 as compared to 38.87 a decade ago. The County trend in jobs and population seems to be following the national trends in rural America.

Sixty-plus manufacturing firms are located in Rutherford County and there is a more diverse industrial base than was previously experienced led by valve manufacturing, plastics, and textiles. While utility company employees are the highest paid sector, the telecommunications subsector is a close second. Manufacturing sectors also continue to be the leaders in employment wages. Recent trends closely resemble the national trend of an overall slowdown in manufacturing and textiles. While textiles in general have been declining, certain niche segments of that industry are seeing increases in domestic production in this County.

In recent years, the industrial base in the County has become more diversified with the introduction of composites and automotive components. Current targets for growth include emerging technologies (such as data centers and call centers), alternative energy sources (such as solar farms and wind farm component manufacturing), plastics and composites, and metal working along with a continued focus on traditional manufacturing that is now being performed to advanced standards and with new technologies.

The County and private developers have also developed industrial/business sites and buildings to sell. Riverstone Industrial Park contains 1,150 acres and is one of the largest industrial parks in the Southeast. There are over thirty building sites proposed for this property plus an existing 100,000 square foot shell building. Over twelve million dollars of private funds have been invested and the Town of Forest City is providing water and sewer.

With grant assistance, the County has developed a 95 acre industrial park with "shovel ready lots"- Rutherford 74 Corporate Center. One of the tenants to the park is the Western North Carolina Data Center which represents a state investment of approximately \$24 million. Today this center is in operation as a mirror site for much of the data that circulates throughout the state computer systems. This project showcases the level of fiber infrastructure available in Rutherford County as well as the diverse and highly-skilled talents of the existing workforce. In November, 2010 Facebook announced that it would be building a large data center in the County and investing a minimum of \$450 million. Facebook estimates that it will employ 200-250 people during construction of the data center and that, once the data center is complete, it will employ at least 42 people. Facebook has announced it will contribute \$200,205 to local charities in 2011.

Unfortunately, the County has not had immunity from the nationwide trend of increased unemployment brought on by plant slowdowns and layoffs. Unemployment in Rutherford County has continued to increase during the past few years but has seemed to stabilize and actually decrease in recent months. Rutherford County's unemployment rate doubled from a rate of 7.7% as of June 2008 to 15.3% as of June 2009. The unemployment rate peaked at 17.9% in January, 2010 and has been in decline each month since that time with 14.6% being the rate in June, 2011.

The outlook, however, remains optimistic. In addition to current targets of recruitment that have been previously mentioned, a strong Existing Industry team, through a liaison with the NC Department of Commerce, the NC Community College System, the Rutherford County School

system, and Rutherford County government, has been assembled to address current manufacturing issues on a local level. Efforts to seek new commercial growth opportunities are ongoing. A commercial development team comprised of strategic municipal and County personnel is working on several programs to strengthen and grow existing downtown and commercially viable areas in the County. Several projects have looked at Rutherford County during the past 12 months; however, most are indicating wanting to see the overall national economy improve before taking the next step of announcing and committing to spending significant sums of money and job creation.

Another significant industry in the County is travel and tourism. The County tourism industry employs 1,080 people and generates over \$119 million in revenues. Over 1,300 rentable units are available to visitors for overnight stays. In addition to traditional hotels, cabins, cottages and houses are for rent –B&Bs are here, as well. Utilizing the 5% occupancy tax revenue to promote the area as a travel, tourism, retirement and convention destination, the Rutherford County Tourism Development Authority (TDA) is the destination management organization for Rutherford County. The TDA invites visitors who are longing to live more simply to come “revisit their senses” here, where “remembered pleasures thrive in abundance.” From the peaks surrounding Chimney Rock, Lake Lure and Golden Valley to the charms of Rutherfordton, Forest City and Spindale, visitors come and stay for a wide variety of attractions and events. As the TDA says in its advertising, “With great food, great things to do, and great things to see, the lake may lure you – the rest will keep you.”

The County has become an increasingly popular choice for retirees and second home buyers. With the economic downturn, however, the County has experienced problems with real estate developments. Grey Rock at Lake Lure, which is home to the 2006 Home and Garden Television (HGTV) dream home, was a 4,000-acre development. The developer filed bankruptcy. The Carolina Mountain Land Conservancy bought 1,500 acres of Grey Rock at Lake Lure in December 2009. Their intent is to maintain the land in its natural state and add this conservancy land to the nearly 4,000 acres in the Lake Lure area already protected for posterity as either state parkland or conservancy land. The future of the remainder of this development remains uncertain. On September 26, 2011, the County received a settlement from the bond company to install the infrastructure over the next two to three years. Another 3,500-acre development called Queens Gap is located partially in the County. Currently over 100 home sites have been sold. Planned amenities and infrastructure include paved streets, public water and sewer systems which were guaranteed via surety performance bonds. However, the developer of Queens Gap has failed to install the infrastructure and the County has taken steps to have the performance bonds called to fund the installation of the infrastructure.

One challenge facing the County is retraining the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with customized training programs to help new and existing industry to keep pace with their changing needs. The college offers 87 programs of study and provides training for area business and industry, personal enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities. Many of the County’s unemployed have embraced this downturn in the economy as an opportunity to further their education. Our community college’s enrollment numbers for Spring 2011 indicate a continued high headcount of 2,757, down from 2,899 in Spring 2010 and up from 2,509 in Spring 2009. Isothermal's Full-Time Equivalency (FTE) is

trending the same. The enrollment is strong due to increases in job layoffs and the availability of federal Pell grants as well as state and institutional scholarships. The college is offering distance learning classes that are allowing more sections of classes to be offered. The college also attributes some growth to first-time college students from the local high schools who are choosing to take advantage of the community college in preparation for four-year college or university programs.

In cooperation with the County and the School Board, the College has constructed a Lifelong Learning Center on its campus. This building houses the REACH high school program and serves as campus to several university satellite programs, enabling our residents to achieve a bachelor's degree while attending our local campus. The REACH program allows high school students to potentially graduate with a high school diploma and an associate degree within a four- to five-year time frame.

Over the past five years, the County school system has been working to transform classrooms into 21<sup>st</sup> century digital learning environments. As a result, the school system has launched the Going G.L.O.B.A.L. (Growing Learning Opportunities Beyond All Limits) initiative to provide appropriate technology tools, resources, and 21<sup>st</sup> century instruction in all classrooms from Pre-K through high school. By the end of the 2010-2011 school year, all Pre-K through high school classrooms were equipped with interactive whiteboards and high-speed wireless internet access to provide the most current tools and resources for students and teachers. In February 2011, laptop computers were provided to all 6<sup>th</sup> through 12<sup>th</sup> grade students for use at school and at home. In addition, plans are being developed through a local partnership to provide low-cost internet access to the County's students and families using a wireless internet mesh network.

The e-NC Initiative has led to the establishment of seven Business and Technology Centers in North Carolina. With grant funding, Rutherford County opened one of these centers – Foothills Connect – in October 2005 with the goal of supporting the development and growth of small businesses and entrepreneurship in Rutherford County. The center has five key components: business services, technology services, business enterprise development, technology training and public Internet access. Farmers Fresh Market, the new innovative method of marketing farm products, was established by Foothills Connect in an effort to promote a greener, fresher and profitable food production and procurement system. Rutherford County farmers have an opportunity to grow and provide fresh food products directly to chefs in Charlotte through the new program. It provides an alternative market for farm products that promises to decrease time from farm-to-market and simply provide the best products to buyers at a premium return to the grower.

The County has completed a grant funded fiber build-out within the County. In September 2007, the County was awarded \$1.45 million from the GoldenLEAF foundation to expand on the fiber network which connected all Rutherford County public schools. This expanded build-out connects fiber to various local government assets such as fire stations, police stations and libraries and has resulted in approximately 38 additional miles of installed fiber. Also, the Appalachian Regional Commission awarded the County \$178,920 to enhance broadband availability and increase redundancy. The County has deployed a wireless network of equipment with the primary benefit of supporting public safety.

## INDEPENDENT AUDIT

The General Statutes of North Carolina require an independent financial audit of all local governments in the state. Gould Killian CPA Group, a firm of independent certified public accountants, has examined the financial records of the County and their opinion is included in this report. Their audit was made in accordance with generally accepted auditing standards and accordingly, included tests of the County's records and any other auditing procedures as they considered necessary. Their unqualified opinion indicates that the accompanying financial statements have been prepared by the County in conformity with generally accepted accounting principles.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENT

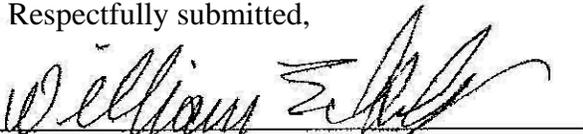
Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

## USE OF REPORT

A copy of this report will be made available to various departments of the County, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

A copy of this report will also be placed in the Rutherford County Public Library.

Respectfully submitted,

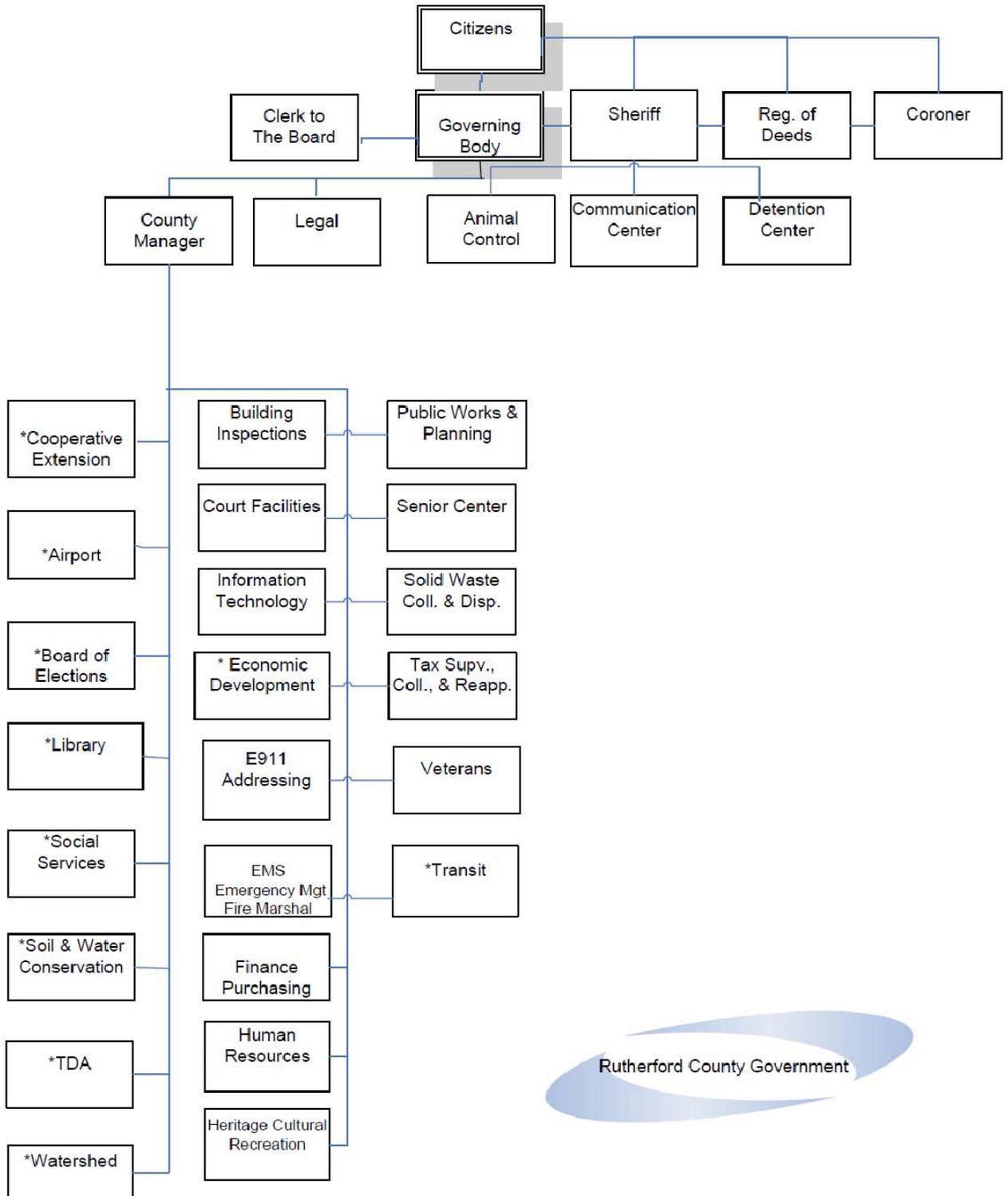


William Eckler  
Interim County Manager



Paula Roach  
Finance Director





Note

\* Appointed in whole or in part by others

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Rutherford  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



President

Executive Director

**RUTHERFORD COUNTY, NORTH CAROLINA**

**June 30, 2011**

**Board of County Commissioners**

William Eckler, Chairman

Julius Owens, Vice Chairman

Susan Crowe

Eddie Holland

Roger Richard

**County Manager**

John Condrey

**Finance Director**

Julie T. Scherer, CPA

**Assistant Finance Director**

Paula A. Roach



**Independent Auditors' Report**

Board of Commissioners  
Rutherford County  
Rutherfordton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rutherford County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of Rutherford County, North Carolina's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance, Schedules of Funding Progress and Employer Contributions and Notes to the Required Schedules, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina, taken as a whole. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory information and the information Statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 19, 2011

## Management's Discussion and Analysis

As management of Rutherford County, we offer readers of Rutherford County's financial statements this narrative overview and analysis of the financial activities of Rutherford County for the fiscal year ended June 30, 2011. 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**

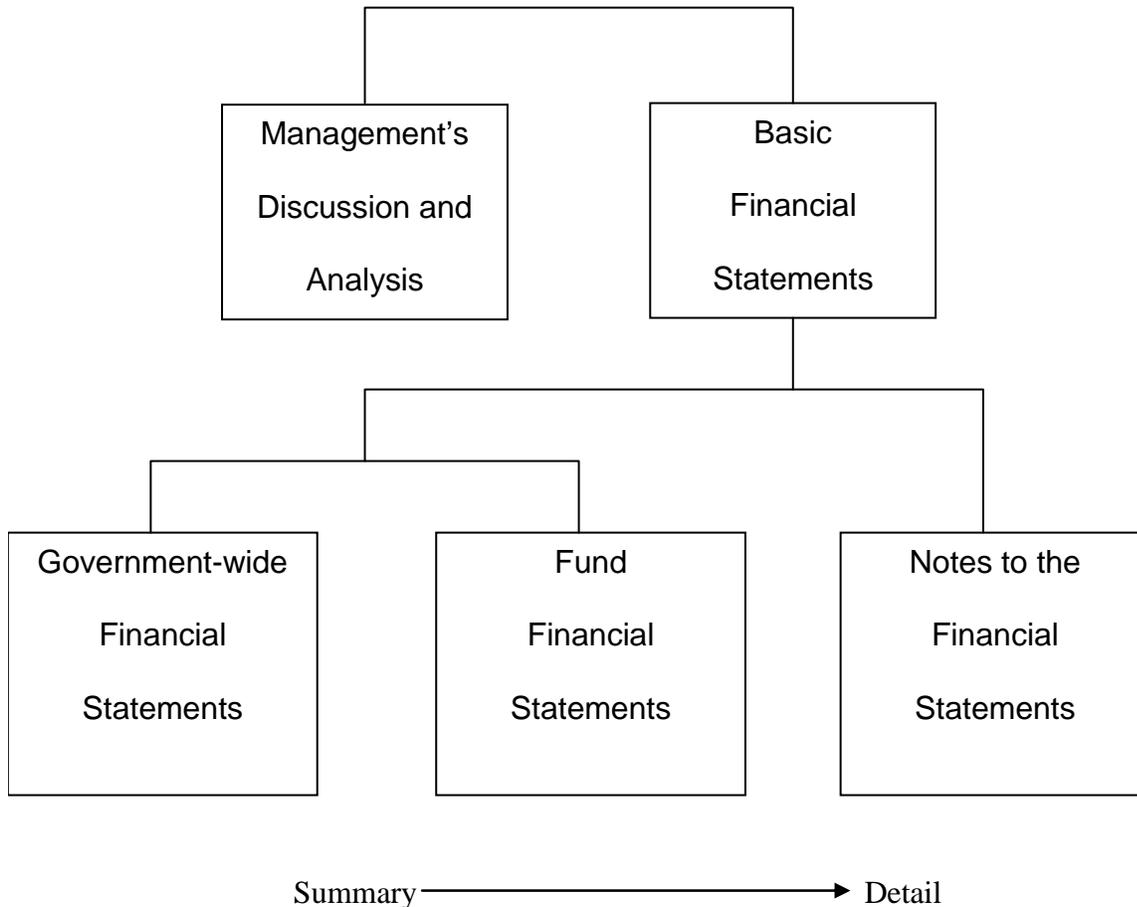
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$23,868,341, a decrease of \$1,200,236 in comparison with the prior year. The combined fund balance consisted of: general fund - \$17,571,841 compared to \$15,677,959 (2010); non-major special revenue funds \$4,156,737 compared to \$9,390,619 (2010); and debt service funds \$2,139,763.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,797,792, or 24.6% of total general fund expenditures.
- The assets of Rutherford County's governmental activities exceeded its liabilities at the close of the fiscal year resulting in a surplus of \$19,015,885 (*net assets*). This compares to a June 30, 2010 surplus of \$15,685,814. In accordance with North Carolina law, liabilities of the County include \$15,486,484 in long-term debt associated with assets belonging to the Rutherford County Board of Education. 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 has reported a net deficit in unrestricted net assets in prior years.
- The government's long-term debt, excluding pension liability, compensated absences, landfill post-closure accrual, and grant repayments decreased by \$7,396,008.
- The government's total net assets increased by \$3,350,851.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Rutherford County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. See Figure 1 below. 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 fiscal condition of Rutherford County.

## Required Components of Annual Financial Report

Figure 1



### **Basic Financial Statements**

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the County and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The final section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds. Budgetary information required by North Carolina General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's law enforcement officers' pension plan.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide financial statements are divided into the following three categories:

**Governmental activities** – These activities of the County include general government, public safety, human services, environmental protection, economic and physical development, education, cultural and recreation, and debt service. Property taxes, the local option sales 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. These activities include solid waste collection and disposal.

**Component units** – The government-wide financial statements include not only the County of Rutherford itself (known as the primary government), but also a legally separate airport, a legally separate transit authority, and a legally separate economic development commission for which the County of Rutherford is financially accountable. Although legally separate from the County, these agencies are important to the County because the County exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the County. Financial information for these component units is reported separately from the financial information for the primary government itself.

The government-wide financial statements are on Exhibits 1 and 2 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. Rutherford 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 Rutherford County can be divided into three categories: governmental, proprietary and fiduciary funds.

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

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

*Proprietary Funds* – Rutherford County has one type of proprietary fund – enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Rutherford County uses enterprise funds to account for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

*Fiduciary Funds* – Agency funds are used to account for resources held for the benefit of parties outside the government. Rutherford County has six agency funds.

*Notes to the Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 29 through 58 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Rutherford County’s progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found beginning on page 59 of this report.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Rutherford County exceeded liabilities by \$20,617,492 as of June 30, 2011. As of June 30, 2010, the net assets of Rutherford County stood at \$17,266,641. The County's net assets increased by \$3,350,851 for the fiscal year ended June 30, 2011, compared to an increase of \$4,364,623 in 2010. One of the largest portions of net assets, \$13,194,806 (64%) reflects the County's investment in capital assets (e.g. land, buildings, intangible assets, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County's net assets represents resources that are subject to external restrictions on how they may be used. At June 30, 2011, total unrestricted net assets in the deficit amount of \$241,801 is primarily attributable to the business-type activities unrestricted deficit balance of \$332,106. In 2010, the amount of net assets invested in capital assets net of related debt was \$11,765,719, with restricted assets standing at \$2,918,608. The remaining balance \$2,582,315 was unrestricted.

**Figure 2**

	Governmental Activities		Business-type Activities		Total	Total
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 30,254,291	\$ 30,715,480	\$ 2,274,624	\$ 2,165,223	\$ 32,528,915	\$ 32,880,703
Capital assets	49,903,314	54,191,417	2,107,780	2,323,407	52,011,094	56,514,824
Total assets	80,157,605	84,906,897	4,382,404	4,488,630	84,540,009	89,395,527
Long-term liabilities outstanding	59,872,018	67,634,519	2,567,220	2,701,502	62,439,238	70,336,021
Other liabilities	1,269,702	1,586,563	213,577	206,301	1,483,279	1,792,864
Total liabilities	61,141,720	69,221,082	2,780,797	2,907,803	63,922,517	72,128,885
Net assets:						
Invested in capital assets, net of related debt	11,261,093	9,844,642	1,933,713	1,921,077	13,194,806	11,765,719
Restricted	7,664,487	3,599,008	-	-	7,664,487	3,599,008
Unrestricted (deficit)	90,305	2,242,165	(332,106)	(340,250)	(241,801)	1,901,915
Total net assets	\$ 19,015,885	\$ 15,685,815	\$ 1,601,607	\$ 1,580,827	\$ 20,617,492	\$ 17,266,642

The County's unrestricted net assets reflects the portion of the County's outstanding debt incurred for the County Board of Education (the "School System"). Under North Carolina law, the County is responsible for providing capital funding for the School System. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets funded by the County, however, are owned and utilized by the School System. When the County, as the issuing government, acquires no capital assets, the County incurs a liability

without a corresponding increase in assets. Sunshine Elementary, Dunbar Elementary, the Isothermal Community College Lifelong Learning Center, and Rutherfordton Elementary are exceptions where the County owns the building. At the end of the fiscal year, \$15,486,484 of the outstanding debt on the County's financial statements was related to assets included in the School System'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 debt without the corresponding assets was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 93.21% despite a declining economy. This represents a .59% decrease from fiscal year 2010 when the tax collection percentage for the County was 93.21%. The main factor affecting our collection rate at this time is the bankruptcy of our second largest taxpayer, LR Buffalo Creek LLC (Greyrock), which accounts for 1.5% of collections.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.

**Figure 3**

**RUTHERFORD COUNTY'S CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,279,446	\$ 4,313,756	\$ 3,345,821	\$ 3,018,858	\$ 7,625,267	\$ 7,332,614
Operating grants and contributions	10,372,807	10,657,325	128,935	172,970	10,501,742	10,830,295
Capital grants and contributions	2,439,302	2,632,656	-	-	2,439,302	2,632,656
General revenues:						
Property taxes	33,342,043	33,187,061	-	-	33,342,043	33,187,061
Other taxes	10,006,982	10,106,514	-	-	10,006,982	10,106,514
Other	750,540	582,494	10,725	26,215	761,265	608,709
<b>Total revenues</b>	<b>61,191,120</b>	<b>61,479,806</b>	<b>3,485,481</b>	<b>3,218,043</b>	<b>64,676,601</b>	<b>64,697,849</b>
<b>Expenses:</b>						
General government	6,604,844	6,501,588	-	-	6,604,844	6,501,588
Public safety	15,180,889	14,639,570	-	-	15,180,889	14,639,570
Environmental protection	175,476	187,376	-	-	175,476	187,376
Economic and physical development	3,552,588	1,861,686	-	-	3,552,588	1,861,686
Human services	13,649,550	13,605,280	-	-	13,649,550	13,605,280
Cultural and recreation	677,277	995,584	-	-	677,277	995,584
Education	15,270,039	16,129,157	-	-	15,270,039	16,129,157
Interest on long-term debt	3,035,244	2,938,919	-	-	3,035,244	2,938,919
Landfill	-	-	3,589,701	3,474,066	3,589,701	3,474,066
<b>Total expenses</b>	<b>58,145,907</b>	<b>56,859,160</b>	<b>3,589,701</b>	<b>3,474,066</b>	<b>61,735,608</b>	<b>60,333,226</b>
Increase (decrease) in net assets before transfers and special items	3,045,213	4,620,646	(104,220)	(256,023)	2,940,993	4,364,623
Gain on sale of capital assets	409,858	-	-	-	409,858	-
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
<b>Increase (decrease) in net assets</b>	<b>3,330,071</b>	<b>4,495,646</b>	<b>20,780</b>	<b>(131,023)</b>	<b>3,350,851</b>	<b>4,364,623</b>
Net assets, July 1	15,685,815	10,352,169	1,580,827	1,711,850	17,266,642	12,064,019
Prior period adjustment	-	838,000	-	-	-	838,000
<b>Net assets, June 30</b>	<b>\$ 19,015,886</b>	<b>\$ 15,685,815</b>	<b>\$ 1,601,607</b>	<b>\$ 1,580,827</b>	<b>\$ 20,617,493</b>	<b>\$ 17,266,642</b>

**Governmental activities.** Governmental activities increased the County's net assets by \$3,330,071. This compares to an increase of \$4,495,646 in 2010. The key elements of this increase include continued diligence in ad valorem tax collections and the sale of County property to Andale (Facebook). The government's long-term debt, excluding pension liability, compensated absences, landfill post-closure accrual, and grant repayments decreased by \$7,396,008.

**Business-type activities.** Business-type activities increased Rutherford County's net assets by \$20,780. The key element of this increase in net assets was an increase in tipping fee revenues due to a rate increase effective January 1, 2011.

The County established an Enterprise Fund on July 1, 1992 to account for solid waste collection and disposal operations that are financed through solid waste fees. Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. In order to meet this requirement, the County constructed a transfer station and began transporting MSW to a lined landfill outside the County. Studies are currently being conducted on the feasibility of constructing a lined landfill adjacent to our Central Landfill. The County has obtained a site suitability determination (the initial stage of obtaining a permit) from the North Carolina Department of Environment and Natural Resources for this construction. The current contract for MSW transportation out of County expires June 30, 2015.

The County operates a Construction and Demolition (C&D) landfill. As of June 30, 2011 it is estimated that the County has used 18.82 percent of the total estimated capacity of the current phase of this landfill. The County expects to operate this landfill until the year 2014.

The County has established a two-tiered tipping fee system. The tipping fee for C&D is \$35 per ton and the tipping fee for all other municipal solid waste is \$45 per ton. In addition, the State established a fee of \$2 per ton on municipal solid waste and construction and demolition debris as a result of the North Carolina General Assembly passing the Solid Waste Act of 2007. The statewide solid waste disposal tax must be collected at the Landfill and submitted to the State. The County's household fee is \$120 per household per year with a reduced homestead exemption fee of \$30 per household per year. Nine convenience centers and one manned green box site are now in operation throughout the County.

### **Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Rutherford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Rutherford 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 Rutherford County. At the end of the current fiscal year, Rutherford County's fund balance available in the General Fund was \$14,455,561, while total fund balance was \$17,571,841. The Governing Body of Rutherford County has an informal goal that the County should maintain an available fund balance of 20% 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 28.8% of General Fund expenditures, while total fund balance represents 34.5% of that same amount. The County's fund balance as of June 30, 2011 remains comparable to the State-wide average and that of other North Carolina counties in our population group.

At June 30, 2011, the governmental funds of Rutherford County reported a combined fund balance of \$23,868,341, a 4.8 percent decrease as compared to last year. The primary reason for this decrease is largely due to an accounting change regarding the treatment of sales tax funds which were previously receipted into the General Fund and then transferred to various Capital Reserve Funds, offset by revenues of \$3.15 million received from the sale of County property to Andale (Facebook). Beginning in fiscal year 2010-2011, Governmental Accounting Standards Board no longer permits Capital Reserve Funds to be shown as Special Revenue Funds for financial statement reporting purposes. Therefore, these sales tax funds will now be directly deposited into either the Debt Service Fund or a Capital Projects Fund depending upon how the funds will be used. Other factors contributing to the decrease include general reductions in various areas due to the economy.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total budget amendments to the General Fund increased revenues by \$2,048,125 which represents 4.3% of the original revenue budget.

The main amended increases in the budget were in general government, public safety and human services. Amendments in the areas of general government and public safety were primarily due to capital expenditures that had been appropriated in the previous year but were unexpended in FY 2009-2010 and were therefore carried "re-budgeted" into FY 2010-2011 after the Budget Ordinance was adopted. The increases in Human Services largely relates to stimulus programs that were funded through the Department of Social Services. Expenditures in some functional areas experienced notable positive variances as compared to the budget due to expenditures being curtailed due to the economy. The positive variance in Human Services expenditures correlates with the negative variance in Restricted Intergovernmental Revenue due to lower than anticipated expenditures and therefore, reduced revenues from Federal and State funds in that area.

**Proprietary Funds.** Rutherford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year amounted to a \$332,106 deficit. The total increase in net assets was \$20,780. Other factors concerning the finances of this fund have already been addressed in the discussion of Rutherford County's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** Rutherford County's capital assets for its governmental and business – type activities as of June 30, 2011, totals \$52,011,094 (net of accumulated depreciation). These assets include buildings, land, intangible assets, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchase of new software for Social Services;
- Purchase of new vehicle for Animal Control;
- Additional Public Safety equipment including cardiac monitors and telecommunications workstations.

**Figure 4**  
**RUTHERFORD COUNTY'S CAPITAL ASSETS**  
**(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 6,224,381	\$ 6,552,237	\$ 703,069	\$ 703,069	\$ 6,927,450	\$ 7,255,306
Buildings and system	40,425,804	43,086,884	1,041,307	1,165,857	41,467,111	44,252,741
Improvements other than buildings	304,070	1,390,792	-	-	304,070	1,390,792
Machinery and equipment	834,493	537,056	215,229	286,669	1,049,722	823,725
Intangibles	998,282	1,052,001	-	-	998,282	1,052,001
Vehicles and motorized equipment	1,116,284	1,572,447	148,175	167,812	1,264,459	1,740,259
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ 49,903,314</b>	<b>\$ 54,191,417</b>	<b>\$ 2,107,780</b>	<b>\$ 2,323,407</b>	<b>\$ 52,011,094</b>	<b>\$ 56,514,824</b>

Additional information on the County's capital assets can be found in note 2(E) of the Basic Financial Statements beginning on page 39.

**Long-term Debt.** As of June 30, 2011, Rutherford County had total bonded debt outstanding of \$4,820,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation bonds, capital leases, installment purchase and revolving fund debt outstanding is as follows:

**Figure 5**

**RUTHERFORD COUNTY'S OUTSTANDING DEBT**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 4,820,000	\$ 7,035,000	\$ -	\$ -	\$ 4,820,000	\$ 7,035,000
Capital leases	2,385,102	3,240,000	174,067	402,330	2,559,169	3,642,330
Installment purchase	50,601,731	54,911,271	-	-	50,601,731	54,911,271
Revolving fund - NCDENR	265,120	281,690	-	-	265,120	281,690
Total	\$ 58,071,953	\$ 65,467,961	\$ 174,067	\$ 402,330	\$ 58,246,020	\$ 65,870,291

Rutherford County's total debt (excluding pension liability, vacation and compensatory pay, landfill postclosure accruals and grant repayments) decreased \$7,624,271 during the past fiscal year.

The County bond rating for the outstanding general obligation debt is "Aa3" with Moody Investor Service, "A+" with Standard & Poors Corporation, and "A+" with Fitch Ratings. The rating for the Limited Obligation Bonds. Series 2011 is "A1" with Moody's Investor Service. The rating for the December 2007 COPS financing is "A1" with Moody Investor Service and "A-" with Standard and Poors Corporation. The rating for the September 2002 COPS financing is "A+" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Rutherford County is \$412,464,932. The County has no un-issued authorized bonds at June 30, 2011.

Additional information regarding Rutherford County's long-term debt can be found in note 4 beginning on page 47 of this Comprehensive Annual Financial Report.

**Economic Factors and Next Year's Budgets and Rates**

For the past decade, the labor force in Rutherford County has ranged from 29,000 to 32,000 persons. Many communities in this manufacturing region of the State are seeing significant declines in their labor force numbers as unemployment benefits are being exhausted and individuals are "falling out" of the system. In Rutherford County since the year 2000, the total labor force number has remained relatively unchanged. One theory for this is that in late 2007 and the first half of 2008, Rutherford County had much success in locating new facilities and experienced existing company job growth. Rutherford's current labor force number is approximately 31,000. Also similar to other communities in this region of the state, Rutherford County's unemployment rate has stabilized over the past year from a rate of 14.8% as of June 2010 to 14.6% as of June 2011. The unemployment rate peaked at 17.9% in January 2010 and has been in decline since that time. Many of the county's unemployed have embraced this as an opportunity to further their education. Our community college's enrollment numbers for Spring 2011 indicate a continued high headcount of 2,757, down from 2,899 in Spring 2010 and up from 2,509 in Spring 2009. Growth is slowing but unusually high.

In November, 2010 Facebook announced that it would be building a large data center in the County and investing a minimum of \$450 million. Facebook estimates that it will employ 200-250 people during construction of the data center and that once complete, it will employ at least 42 people. Facebook has announced it will contribute \$200,205 to local charities in 2011.

The County has positioned itself for other business expansion opportunities. The County and private developers have developed industrial/business sites and buildings for sale. The County has completed a site-readiness program sponsored by Duke Energy for the shell building in Riverstone Industrial Park as well as the Rutherford 221 Corporate Center. The County continues to review other sites that offer opportunity for economic growth and sites marketed as a data center location.

The County has completed a grant funded fiber build-out within the County. In September 2007, the County was awarded \$1.45 million from the GoldenLEAF foundation to expand on the fiber network which connected all Rutherford County public schools. This expanded build-out connects fiber to various local government assets such as fire stations, police stations and libraries and has resulted in approximately 38 additional miles of installed fiber. Also, the Appalachian Regional Commission awarded the County \$178,920 to enhance broadband availability and increase redundancy. The County has deployed a wireless network of equipment with the primary benefit of supporting public safety.

### **Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities:** The tax rate adopted for fiscal year 2011-2012 remained the same (53 cents) as compared to FY 2010-2011. A portion of the 53 cents tax rate (1.6 cents) was appropriated to be placed in a reserve fund to continue accumulating funds for future County facilities needs.

The FY 2011-12 General Fund budget anticipates relatively flat property values reflecting little change in overall values and a collection rate of 93.5% which is comparable to the Fiscal Year 2010-11 actual collection rate of 93.21%. The budget also a slight increase in sales tax revenues of 1% as we have seen some stabilization in this area. Budgeted expenditures and transfers in the General Fund are expected to decrease by approximately ten percent to \$49,047,321.

The County expects to maintain its fund balance in the fiscal year ending June 30, 2012 due to conservative revenue estimates, the stabilization of the local economy and the assumption that the \$754,110 in appropriated fund balance will not be spent based on recent spending trends as compared to the budget appropriations. As of the fiscal year ended June 30, 2011, Rutherford County has fund balance available for appropriation of approximately \$14.5 million or 28.8% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 25.32% of FY 2009-2010 general fund expenditures and, on average state-wide, other North Carolina counties were at 21.03%.

**Business – type Activities:** The County rates for landfill services were increased effective January 1, 2011 and remain the same for tipping fees and annual household user fees in the approved FY 2011-12 budget. The tipping fee structure was analyzed and adjusted in

conjunction with the expiration of the contract for MSW transportation out of County which expired December 2010. The current contract expires June 30, 2015.

As mentioned previously, the State established a fee of \$2 per ton on municipal solid waste and construction and demolition debris in FY 2008-2009 as a result of the North Carolina General Assembly passing the Solid Waste Act of 2007. The statewide solid waste disposal tax must be collected at the Landfill and submitted to the State. Once the State's costs of administration have been taken, the funds will be used for inactive hazardous sites cleanup and to fund grants to State agencies and units of local government to initiate or enhance local recycling programs to provide for the management of difficult to manage solid waste, including abandoned mobile homes and household hazardous waste. In the FY 2011-12 budget the County appropriated some of these funds to continue an extensive recycling program in the County public school system. This includes retaining a part-time recycling coordinator in addition to using these funds as a match to a grant which will be used to purchase recycling containers for the local schools.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Rutherford County, 289 North Main Street, Rutherfordton, NC 28139.



**Rutherford County, North Carolina**

**Statement of Net Assets**

**June 30, 2011**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,400,273	\$ 1,889,500	\$ 22,289,773
Receivables (net)	5,536,626	385,124	5,921,750
Due from other governments	2,938,299	-	2,938,299
Inventories	33,303	-	33,303
Prepaid items	265,338	-	265,338
Cash and cash equivalents - restricted	833,787	-	833,787
Deferred charge - issuance costs	246,665	-	246,665
Capital assets:			
Land and construction in progress	6,224,381	703,069	6,927,450
Other capital assets, net of depreciation	43,678,933	1,404,711	45,083,644
Total capital assets	49,903,314	2,107,780	52,011,094
Total assets	80,157,605	4,382,404	84,540,009
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	436,155	213,577	649,732
Accrued interest payable	636,078	-	636,078
Unearned revenue	197,469	-	197,469
Long-term liabilities:			
Due within one year	6,903,570	254,789	7,158,359
Due in more than one year	52,968,448	2,312,431	55,280,879
Total long-term debt	59,872,018	2,567,220	62,439,238
Total liabilities	61,141,720	2,780,797	63,922,517
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,261,093	1,933,713	13,194,806
Restricted for:			
Stabilization by State statute	3,245,996	-	3,245,996
Court facilities	49,081	-	49,081
Capital projects	1,381,917	-	1,381,917
Emergency communications	599,722	-	599,722
Tourism	527,844	-	527,844
Register of Deeds	995,278	-	995,278
Fire protection	210,687	-	210,687
Emergency telephone system fund	653,962	-	653,962
Unrestricted (deficit)	90,305	(332,106)	(241,801)
Total net assets	\$ 19,015,885	\$ 1,601,607	\$ 20,617,492

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

**Exhibit 1**

<b>Component Units</b>		
<b><u>Economic Development Commission</u></b>	<b><u>Rutherford County Airport Authority</u></b>	<b><u>Transit Administration</u></b>
\$ -	\$ -	\$ 70,378
-	-	-
-	-	335,476
-	-	-
-	-	-
-	-	-
-	440,036	-
-	2,996,114	585,307
-	<u>3,436,150</u>	<u>585,307</u>
-	<u>3,436,150</u>	<u>991,161</u>
-	-	315,855
-	-	-
-	-	-
-	-	-
-	-	-
-	-	315,855
-	3,436,150	585,307
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	89,999
<u>\$ -</u>	<u>\$ 3,436,150</u>	<u>\$ 675,306</u>

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

**Rutherford County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental Activities				
General government	\$ 6,604,844	\$ 444,814	\$ -	\$ -
Public safety	15,180,889	3,681,614	185,549	204,008
Environmental protection	175,476	-	30,136	-
Economic and physical development	3,552,588	78,300	593,004	738,760
Human services	13,649,550	74,718	9,524,332	-
Cultural and recreation	677,277	-	36,884	-
Education	15,270,039	-	2,902	1,496,534
Interest on long-term debt	3,035,244	-	-	-
Total governmental activities	<u>58,145,907</u>	<u>4,279,446</u>	<u>10,372,807</u>	<u>2,439,302</u>
Business-type activities				
Solid Waste Disposal	3,589,701	3,345,821	128,935	-
Total business-type activities	<u>3,589,701</u>	<u>3,345,821</u>	<u>128,935</u>	<u>-</u>
	<u>\$ 61,735,608</u>	<u>\$ 7,625,267</u>	<u>\$ 10,501,742</u>	<u>\$ 2,439,302</u>
Component units:				
Economic Development Commission	\$ 1,029,252	\$ -	\$ 1,029,252	\$ -
Rutherford County Airport Authority	212,625	9,679	59,871	485,941
Transit Administration	1,160,557	682,214	371,677	318,762
Total component units	<u>\$ 2,402,434</u>	<u>\$ 691,893</u>	<u>\$ 1,460,800</u>	<u>\$ 804,703</u>

**General revenues:**

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Miscellaneous, unrestricted

**Special item:**

Gain on sale of capital assets

Total general revenues and special item excluding transfer

Transfers

Total general revenues, special item and transfer:

Change in net assets

Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Economic Development Commission	Rutherford County Airport Authority	Transit Administration
\$ (6,160,030)	\$ -	\$ (6,160,030)			
(11,109,718)	-	(11,109,718)			
(145,340)	-	(145,340)			
(2,142,524)	-	(2,142,524)			
(4,050,500)	-	(4,050,500)			
(640,393)	-	(640,393)			
(13,770,603)	-	(13,770,603)			
(3,035,244)	-	(3,035,244)			
<u>(41,054,352)</u>	<u>-</u>	<u>(41,054,352)</u>			
-	(114,945)	(114,945)			
-	(114,945)	(114,945)			
<u>(41,054,352)</u>	<u>(114,945)</u>	<u>(41,169,297)</u>			
			\$ -	\$ -	\$ -
			-	342,866	-
			-	-	212,096
			<u>-</u>	<u>342,866</u>	<u>212,096</u>
33,342,043	-	33,342,043	-	-	-
9,251,948	-	9,251,948	-	-	-
755,034	-	755,034	-	-	-
240,847	10,725	251,572	-	-	-
509,693	-	509,693	-	-	-
409,858	-	409,858	-	-	-
<u>44,509,423</u>	<u>10,725</u>	<u>44,520,148</u>	<u>-</u>	<u>-</u>	<u>-</u>
(125,000)	125,000	-	-	-	-
<u>44,384,423</u>	<u>135,725</u>	<u>44,520,148</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,330,071</u>	<u>20,780</u>	<u>3,350,851</u>	<u>-</u>	<u>342,866</u>	<u>212,096</u>
<u>15,685,814</u>	<u>1,580,827</u>	<u>17,266,641</u>	<u>-</u>	<u>3,093,284</u>	<u>463,210</u>
<u>\$ 19,015,885</u>	<u>\$ 1,601,607</u>	<u>\$ 20,617,492</u>	<u>\$ -</u>	<u>\$ 3,436,150</u>	<u>\$ 675,306</u>

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

**Rutherford County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>Major</u>		<u>Non-major</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,029,885	\$ 1,273,506	\$ 4,096,882	\$ 20,400,273
Receivables, net	4,636,331	18,000	276,913	4,931,244
Due from other governments	2,775,618	-	162,681	2,938,299
Due from other funds	-	-	-	-
Prepaid items	245,494	18,149	1,695	265,338
Inventories	33,303	-	-	33,303
Cash and cash equivalents - restricted	-	833,787	-	833,787
Total assets	<u>\$ 22,720,631</u>	<u>\$ 2,143,442</u>	<u>\$ 4,538,171</u>	<u>\$ 29,402,244</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 335,047	\$ 3,679	\$ 97,430	\$ 436,156
Due to other funds	-	-	-	-
Unearned revenue	190,378	-	7,091	197,469
Deferred revenue	4,623,365	-	276,913	4,900,278
Total liabilities	<u>5,148,790</u>	<u>3,679</u>	<u>381,434</u>	<u>5,533,903</u>
Fund balances:				
Non Spendable:				
Inventories and prepaid items	278,797	18,149	1,695	298,641
Restricted:				
Stabilization by State statute	2,788,402	18,000	439,594	3,245,996
Court facilities	49,081	-	-	49,081
Capital projects	-	-	1,381,917	1,381,917
Emergency communications	-	-	599,722	599,722
Tourism	-	-	527,844	527,844
Register of Deeds	-	-	995,278	995,278
Fire protection	-	-	210,687	210,687
Assigned:				
Subsequent year's expenditures	1,657,769	559,791	-	2,217,560
Unassigned	12,797,792	1,543,823	-	14,341,615
Total fund balances	<u>17,571,841</u>	<u>2,139,763</u>	<u>4,156,737</u>	<u>23,868,341</u>
Total liabilities and fund balances	<u>\$ 22,720,631</u>	<u>\$ 2,143,442</u>	<u>\$ 4,538,171</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	49,903,314
Deferred charges related to bond debt issuance	246,665
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds - accrued interest on taxes receivable	605,383
Liabilities for earned but deferred revenues in fund statements	4,900,278
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1).	(60,508,096)
Net assets of governmental activities	<u>\$ 19,015,885</u>

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

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	Major		Non-major	Total Governmental Funds
	General	Debt Service	Other Governmental Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 30,487,286	\$ -	\$ 1,914,524	\$ 32,401,810
Local option sales taxes	3,844,907	4,712,253	694,788	9,251,948
Other taxes and licenses	-	-	550,114	550,114
Restricted intergovernmental	9,709,061	1,499,436	2,009,736	13,218,233
Permits and fees	733,459	-	-	733,459
Sales and services	2,966,047	78,300	2,655	3,047,002
Investment earnings	69,544	3,483	978	74,005
Miscellaneous	626,673	-	-	626,673
Total revenues	48,436,977	6,293,472	5,172,795	59,903,244
<b>EXPENDITURES</b>				
Current:				
General government	5,845,554	-	229,082	6,074,636
Public safety	11,443,038	-	3,085,555	14,528,593
Environmental protection	112,649	-	59,992	172,641
Economic and physical development	1,377,998	-	2,724,279	4,102,277
Human services	13,614,958	-	-	13,614,958
Cultural and recreational	582,189	-	119,737	701,926
Intergovernmental:				
Education	13,883,820	-	-	13,883,820
Capital outlay:				
Education	348,971	-	35,784	384,755
Debt service:				
Principal	2,436,110	5,942,032	25,228	8,403,370
Interest and other charges	201,831	2,794,714	782	2,997,327
Total expenditures	49,847,118	8,736,746	6,280,439	64,864,303
Revenues over (under) expenditures	(1,410,141)	(2,443,274)	(1,107,644)	(4,961,059)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	523,595	5,019,628	550,460	6,093,683
Transfers to other funds	(1,105,395)	(436,591)	(4,676,697)	(6,218,683)
Debt issued	729,579	-	-	729,579
Total other financing sources (uses)	147,779	4,583,037	(4,126,237)	604,579
<b>SPECIAL ITEM</b>				
Proceeds from sale of real estate	3,156,244	-	-	3,156,244
Net changes in fund balances	1,893,882	2,139,763	(5,233,881)	(1,200,236)
Fund balances, beginning	15,677,959	-	9,390,618	25,068,577
Fund balances, ending	\$ 17,571,841	\$ 2,139,763	\$ 4,156,737	\$ 23,868,341

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

**Rutherford County, North Carolina**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**

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

Net changes in fund balances - total governmental funds	\$ (1,200,236)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,541,717)
Cost of disposed capital assets not recorded in fund statements	(2,746,386)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,155,309
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,816,036
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(152,935)</u>
Total changes in net assets of governmental activities	<u><u>\$ 3,330,071</u></u>

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

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2011**

	<b>General Fund</b>			<b>Variance With Final Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 30,531,709	\$ 30,531,709	\$ 30,487,286	\$ (44,423)
Local option sales taxes	3,657,600	3,657,600	3,844,907	187,307
Restricted intergovernmental	9,394,501	11,082,135	9,709,061	(1,373,074)
Permits and fees	815,650	815,650	733,459	(82,191)
Sales and services	3,053,888	3,124,344	2,966,047	(158,297)
Investment earnings	150,000	150,000	69,544	(80,456)
Miscellaneous	235,027	525,062	626,673	101,611
Total revenues	<u>47,838,375</u>	<u>49,886,500</u>	<u>48,436,977</u>	<u>(1,449,523)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	6,096,441	6,489,048	5,845,554	643,494
Public safety	11,710,481	12,073,289	11,443,038	630,251
Environmental protection	121,046	126,046	112,649	13,397
Economic and physical development	836,809	2,475,501	1,377,998	1,097,503
Human services	13,609,420	14,951,008	13,614,958	1,336,050
Cultural and recreational	618,611	658,376	582,189	76,187
Intergovernmental				
Education	13,988,820	14,232,820	14,232,791	29
Total current expenditures	<u>46,981,628</u>	<u>51,006,088</u>	<u>47,209,177</u>	<u>3,796,911</u>
<b>Debt service:</b>				
Principal retirement			2,436,110	
Interest and other charges			201,831	
Total debt service	1,430,180	2,681,288	<u>2,637,941</u>	43,347
Total expenditures	<u>48,411,808</u>	<u>53,687,376</u>	<u>49,847,118</u>	<u>3,840,258</u>
Revenues over expenditure:	<u>(573,433)</u>	<u>(3,800,876)</u>	<u>(1,410,141)</u>	<u>2,390,735</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	266,000	510,000	523,595	13,595
Transfers to other funds	(1,196,889)	(1,022,644)	(1,105,395)	(82,751)
Debt issued	711,084	729,579	729,579	-
Sales of capital assets	60,000	-	-	-
Appropriated fund balances	733,238	374,217	-	(374,217)
Total other financing sources (uses)	<u>573,433</u>	<u>591,152</u>	<u>147,779</u>	<u>(443,373)</u>
<b>Special item:</b>				
Proceeds from sale of real estate	-	3,209,724	3,156,244	(53,480)
Revenues and other financing sources over expenditures and other financing use:	<u>\$ -</u>	<u>\$ -</u>	1,893,882	<u>\$ 1,893,882</u>
<b>Fund balances:</b>				
Beginning			<u>15,677,959</u>	
Ending			<u>\$ 17,571,841</u>	

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

**Rutherford County, North Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<u><b>Enterprise Fund</b></u> <b>Solid</b> <b>Waste</b> <b>Disposal</b> <b>Fund</b> <hr/>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,889,500
Receivables, net	385,124
Total current assets	<hr/> 2,274,624 <hr/>
Capital assets:	
Land, improvements, and construction in progress	703,069
Other capital assets, net of depreciation	1,404,711
Total capital assets	<hr/> 2,107,780 <hr/>
Total noncurrent assets	<hr/> 2,107,780 <hr/>
Total assets	<hr/> 4,382,404 <hr/>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	213,577
Current portion of long-term liabilities	254,789
Total current liabilities	<hr/> 468,366 <hr/>
Noncurrent liabilities:	
Accrued landfill closure and postclosure care costs	2,288,008
Long-term debt	24,423
Total noncurrent liabilities	<hr/> 2,312,431 <hr/>
Total liabilities	<hr/> 2,780,797 <hr/>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,933,713
Unrestricted (deficit)	(332,106)
Total net assets	<hr/> \$ 1,601,607 <hr/>

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

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Enterprise Fund</b>
	<b>Solid Waste Disposal Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,052,829
Miscellaneous	421,927
Total operating revenues	3,474,756
<b>OPERATING EXPENSES</b>	
Salaries, wages, and fringe benefits	1,144,934
Maintenance and repairs	48,837
Other operating expenses	1,999,470
Landfill closure and postclosure care costs	155,697
Depreciation	227,268
Total operating expenses	3,576,206
Operating income (loss)	(101,450)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	10,725
Interest and other charges	(13,495)
Total nonoperating revenue (expenses)	(2,770)
Income (loss) before transfers	(104,220)
Transfers from (to) other funds	125,000
Changes in net assets	20,780
Total net assets, beginning	1,580,827
Total net assets, ending	\$ 1,601,607

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

**Rutherford County, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Enterprise Fund</b>
	<b>Solid Waste Disposal Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 3,400,741
Cash paid to employees for services	(838,788)
Cash paid for goods and services	(2,408,893)
Net cash provided by operating activities	153,060
<b>Cash flows from noncapital financing activities:</b>	
Transfers in	125,000
Net cash provided by noncapital financing activities	125,000
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(11,641)
Principal paid on long-term debt	(228,263)
Interest paid on long-term debt	(13,495)
Net cash used by capital and related financing activities	(253,399)
<b>Cash flows from investing activities:</b>	
Interest on investments	10,725
Net cash provided by investing activities	10,725
Net decrease in cash and cash equivalents	35,386
Cash and cash equivalents, beginning of year	1,854,114
Cash and cash equivalents, end of year	\$ 1,889,500

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

	<u>Enterprise Fund</u>
	<u>Solid Waste Disposal Fund</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	\$ (101,450)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	227,268
Landfill closure and postclosure care costs	93,981
Changes in assets and liabilities:	
(Increase) decrease in receivables	(74,015)
Increase (decrease) in accounts payable and accrued liabilities	7,276
Total adjustments	<u>254,510</u>
Net cash provided by operating activities:	<u>\$ 153,060</u>

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

**Rutherford County, North Carolina  
Statement of Fiduciary Net Asset:  
Fiduciary Funds  
June 30, 2011**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 215,004
Accounts receivable	367
	<u>215,371</u>
<b>LIABILITIES</b>	
Accounts payable	117,425
Due to other taxing units	97,946
	<u>215,371</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

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

# RUTHERFORD COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

### Note 1 – Summary of Significant Accounting Policies

The accounting policies of Rutherford 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. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the basic financial statements.

#### Rutherford County Industrial Facility and Pollution Control Financing Authority

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

The three discretely presented component units discussed below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

#### Economic Development Commission and Rutherford County Airport Authority

The County appoints a majority of the Board of Directors of the Economic Development Commission ("Commission") and the Rutherford County Airport Authority ("Authority"). Operations of the Commission and Authority are budgeted and administered as a part of the general fund. The Commission and Authority do not issue separate financial statements. The Statement of Net Assets and Statement of Activities for these two governmental activity component units are discretely presented in separate columns in the government-wide financial statements.

#### Rutherford County Transit Administration

The Rutherford County Transit Administration, Inc. ("Transit Administration") is a non-profit corporation organized to coordinate and provide the most cost effective method of transportation services for Rutherford County. The County appoints a majority of the Board of Directors for the Transit Administration and is able to impose its will on the Transit Administration. The Transit Administration, which has a June 30 year-end, is presented as if it were a business activity component unit. The Transit Administration does not issue separate financial statements. The Statement of Net Assets and Statement of Activities include a separate column for this business-type activity.

(B) **Basis of Presentation – Basis of Accounting**  
**Basis of Presentation, Measurement Focus - Basis of Accounting**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

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

*Debt Service Fund.* This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The County reports the following major enterprise fund:

*Solid Waste Disposal Fund.* This fund accounts for the solid waste collection and disposal operations and is financed with user fees.

The County also reports the following fund types:

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Department Advisory Council Fund, which accounts for monies deposited for the benefit of the Council; the Cities Tax Collection Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special

districts within the County; Motor Vehicle Interest Fund, which accounts for delinquent interest received for the first month that is collected by the County and submitted to NCDMV monthly per House Bill 1779; the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates; and the Deed of Trust Fee 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 and remitted to the State Treasurer on a monthly basis.

*Nonmajor Funds.* The Count maintains seven legally budgeted funds. The Capital Projects – Other Fund, the Capital Projects – Schools and the ICC Capital Projects Fund (previously reported as ICC Capital Reserve) are reported as capital projects funds. The Emergency Telephone System Fund, the Tourism Development Fund, the Fire Districts Fund and the Grant Fund are reported as nonmajor special revenue funds. The County also maintained four legally budgeted funds that were closed to conform to reporting changes per GASB Statement No. 54. The balance in the Reappraisal Fund was transferred to the General Fund. The balances in the Building Capital Reserve Fund, the School Capital Reserve Fund, and the Water and Sewer Reserve Fund have been transferred to the Debt Service Fund.

### **Measurement Focus, Basis of Accounting**

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rutherford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2010 because they are intended to finance the County's operations during the 2011 fiscal year.

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

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

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

The County has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

(C) **Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue (except the grant fund and grant CDBG project fund), the debt service and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds, grant fund and grant CDBG project fund. All budgets are prepared using the modified accrual basis of accounting.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and proprietary funds, and at the object level for the capital projects funds. All amendments at the functional level must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects

of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be approved by the governing board.

(D) **Assets, Liabilities, and Fund Equity**

(1) **Deposits and Investments**

The deposits of the County and Transit Administration are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and Transit Administration may designate, as an official depository, any bank, or savings association whose principal office is located in North Carolina. The County and Transit Administration may also 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 Transit Administration 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); and the North Carolina State Treasurer's Short Term Investment Fund (STIF).

The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of short-term to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1.

The County and Transit Administration's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price. 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 earnings and investment contracts are reported at amortized cost.

(2) **Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) **Restricted Assets**

Cash and cash equivalents held in escrow are restricted as follows:

Reserved for school debt service	\$ 24
Reserved for county debt service	833,763
	<u>\$ 833,787</u>

(4) **Due To/From Other Funds**

Amounts reported at June 30, 2011 as due to/from other funds represent short-term advances between funds. These amounts are not available for appropriation and are not an expendable available financial resource.

(5) **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 July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts. The STIF securities are reported at cost and maintain a constant share of \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the funds.

(6) **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.

(7) **Inventory**

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The inventories are held for consumption and the costs are recorded as expenditure when consumed.

(8) **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. 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.

The County holds title to certain Rutherford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Rutherford County Board of Education. Sunshine Elementary, Dunbar Elementary, the Isothermal Community College Lifelong Learning Center, and Rutherfordton Elementary are exceptions that the County owns the building.

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

	<u>Years</u>
Buildings	50
Improvements	25
Intangibles	20
Furniture and equipment	10
Vehicles	6
Computer equipment	3

(9) **Long-Term Obligations**

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

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

(10) **Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

(11) **Net Assets/Fund Balances**

**Net Assets**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

**Nonspendable 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 Expenses** – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

**Restricted Fund Balance** – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Court Facilities – portion of fund balance that is restricted for maintenance of court rooms.

Restricted for Capital Projects – portion of fund balance that is restricted by revenue sources for capital projects.

Restricted for Emergency Communications – portion of fund balance that is restricted by revenue source for emergency communications.

Restricted for Tourism – portion of fund balance that is restricted by revenue source for tourism development.

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Fire Protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.

Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Assigned Fund Balance – portion of fund balance that the Rutherford County governing board has budgeted.

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.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Rutherford County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city 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 Officer has the authority to deviate from this policy if it's in the best interest of the County.

Rutherford County has an informal management goal to conduct the business of the County in such a manner that the General Fund available fund balance is at least 20% of annual budgeted expenditures. At this time, the Board has not adopted a formal fund balance policy.

(E) **Reconciliation of Government-wide and Fund Financial Statements**

- (1) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$4,852,456) consists of several elements as follows:

**Description**

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in the governmental activities column)	\$ 72,882,000
Less accumulated depreciation	<u>(22,978,686)</u>
Net capital assets	49,903,314
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	605,383
Deferred charges related to debt insurance – included on government-wide statement of net-assets but are not current financial resources.	246,665
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	4,900,278
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases and installment financing	(58,071,953)
Grant repayment obligation	(196,872)
Compensated absences and pension	(1,603,194)
Accrued interest payable	<u>(636,080)</u>
Total Adjustment	<u>\$ (4,852,456)</u>

- (2) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities. The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$4,530,307 as follows:

**Description**

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 695,906
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(2,237,623)
Cost of disposed capital asset not recorded in fund statements.	(2,746,386)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net assets	(729,579)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	8,545,615

Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:

Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(70,713)
Amortization of debt issuance costs	(28,687)
Amortization of debt premiums	61,333
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(70,817)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(44,051)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Reversal of deferred interest revenue recorded at July 1, 2010	(438,596)
Recording of interest revenue deferred in fund statements at June 30, 2011	605,383
Reversal of deferred tax revenue recorded at July 1, 2010	(3,444,602)
Recording of tax receipts deferred in the fund statements as of June 30, 2011	4,384,835
Reversal of other deferred revenue recorded at July 1, 2010	(467,154)
Recording of other revenues deferred in fund statements as of June 30, 2011	<u>515,443</u>
Total adjustment	<u>\$ 4,530,307</u>

(F) **Comparative Data/Reclassifications**

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

**Note 2 – Assets**

(A) **Deposits**

All of the County and Transit Administration'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 and Transit Administration's agents in those 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 Transit Administration, 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, Transit Administration, or the escrow agent. Because of the inability to measure, the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2011, the County's deposits had a carrying amount of \$17,394,373 and a bank balance of \$24,011,109. Of the bank balance, \$5,623,860 was covered by federal depository insurance, and \$18,387,249 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2011 of \$1,790.

The Transit Administration's deposits had a carrying amount and bank balance of \$70,378 all of which was covered by federal depository insurance.

**(B) Investments**

At June 30, 2011, the County's investments consisted of \$5,942,401 in the North Carolina Capital Cash Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

*Credit Risk.* The County's policy is to limit investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated. In fiscal year ended June 30, 2011, the County only invested in North Carolina Capital Cash Management Trust's Cash Portfolio and North Carolina Short-Term Investment Fund and as of June 30, 2011, had no investment securities with a counterparty.

**(C) 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 date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2008	\$ 603,746	\$ 143,390	\$ 747,136
2009	618,843	91,279	710,122
2010	638,635	36,721	675,356
2011	665,810	-	665,810
Total	<u>\$ 2,527,034</u>	<u>\$ 271,390</u>	<u>\$ 2,798,424</u>

**(D) Receivables**

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental Activities:				
General	\$ 2,333,117	\$ 5,423,727	\$ 2,775,618	\$10,532,462
Other Governmental	18,000	276,913	162,681	457,594
Total receivables	2,351,117	5,700,640	2,938,299	10,990,056
Allowance for doubtful accounts	<u>(1,804,131)</u>	<u>(711,000)</u>	-	<u>(2,515,131)</u>
Total – governmental activities	<u>\$ 546,986</u>	<u>\$ 4,989,640</u>	<u>\$ 2,938,299</u>	<u>\$ 8,474,925</u>
Business-type Activities:				
Solid waste	\$ 410,124	\$ -	\$ -	\$ 410,124
Allowance for doubtful accounts	<u>(25,000)</u>	-	-	<u>(25,000)</u>
Total – business-type activities	<u>\$ 385,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,124</u>

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

Local option sales tax	\$ 2,424,280
Other	<u>489,000</u>
Total	<u>\$ 2,913,280</u>

**(E) Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

**Primary Government**

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,552,237	\$ 73,100	\$ 400,956	\$ 6,224,381
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>6,552,237</u>	<u>73,100</u>	<u>400,956</u>	<u>6,224,381</u>
Capital assets being depreciated:				
Buildings	55,835,523	16,065	1,587,797	54,263,791
Other improvements	1,949,604	-	1,122,371	827,233
Intangibles	1,074,384	-	-	1,074,384
Equipment	4,625,334	581,860	-	5,207,194
Vehicles	5,295,915	24,881	36,000	5,284,796
Total capital assets being depreciated	<u>68,780,760</u>	<u>622,806</u>	<u>2,746,168</u>	<u>66,657,398</u>
Less accumulated depreciation for:				
Buildings	12,748,639	1,394,693	305,346	13,837,987
Other improvements	558,812	23,743	59,392	523,163
Intangibles	22,383	53,719	-	76,102
Equipment	4,088,278	284,423	-	4,372,701
Vehicles	3,723,468	481,045	36,000	4,168,513
Total accumulated depreciation	<u>21,141,580</u>	<u>2,237,623</u>	<u>400,738</u>	<u>22,978,465</u>
Governmental activities capital assets, net	<u>47,639,180</u>			<u>43,678,933</u>
	<u>\$ 54,344,264</u>			<u>\$ 49,903,314</u>

## Depreciation Expense:

## Governmental activities:

General Government	\$ 326,005
Public Safety	611,939
Economic and physical development	10,520
Environmental Protection	2,717
Human services	234,592
Cultural and recreational	50,386
Education	<u>1,001,464</u>
Total depreciation expense	<u>\$ 2,237,623</u>

## Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Solid Waste Disposal				
Capital assets not being depreciated:				
Land	\$ 703,069	\$ -	\$ -	\$ 703,069
Total capital assets not being depreciated	<u>703,069</u>	<u>-</u>	<u>-</u>	<u>703,069</u>
Capital assets being depreciated:				
Buildings and improvements	3,203,293	-	-	3,203,293
Equipment	1,616,660	-	185,164	1,431,496
Vehicles	483,715	11,641	67,806	427,550
Total capital assets being depreciated	<u>5,303,668</u>	<u>11,641</u>	<u>252,970</u>	<u>5,062,339</u>
Less accumulated depreciation for:				
Buildings and improvements	2,037,436	124,550	-	2,161,986
Equipment	1,329,991	71,440	185,164	1,216,267
Vehicles	315,903	31,278	67,806	279,375
Total accumulated depreciation	<u>3,683,330</u>	<u>227,268</u>	<u>252,970</u>	<u>3,657,628</u>
Total capital assets being depreciated, net	<u>1,620,338</u>			<u>1,404,711</u>
Solid Waste Disposal capital assets, net	<u>\$ 2,323,407</u>			<u>\$ 2,107,780</u>

**Discretely presented component units**

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Capital assets not being depreciated:				
Land	\$ 423,979	\$ -	\$ -	\$ 423,979
Construction in progress	222,569	485,941	692,453	16,057
Total capital assets not being depreciated	<u>646,548</u>	<u>485,941</u>	<u>692,453</u>	<u>440,036</u>
Capital assets being depreciated:				
Buildings and improvements	3,678,940	692,453	-	4,371,393
Equipment	186,700	-	-	186,701
Total capital assets being depreciated	<u>3,865,640</u>	<u>692,453</u>	<u>-</u>	<u>4,558,094</u>
Less accumulated depreciation for:				
Buildings and improvements	1,289,374	130,214	-	1,419,589
Equipment	129,530	12,861	-	142,392
Total accumulated depreciation	<u>1,418,904</u>	<u>143,075</u>	<u>-</u>	<u>1,561,980</u>
Rutherford County Regional Airport capital assets, net	<u>2,446,736</u>			<u>2,996,114</u>
	<u>\$ 3,093,284</u>			<u>\$ 3,436,150</u>

Transit:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Equipment	\$ 17,167	\$ -	\$ -	\$ 17,167
Vehicles	1,110,635	294,011	72,795	1,331,851
Total capital assets being depreciated	<u>1,127,802</u>	<u>294,011</u>	<u>72,795</u>	<u>1,349,018</u>
Less accumulated depreciation for:				
Equipment	17,167	-	-	17,167
Vehicles	694,072	125,267	72,795	746,544
Total accumulated depreciation	<u>711,239</u>	<u>125,267</u>	<u>72,795</u>	<u>763,711</u>
Total capital assets being depreciated, net	<u>416,563</u>			<u>585,307</u>
Rutherford County Transit Administration capital assets, net	<u>\$ 416,563</u>			<u>\$ 585,307</u>

**Note 3 – Liabilities**

(A) **Payables**

Payables at the government-wide level at June 30, 2011, were as follows:

	Vendors	Salaries and Accrued Benefits	Interest	Total
Governmental Activities				
General	\$ 320,129	\$ 14,917	\$ -	\$ 335,046
Other Governmental	99,444	1,665	636,078	737,187
Total – governmental activities	<u>\$ 419,573</u>	<u>\$ 16,582</u>	<u>\$ 636,078</u>	<u>\$ 1,072,233</u>
Business-type Activities				
Solid waste	\$ 179,500	\$ 34,077	\$ -	\$ 213,577
Total – business-type activities	<u>\$ 179,500</u>	<u>\$ 34,077</u>	<u>\$ -</u>	<u>\$ 213,577</u>

(B) **Pension Plan Obligations**

*North Carolina Local Governmental Employees’ Retirement System*

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

*Funding Policy:* Plan members are required to contribute six percent of their annual covered salary. The County, Rutherford County Transit Administration, and Economic Development Commission are required to contribute at an actuarially determined rate. For County employees not engaged in law enforcement, Rutherford County Transit Administration employees, and Economic Development Commission employees, the current rate is 6.35% of annual covered payroll. For County law enforcement officers the current rate is 6.27% of annual covered

payroll. The contribution requirements of members and of the County, Rutherford County Transit Administration, and Economic Development Commission are established and may be amended by the North Carolina General Assembly. The County’s contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$1,339,848, \$1,471,054 and \$1,521,800, respectively. The Rutherford County Transit Administration’s contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$33,575, \$24,105 and \$23,972, respectively. The Economic Development Commission’s contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$7,417, \$11,927, and \$12,030, respectively. The contributions made by the County, Rutherford County Transit Administration, and Economic Development Commission equaled the required contributions for the year.

Law Enforcement Officers Special Separation Allowance

*Plan Description:* The County administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. There are no separately reported pension trust fund financial statements as it is being funded by a pay-as-you-go basis and no assets have been accumulated.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>75</u>
Total	<u><u>81</u></u>

*Summary of Significant Accounting Policies:*

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

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

*Annual Pension Cost and Net Pension Obligation:* The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 136,999
Interest on net pension obligation	20,153
Adjustment to annual required contribution	<u>(21,579)</u>
Annual pension cost	135,573
Contributions made	<u>(64,746)</u>
Increase in net pension obligation	70,817
Net pension obligation beginning of year	<u>403,067</u>
Net pension obligation end of year	<u>\$ 473,884</u>

### Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 135,573	47.76%	\$ 473,884
6/30/10	99,810	60.56%	403,067
6/30/09	95,074	65.40%	363,706

*Funded Status and Funding Progress:*

As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,032,844. The covered payroll (annual payroll of active employees covered by the plan) was \$2,952,299 and the ratio of the UAAL to the covered payroll was 34.98%.

*Supplemental Retirement Income Plan for Law Enforcement Officers*

*Plan Description:* the County contributes to the Supplemental Retirement Income Plan (the 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 the pension trust fund financial statements for the Internal Revenue Service 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 the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2011 were \$180,146, which consisted of \$139,964 from the County and \$40,182 from the law enforcement officers.

*Supplemental Retirement Income Plan for General Employees*

*Plan Description:* The County, Rutherford County Transit Administration, and Economic Development Commission voluntarily contribute to the Supplemental Retirement Income Plan for all full-time non-law enforcement employees.

*Funding Policy:* The County, Rutherford County Transit Administration, and Economic Development Commission contribute each month an amount equal to 3.75% of each full-time non-law enforcement employee's salary. Employee contributions are voluntary. An additional amount equal to one percent of an employee's salary is contributed by the County, Rutherford County Transit Administration, and Economic Development Commission each month for those employees who have chosen to contribute at least one percent themselves. All amounts are vested immediately. Contributions for the fiscal year ended June 30, 2011 were \$624,978, which consisted of \$412,034 from the County and \$212,944 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2011 were \$15,992, which consisted of \$10,081 from the Rutherford County

Transit Administration and \$5,911 from the employees. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2011 were \$3,126, which consisted of \$2,226 from the Economic Development Commission and \$900 from the employees.

#### *Other Postemployment Benefits*

##### *Postemployment Healthcare Benefits*

*Plan Description.* The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Major Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

*Funding Policy.* The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2011, the County paid all annual required contributions to the Plan for postemployment healthcare benefits of \$680,599. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2011 were \$13,321. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2011 were \$2,943. These contributions represented 4.5% of covered payroll.

Post-Employment Death Benefits

The County, Rutherford County Transit Administration, and Economic Development Commission, have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple- employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County, Rutherford County Transit Administration, and Economic Development Commission, have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, Rutherford County Transit Administration, nor Economic Development Commission, the County, Rutherford County Transit Administration, and Economic Development Commission, do not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the County made contributions to the State for death benefits of \$17,263. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.12% and 0.14% of covered payroll, respectively. For the fiscal year ended June 30, 2011, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$326 and \$72, respectively representing 0.12% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Registers of Deeds' Supplemental Pension Fund

*Plan Description:* The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), which is a non-contributory defined contribution plan administered by the North Carolina Department of the State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter – 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Register 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 Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

For the year ended June 30, 2011, the County's required and actual contributions were \$5,302.

Deferred Compensation Plans

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by Equitable Assurance Company and Public Employees Benefit Service Corporation (PEBSCO). 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.

The County has complied with changes in the laws which govern the County’s Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County. In accordance with GASB Statement 32, “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,” the County’s Deferred Compensation Plan is no longer reported within the County’s Agency Funds.

(C) **Deferred / Unearned Revenues**

The balance in deferred revenue on the fund statements and unearned revenues on the fund statements and government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 190,378
Prepaid taxes not yet earned (Special Revenue)	-	7,091
Taxes receivable, net (General)	4,107,922	-
Taxes receivable, net (Special Revenue)	276,913	-
Other receivable, (General)	515,443	-
	<u>\$ 4,900,278</u>	<u>\$ 197,469</u>

(D) **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 Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$250 million for any one occurrence, general, auto, and professional liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and worker’s compensation coverage of \$750,000 per occurrence. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to \$2 million limit for general liability coverage, physical damage, and crime coverage, and single losses in excess of \$750,000 up to \$2 million for workers’ compensation.

The County’s insurance through the North Carolina Association of County Commissioners Liability and Property Pool also covers losses due to flood with a \$25,000 deductible per occurrence for properties located in the 500 year flood plain designated by the Federal Emergency Management Agency as a zone B,C, D or X. For any County properties located in the 100 year flood plain designated as an A zone (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County’s coverage through the North Carolina Association of County Commissioners Liability and Property Pool is excess of the \$500,000 maximum available through the National Flood Insurance Program (NFIP).

The County also participates in the State’s Comprehensive Major Medical Plan (also referred to as The State Health Plan), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Participants in the Plan include all full-time agency employees, retired employees, disabled employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). The County pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan. As of June 30, 2011, the program had 465 active participants in the Plan. The plan provides medical coverage with no lifetime maximum. Dental coverage is provided up to a maximum of \$1,500 per employee per year other than orthodontics, which is a lifetime maximum of \$2,000 per eligible employee. The Insurance Plan Administrators for the fiscal year ended June 30, 2011 were North Carolina State Health Plan for medical and Citizens Security for dental.

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.

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 finance officer, tax collector and DSS director are each individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

(E) **Claims and Judgments**

At June 30, 2011, the County was a defendant to various lawsuits. In the opinion of the County’s management, the ultimate effect of these legal matters will not have a material adverse effect on the County’s financial position.

**Note 4 – Long-Term Obligations**

The following is an analysis of assets recorded under capital leases, installment purchase agreements, and certificates of participation (COP’s) as of June 30, 2011:

Buildings, net	\$ 41,267,024
Vehicles, net	4,889,969
Equipment and software, net	<u>2,819,735</u>
	<u>\$ 48,976,728</u>

(A) **Capital Leases**

The County has entered into agreements to lease certain vehicles and 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 following leases are included in Long-Term Debt:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Serviced by the General Fund:</u>				
Vehicle and equipment lease purchase agreement, 2006 \$484,000 issue, monthly payments of \$8,813, including interest at 3.54% through February, 2011	\$ 69,580	\$ -	\$ 69,580	\$ -
Software/Hardware lease purchase agreement, 2011 \$366,902 issue, monthly payments of \$45,464, including interest at 1.95% through December, 2015	-	366,902	29,752	337,150
Vehicle and equipment lease purchase agreement, 2011 \$362,677 issue, monthly payments of \$10,349, including interest at 1.75% through January, 2014	-	362,677	49,245	313,432

Vehicle and equipment lease purchase agreement, 2008 \$1,565,483 issue, monthly payments of \$45,464, including interest at 2.91% through January, 2011	315,127	-	315,127	-
Software lease purchase agreement, 2008 \$400,000 issue, monthly payments of \$7,291, including interest at 2.94% through December, 2012	210,599	-	82,405	128,194
Vehicle and equipment lease purchase agreement, 2009 \$1,519,638 issue, monthly payments of \$43,926, including interest at 2.60% through February, 2012	858,860	-	510,885	347,975
<u>Serviced by Debt Service Fund:</u>				
Hardware and software lease purchase agreement, 2008 \$1,000,000 issue, monthly payments of \$18,224, including interest at 2.94% through December, 2012	526,524	-	205,946	320,578
Hardware and software lease purchase agreement, 2009 \$1,000,000 issue, monthly payments of \$18,149 including interest at 2.77% through January, 2014	742,113	-	199,755	542,358
Hardware and software lease purchase agreement, 2010 \$500,000 issue, monthly payments of \$9,093 including interest at 2.855% through March, 2015	484,174		96,554	387,620
<u>Serviced by Emergency Telephone System Fund</u>				
Equipment lease purchase agreement, 2008 \$67,780 issue, monthly payments of \$1,968, including interest at 2.91% through January, 2011	13,703	-	13,703	-
Equipment lease purchase agreement, 2009 \$34,200 issue, monthly payments of \$989, including interest at 2.60% through February, 2012	19,320	-	11,525	7,795
Total capital leases	<u>\$ 3,240,000</u>	<u>\$ 729,579</u>	<u>\$ 1,584,477</u>	<u>\$ 2,385,102</u>

For Rutherford County, the future minimum payments as of June 30, 2011, including interest are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011/12	\$ 1,149,519	\$ 45,381
2012/13	660,675	21,798
2013/14	378,344	8,584
2014/15	157,624	2,539
2015/16	38,939	223
Total	<u>\$ 2,385,102</u>	<u>\$ 78,525</u>

Business-Type Activities

The County has also entered into similar agreements to lease certain buildings and equipment for Solid Waste. These capital leases which are accounted for in the Solid Waste Fund are as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Capital Leases –</u>				
<u>Solid Waste Enterprise Fund:</u>				
Equipment and building lease purchase agreement, 1996 \$1,500,000 issue, semi-annual payments of \$72,866, including interest at 5.25% through October, 2011	\$ 207,605	\$ -	\$ 136,603	\$ 71,002
Equipment lease purchase agreement, 2008 \$225,000 issue, monthly payments of \$4,100, including interest at 2.94% through December, 2012	118,440	-	46,357	72,083
Equipment lease purchase agreement, 2009 \$135,000 issue, monthly payments of \$3,902, including interest at 2.60% through February, 2012	<u>76,285</u>	<u>-</u>	<u>45,303</u>	<u>30,982</u>
Total capital leases	<u>\$ 402,330</u>	<u>\$ -</u>	<u>\$ 228,263</u>	<u>\$ 174,067</u>

For Rutherford County, the future minimum payments as of June 30, 2011, including interest are:

	<u>Solid Waste Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2011/12	\$ 149,644	\$ 3,646
2012/13	24,423	210
2013/14	-	-
2014/15	-	-
Total	<u>\$ 174,067</u>	<u>\$ 3,856</u>

(B) Installment Purchase

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County has financed various property acquisitions, construction and improvements for use by Rutherford County, Rutherford County Board of Education and Isothermal Community College as of the fiscal year ended June 30, 2011 by installment purchase.

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Serviced by the Debt Service Fund</u>				
Public facilities project lease purchase agreement, 2001 \$3,500,000 issue, interest at 4.74% due semi-annually to 2016	\$ 1,625,000	\$ -	\$ 250,000	\$ 1,375,000
Public facilities project lease purchase agreement, 2006 \$4,873,000 issue, interest at 4.17% due semi-annually to 2021	3,841,466	-	327,249	3,514,217

Economic development lease purchase agreement, 2007 \$1,300,000 issue, interest at 5.59% originally due semi-annually to 2022 prepaid in November 2010	1,040,000	-	1,040,000	-
Public facilities project certificates of participation, 2002 \$29,590,000 issue, interest at 1.5% to 5% due semi-annually to 2023	21,110,000	-	1,500,000	19,610,000
Public facilities project certificates of participation, 2003 \$7,740,000 issue, interest at 2% to 5.0% due semi-annually to 2023	5,465,000	-	425,000	5,040,000
Public facilities project certificates of participation, 2007 \$14,680,000 issue, interest at 4% to 5% due semi-annually to 2027. A premium of \$741,007 is included and will be amortized over the life of the debt	15,048,713	-	276,975	14,722,380
Public facilities project private placement, 2009 \$3,250,000 issue, interest at 3.66% due semi-annually to 2024	3,033,334	-	216,667	2,816,667
Public facilities project private placement, 2005 \$4,502,500 issue, interest at 3.55% due semi-annually to 2020	<u>3,747,758</u>	-	<u>274,291</u>	<u>3,473,467</u>
Total installment purchases	<u>\$ 54,911,271</u>	<u>\$ -</u>	<u>\$ 4,309,540</u>	<u>\$ 50,601,731</u>

For Rutherford County, the future minimum payments as of June 30, 2011, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011/12	\$ 4,001,300	\$ 2,254,048
2012/13	1,018,081	2,079,442
2013/14	4,034,622	1,900,715
2014/15	4,045,878	1,712,874
2015/16	4,067,133	1,524,033
2017/21	19,131,180	4,990,995
2022/26	9,626,091	1,283,677
2027/28	<u>1,677,446</u>	<u>83,500</u>
Total	<u>\$ 50,601,731</u>	<u>\$ 15,829,283</u>

(C) Revolving Fund – Water Quality Loan

The County has received a loan through North Carolina Department of Environment and Natural Resources State Revolving Fund Program. This loan provided funds to pay the capital costs of providing loans and grants to municipalities, water authorities and sanitary districts for the extension of water and sewer lines in the County.

<u>Governmental Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
<u>Serviced by the Debt Service Fund:</u>				
Public utilities DENR water quality loan, 2007 \$331,400 issue, interest at 2.305% due semiannually to 2027	\$ 281,690	\$ -	\$ 16,570	\$ 265,120
Total Revolving Fund - DENR	\$ 281,690	\$ -	\$ 16,570	\$ 265,120

For Rutherford County, the future minimum payments as of June 30, 2011, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011/12	\$ 16,570	\$ 6,111
2012/13	16,570	5,729
2013/14	16,570	5,347
2014/15	16,570	4,965
2015/16	16,570	4,583
2016/21	82,850	17,187
2021/26	82,850	7,639
2026/28	16,570	382
Total	<u>\$ 265,120</u>	<u>\$ 51,944</u>

(D) General Obligation Indebtedness

The general obligation bonds are issued to finance the construction of County facilities. All bonds are collateralized by the faith, credit and taxing power of the County. These bonds are being serviced by the Debt Service Fund.

<u>General Obligation Bonds</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Refunding bonds, 2003A \$1,148,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023	\$ 1,025,000	\$ -	\$ 80,000	\$ 945,000
Refunding bonds, 2003B \$16,940,000 issue interest at 2.5% to 4.5%, payable semiannually, due serially 2011	1,885,000	-	1,885,000	-
General obligation bonds, 2006 \$1,520,000 issue interest at 4.0% to 6.0%, payable semiannually, due serially 2026	1,220,000	-	75,000	1,145,000
General obligation bonds, 2008 \$1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028	1,405,000	-	75,000	1,330,000
General obligation bonds, 2010 \$1,500,000 issue interest at 4.53%, payable semi- annually due serially to 2025	1,500,000	-	100,000	1,400,000
Total general obligation bonds	<u>\$ 7,035,000</u>	<u>\$ -</u>	<u>\$ 2,215,000</u>	<u>\$ 4,820,000</u>

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 330,000	\$ 204,169
2013	330,000	190,488
2014	330,000	176,809
2015	330,000	162,929
2016	330,000	149,049
2017/21	1,645,000	534,600
2022/26	1,320,000	191,664
2027/28	205,000	12,400
Total	<u>\$ 4,820,000</u>	<u>\$ 1,622,108</u>

(E) Economic Development Grant Repayments – Rutherford 74 Corporate Center

To assist in the development of the County’s Rutherford 74 Corporate Center which included water and sewer infrastructure, the County was awarded grants from the North Carolina Rural Center, the North Carolina Department of Commerce (through Community Development Block Grant funding), and the Appalachian Regional Commission. These grants had certain requirements which included having a firm commitment for a specific number of new jobs within the Rutherford 74 Corporate Center before December 31, 2008. The County did not meet this requirement and was therefore required to pay these grants back to the grantors over a three year period starting in FY 2009-2010. The original total payback was \$1,017,349. During FY 2010-2011, Facebook purchased and is now located at the property formerly known as the Rutherford 74 Corporate Center. As a result, the North Carolina Rural Center is not requiring the County to make the third and final payment of that grant repayment in FY 2011-12. A summary of the FY 2010-2011 activity and obligations as of June 30, 2011 are shown below:

	Balance July 1, 2010	Additions	Retirements including Forgiveness by Grantors	Balance June 30, 2011
North Carolina Rural Center	\$ 284,490	\$ -	\$ 284,490	\$ -
North Carolina Department of Commerce	280,000	-	140,000	140,000
Appalachian Regional Commission	113,744	-	56,872	56,872
Total Economic Development Grant repayments	<u>\$ 678,234</u>	<u>\$ -</u>	<u>\$ 481,362</u>	<u>\$ 196,872</u>

Annual payment requirements for the grant repayments are as follows:

	<u>Governmental Activities</u> <u>Repayments</u>
2011/12	<u>\$ 196,872</u>
Total	<u>\$ 196,872</u>

These payments are being made by the General Fund.

(F) Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2011:

	Long-Term Debt			Long-Term Debt		Current Portion
	June 30, 2010	Additions	Retirements	June 30, 2011	of Balance	
<b>Governmental Activities</b>						
By type of debt:						
Capital leases	\$ 3,240,000	\$ 729,579	\$ 1,584,477	\$ 2,385,102	\$ 1,149,519	
Installment purchase	54,911,271	-	4,309,540	50,601,731	4,001,300	
Revolving fund – DENR	281,690	-	16,570	265,120	16,570	
General obligation bonds	7,035,000	-	2,215,000	4,820,000	330,000	
Grant repayments	678,234	-	481,362	196,872	196,872	
Pension liability	403,067	135,573	64,756	473,884	80,000	
Compensated absences	1,085,257	951,943	907,891	1,129,309	1,129,309	
Total	<u>\$ 67,634,519</u>	<u>\$ 1,817,095</u>	<u>\$ 9,579,596</u>	<u>\$ 59,872,018</u>	<u>\$ 6,903,570</u>	
By purpose:						
School	\$ 47,073,320	\$ -	\$ 4,786,772	\$ 42,286,548		
General government						
-equipment/vehicles/ software	1,487,189	729,579	1,082,222	1,134,546		
-public facilities	10,618,930	-	890,205	9,728,725		
-economic development	6,966,756	-	1,847,750	5,119,006		
Pension liability	403,067	135,573	64,756	473,884		
Compensated absences	1,085,257	951,943	907,891	1,129,309		
Total	<u>\$ 67,634,519</u>	<u>\$ 1,817,095</u>	<u>\$ 9,579,596</u>	<u>\$ 59,872,018</u>		
Reconciliation:						
Current portion				\$ 6,903,570		
Subsequent years				52,968,448		
				<u>\$ 59,872,018</u>		
<b>Business-type Activities</b>						
	Long-Term Debt			Long-Term Debt		Current Portion
	June 30, 2010	Additions	Retirements	June 30, 2011	of Balance	
Capital lease-equipment	\$ 402,330	\$ -	\$ 228,263	\$ 174,067	\$ 149,644	
Accrued landfill	2,299,172	93,981	-	2,393,153	105,145	
Total	<u>\$ 2,701,502</u>	<u>\$ 93,981</u>	<u>\$ 228,263</u>	<u>\$ 2,567,220</u>	<u>\$ 254,798</u>	

Compensated absences typically have been liquidated in the General Fund.

At June 30, 2011, the County had a legal debt margin of approximately \$412,464,932.

(G) Conduit Debt Obligations

Rutherford County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner

for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, there were no industrial revenue bonds outstanding.

#### **Note 5 – Closure and Postclosure Care Costs**

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County reports a portion of closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

##### Closed Municipal Solid Waste (MSW) Landfill:

Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. Therefore, Rutherford County closed the Rutherford County Central Landfill on December 31, 1997. In accordance with state and federal laws and regulations, the County placed a final cover on this landfill upon its closure and is performing certain maintenance and monitoring functions at this site for thirty years after its closure. The projected postclosure care remaining at June 30, 2011 is \$1,684,486. In addition, the County is now under a corrective action plan for this landfill for which the County has accrued a projected cost of \$296,097 as of June 30, 2011. The combined postclosure and corrective action plan liability of \$1,980,583 represents the projected actual costs over the next 18 years based on what it would cost to perform all postclosure care and corrective action in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulation.

##### Active Construction and Demolition (C&D) Landfill:

The County currently operates a C&D Landfill with closure and postclosure costs of \$412,570 reported as of June 30, 2011 representing a cumulative amount reported to date based on the use of 18.82 of the total estimated capacity of this landfill. The County will recognize the remaining estimated cost of closure and postclosure costs of \$441,023 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2011. The County expects to operate this landfill until the year 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County has met the requirements of a local government financial test that is one option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and postclosure care costs.

#### **Note 6 – Contingent Liability**

##### Retiree Health Care and LGERS

On July 1, 2005, the County joined the North Carolina State Employees' Health Plan (SHP) as a participating member. The County chose to cover both its current and retired employees that met their internal requirements for receiving this benefit. The County's internal requirements for retired employees at that time required County employees to have twenty years of service to receive retiree health insurance benefits while State employees under the SHP only needed five years of service to receive retiree health insurance benefits. It was the County's understanding upon joining SHP that the County had the option to keep its internal requirements for retired employees and that the County would pay a set monthly premium for each participating retired employee as opposed to paying a percentage of active payroll as other state agencies did at the time. The County began receiving and paid monthly invoices from the State Health Plan effective July 1, 2005 for the premiums on these retired employees. The Notice of Employer Contribution Rates which the County received from the North Carolina Department of State Treasurer Retirement Services' Division for FY 2005-2006 and FY 2006-2007 did not include any percentage of payroll requirements for retiree health insurance coverage.

During Fiscal Year 2007-2008, the County became aware that G.S. 135-40, the statute that allowed certain local governments to participate in the SHP, was interpreted to mean that all member units were to pay a percentage of payroll to the LGERS for retiree health coverage. The County paid the premiums for its retiree coverage directly to SHP, based upon a per participant rate, beginning July 1, 2005 until June 30, 2008, in lieu of paying the stated percentage of payroll to LGERS. The net difference of the amount paid to SHP and the accumulated amount due under the percentage of payroll calculation is \$836,562. It is not known at this time if the County will be required to pay this amount to LGERS or when any repayment may occur. Beginning July 1, 2008, the County began paying the required percentage of payroll to LGERS and ceased paying premiums directly to SHP for its retiree coverage.

**Note 7 – Interfund Balances and Activities**

Transfers to/from other funds at June 30, 2011 consist of the following:

From	To	For	Amount
General Fund:			
General	Register of Deeds Automation	Accumulate resources for office automation	\$ 43,406
General	Grant	Provide local share for airport improvements	16,667
General	Debt Service	Ad valorem collections designated for facilities	735,084
General	Debt Service	Payment of economic development debt	131,442
General	Sanitary District	Contribution for sanitary district operations	53,796
General	Solid Waste	Reimbursement of prior year transfer	<u>125,000</u>
			<u>\$ 1,105,395</u>
Debt Service Fund:			
Debt Service	Grant	Provide local share for sewer district grant	\$ 6,574
Debt Service	Capital Projects Fund-Other	Transfer funds for project not financed	394,233
Debt Service	Capital Projects Fund-Schools	Provide local share for garage fuel project	<u>35,784</u>
			<u>\$ 436,591</u>
Non-major Governmental Funds:			
Emergency Telephone	General	Contribution for information technology services	\$ 26,227
Grant Fund	General	Transfer unexpected local match	26,000
Reappraisal Fund	General	Close reserve fund due to GASB54	227,397
College Capital Projects	General	College	243,971
Water & Sewer Reserve	Debt Service	Close reserve fund due to GASB54	874,669
School Capital Reserve	Debt Service	Close reserve fund due to GASB54	1,294,367
Building Capital Reserve	Debt Service	Close reserve fund due to GASB54	1,372,043
Capital Projects Fund-Other	Debt Service	Close out unexpended funds	375,812
Capital Projects Fund-Other	Debt Service	Payment of building construction debt	153,258
School Capital Projects	Debt Service	Transfer unexpended project funds	79,478
Fire Districts	Debt Service	Hollis VFD contribution to debt service for payment	<u>3,475</u>
			<u>\$ 4,676,697</u>

**Note 8 – Joint Ventures****(A) Mental Health**

Following extensive study and debate, the 2001 North Carolina General Assembly passed the Mental Health System Reform Bill (House Bill 381). Three Area Programs were organized into an eight county Local Management Entity and, as a result, the Rutherford Polk Area Authority was dissolved on June 30, 2005. Rutherford and Polk Counties joined six other counties (Henderson, Transylvania, Buncombe, Mitchell, Madison, and Yancey) which represented two other area authorities (Trend and Blue Ridge) to form Western Highlands Area Authority.

The eight counties participating in the Western Highlands Area Authority are represented by either the county manager, assistant county manager or county commissioner and one at large position that fits certain criteria as outlined in the Reform Bill. Within available resources, the County has an ongoing financial responsibility for the Authority because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2011. The County contributed \$102,168 to the Authority to fund operations during fiscal year June 30, 2011. Complete financial statements for the Authority may be obtained from the Authority's offices at 356 Biltmore Avenue, Asheville, NC 28801.

**(B) Public Health**

The County, in conjunction with Polk and McDowell Counties, participates in the Rutherford/Polk/McDowell Public Health District. Each Board of Commissioners of the counties appoints one of its own members to the public health board. These commissioner-members then appoint the other fifteen members jointly with six of these members being from Rutherford County, five being from McDowell County and four being from Polk County. All commissioner-members must agree on the appointments for the appointments to occur. The County contributes funds annually to fund operations of the District. None of the participating counties have any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2011. The County contributed \$273,686 to the District to fund operations during fiscal year June 30, 2011. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

**(C) Community College**

The County, in conjunction with the State of North Carolina and the Rutherford County Board of Education, participates in a joint venture to operate the Isothermal Community College. The County appoints four members of the fifteen-member Board of Trustees of the Community College. 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. 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 \$2,132,777 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2011. 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, 2011. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

**Note 9 – Region C Council of Government (Jointly Governed Organization)**

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$12,809 to the Council during the fiscal year ended June 30, 2011.

**Note 10 – Federal and State Assisted Programs**

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

**Note 11 – Additional Social Welfare Expenditures**

The benefit payments listed below were issued directly from the State to recipients of the County and/or their service providers on its behalf. These amounts represent additional federal and state financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

Medicaid	\$ 88,416,839
Food stamps program	20,740,851
Special Supplemental Nutrition Program for Women, Infants and Children	1,335,762
Temporary assistance to needy families	1,054,658
Title IV-E adoption/foster care	1,004,040
Energy assistance	975,726
State/County special assistance	883,168
	<u>\$ 114,411,044</u>

**Note 12 – Special Item**

On November 10, 2010, Rutherford County's Board of Commissioners approved the sale of the Corporate 74 Industrial Park and the County's option to purchase approximately 15 other acres to Andale (Facebook). The Corporate 74 Industrial Park consisted of 138 acres of County property (including an industrial building). Proceeds from the sale of County property were \$3,156,244 and the gain on sale was \$409,858. Pursuant to the sale, Rutherford County prepaid the balance of the 2007 economic development lease purchase agreement (\$1,040,000 principal and \$23,891.50 interest) and the breakage fee of \$172,779. Also, as a result of the transaction, the North Carolina Rural Center is not requiring the County to make the third and final payment of that grant repayment in FY 2011-12. Additional information on this grant repayment may be found in Note 4(E).

**Note 13 – Subsequent Event**

On July 14, 2011, Rutherford County issued limited obligation bonds for \$22,555,000. These proceeds were used to refund a portion of the 2002 and 2003 certificates of participation and to refinance the 2001, 2005 and 2006 private placement financings.

RUTHERFORD COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Payroll for Year Ending on Val Date (c)	Covered UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2001	-	\$ 493,420	\$ 493,420	0.00%	\$ 1,986,208	24.84%
12/31/2002	-	502,384	502,384	0.00%	2,001,798	25.10%
12/31/2003	-	627,648	627,648	0.00%	2,034,242	30.85%
12/31/2004	-	719,776	719,776	0.00%	2,125,885	33.86%
12/31/2005	-	728,116	728,116	0.00%	2,401,758	30.32%
12/31/2006	-	721,048	721,048	0.00%	2,442,030	29.53%
12/31/2007	-	838,788	838,788	0.00%	2,717,526	30.87%
12/31/2008	-	836,543	836,543	0.00%	2,898,872	28.86%
12/31/2009	-	1,205,264	1,205,264	0.00%	3,223,468	37.39%
12/31/2010	-	1,032,844	1,032,844	0.00%	2,952,299	34.98%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2002	\$ 58,912	\$ 23,620	40.09%
2003	62,120	26,497	42.65%
2004	68,524	43,204	63.05%
2005	75,293	55,199	73.31%
2006	85,168	56,782	66.67%
2007	84,234	65,090	77.27%
2008	85,358	78,853	92.37%
2009	95,074	62,176	65.40%
2010	99,810	60,449	60.56%
2011	135,573	64,746	47.77%

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### Notes to the Required Schedules

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

Valuation date	12/31/10
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.0%
Projected salary increases*	4.5 – 12.3% per year
*Includes inflation at cost of living adjustment	3.75%

**RUTHERFORD COUNTY, NORTH CAROLINA**

GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2011 and 2010

	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 15,029,885	\$ 12,633,526
Receivables (net):		
Taxes	4,107,345	3,214,311
Governmental agencies	2,775,618	2,862,239
Accounts	528,986	1,084,874
Inventories	33,303	38,277
Prepaid items	245,494	220,057
	<b>\$ 22,720,631</b>	<b>\$ 20,053,284</b>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 335,047	\$ 496,072
Unearned revenues	190,378	197,787
Deferred revenues	4,623,365	3,681,466
	<b>5,148,790</b>	<b>4,375,325</b>
 Fund Balances:		
Nonspendable:		
Inventories and prepaids	278,797	258,334
Restricted:		
Stabilization by State Statute	2,788,402	3,479,958
For court facilities	49,081	22,832
Assigned:		
Subsequent year's expenditures	1,657,769	733,238
Unassigned	12,797,792	11,183,597
	<b>17,571,841</b>	<b>15,677,959</b>
Total fund balances	<b>\$ 22,720,631</b>	<b>\$ 20,053,284</b>
Total liabilities and fund balances	<b>\$ 22,720,631</b>	<b>\$ 20,053,284</b>

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 For the year ended June 30, 2011  
 (With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$ 29,193,209	\$ 29,057,549	\$ (135,660)	\$ 29,088,704
Prior years	1,050,000	1,134,946	84,946	1,112,560
Penalties and interest	288,500	294,791	6,291	287,976
Total	30,531,709	30,487,286	(44,423)	30,489,240
Local option sales taxes	3,657,600	3,844,907	187,307	8,805,145
Restricted intergovernmental revenues:				
ABC net revenues	12,000	12,596	596	12,616
Court facilities	110,000	109,149	(851)	136,933
Federal and state grants	10,960,135	9,587,316	(1,372,819)	9,895,369
Total	11,082,135	9,709,061	(1,373,074)	10,044,918
Permits and fees:				
Building permits	251,150	238,627	(12,523)	255,840
Register of deeds	300,000	279,064	(20,936)	294,859
Marriage license	12,000	13,190	1,190	11,700
Revenue stamps	187,200	141,459	(45,741)	174,036
Cable franchise fees	45,500	43,155	(2,345)	45,009
Other fees	19,800	17,964	(1,836)	18,118
Total	815,650	733,459	(82,191)	799,562
Sales and services:				
Rents, concessions and fees	169,484	150,870	(18,614)	196,687
Sheriff's fees	306,667	307,896	1,229	341,434
Senior center meals	75,450	74,718	(732)	80,887
EMS fees	2,027,500	1,736,874	(290,626)	1,805,229
Court costs, fees and charges	91,000	93,293	2,293	99,051
Detention center fees	352,293	503,497	151,204	328,150
Tax collection fees	50,000	47,979	(2,021)	48,536
Animal shelter fees	37,800	41,241	3,441	25,363
Airport revenues	14,150	9,679	(4,471)	140,169
Total	3,124,344	2,966,047	(158,297)	3,065,506
Investment earnings	150,000	69,544	(80,456)	124,866
Miscellaneous	525,062	626,673	101,611	287,325
Total revenues	49,886,500	48,436,977	(1,449,523)	53,616,562

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing body	307,429	280,362	27,067	276,235
Manager	198,097	195,917	2,180	146,917
Board of elections	227,959	214,938	13,021	238,843
Finance and purchasing	383,180	383,120	60	382,424
Information technology	1,008,364	852,368	155,996	823,130
Tax listing	1,260,925	1,055,175	205,750	608,864
Tax collections	346,924	338,511	8,413	306,971
Legal	155,000	154,832	168	121,946
Register of deeds	248,015	239,247	8,768	260,461
Personnel	122,882	122,014	868	121,472
Public buildings / recreation	1,693,738	1,501,822	191,916	1,460,992
County garage	112,542	107,742	4,800	106,875
Court facilities	111,205	101,220	9,985	148,900
Special allocations	312,788	298,286	14,502	288,901
<b>Total general government</b>	<b>6,489,048</b>	<b>5,845,554</b>	<b>643,494</b>	<b>5,292,931</b>
<b>Public Safety:</b>				
Sheriff's department	5,036,882	4,614,139	422,743	4,690,991
College security officer	116,943	109,072	7,871	102,882
Detention center	2,259,433	2,188,095	71,338	2,168,518
Communications	1,112,266	1,073,437	38,829	1,071,917
Inspections	412,725	358,822	53,903	481,251
Coroner	49,000	41,896	7,104	44,500
Emergency services	2,665,685	2,658,415	7,270	2,693,316
Special allocations	185,445	177,307	8,138	179,500
Animal control	234,910	221,855	13,055	179,167
<b>Total public safety</b>	<b>12,073,289</b>	<b>11,443,038</b>	<b>630,251</b>	<b>11,612,042</b>
<b>Environmental Protection:</b>				
Soil conservation	109,931	99,583	10,348	101,198
Watershed	16,115	13,066	3,049	15,479
<b>Total environmental protection</b>	<b>126,046</b>	<b>112,649</b>	<b>13,397</b>	<b>116,677</b>

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 For the year ended June 30, 2011  
 (With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Economic and Physical Development:</b>				
Agricultural extension	212,301	195,106	17,195	160,708
Farmers market	3,454	2,537	917	2,481
Forestry	83,375	81,553	1,822	79,956
Airport authority	113,462	69,550	43,912	219,668
Economic Development Commission	2,062,909	1,029,252	1,033,657	408,974
<b>Total economic and physical development</b>	<b>2,475,501</b>	<b>1,377,998</b>	<b>1,097,503</b>	<b>871,787</b>
<b>Human Services:</b>				
Contribution to District Health	273,686	273,686	-	277,151
Contribution to Mental Health	111,168	102,168	9,000	102,168
Drug Court	23,787	10,880	12,907	4,167
Veterans service officers	71,374	70,521	853	68,539
Special appropriation	179,918	173,353	6,565	160,620
Social services administration	6,818,566	6,503,311	315,255	6,076,985
Social services programs	6,756,633	5,823,014	933,619	5,910,624
Senior citizens center	264,417	256,721	7,696	240,526
Meals program	451,459	401,304	50,155	434,636
<b>Total human services</b>	<b>14,951,008</b>	<b>13,614,958</b>	<b>1,336,050</b>	<b>13,275,416</b>
<b>Cultural and recreational:</b>				
Libraries	552,000	518,488	33,512	571,868
Heritage, culture and recreation	106,376	63,701	42,675	71,142
<b>Total cultural</b>	<b>658,376</b>	<b>582,189</b>	<b>76,187</b>	<b>643,010</b>
<b>Education:</b>				
<b>Public schools:</b>				
Current expenditures	11,995,014	11,995,014	-	12,146,850
Capital outlay	105,000	105,000	-	100,000
<b>Community college:</b>				
Current expenditures	1,888,806	1,888,806	-	1,912,715
Capital outlay	244,000	243,971	29	49,158
<b>Total education</b>	<b>14,232,820</b>	<b>14,232,791</b>	<b>29</b>	<b>14,208,723</b>

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Debt Service:				
Principal retirement		2,436,110		2,280,300
Interest and fees		29,052		107,816
Debt breakage fee		172,779		-
Total debt service	2,681,288	2,637,941	43,347	2,388,116
Total expenditures	53,687,376	49,847,118	3,840,258	48,408,702
Revenues over (under) expenditures	(3,800,876)	(1,410,141)	2,390,735	5,207,860
Other Financing Sources (Uses):				
Transfers:				
From other funds	510,000	523,595	13,595	765,220
To other funds	(1,022,644)	(1,105,395)	(82,751)	(7,230,576)
Debt issued	729,579	729,579	-	-
Sales of capital assets	-	-	-	58,532
Appropriated fund balance	374,217	-	(374,217)	-
Total other financing sources (uses)	591,152	147,779	(443,373)	(6,406,824)
Special item:				
Proceeds from sale of real estate	3,209,724	3,156,244	(53,480)	-
Net change in fund balance	\$ -	1,893,882	\$ 1,893,882	(1,198,964)
Fund balances:				
Beginning of year		15,677,959		16,876,923
End of year		\$ 17,571,841		\$ 15,677,959

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues:</b>				
Sales tax	\$ 4,660,900	\$ 4,712,253	\$ 51,353	\$ -
ADM State funds	2,913	2,902	(11)	-
Lottery funds	1,912,178	1,496,534	(415,644)	-
Taps fees	26,000	78,300	52,300	-
Contribution from County & Schools	750,000	-	(750,000)	-
Investment earnings	38,193	3,483	(34,710)	-
Total revenues	<u>7,390,184</u>	<u>6,293,472</u>	<u>(1,096,712)</u>	<u>-</u>
<b>Expenditures:</b>				
Debt service:				
Principal retirement	6,982,032	5,942,032	1,040,000	5,303,179
Interest	2,752,634	2,752,619	15	2,855,399
Bond issuance costs	6,650	42,095	(35,445)	6,413
Total expenditures	<u>9,741,316</u>	<u>8,736,746</u>	<u>1,004,570</u>	<u>8,164,991</u>
Revenues over (under) expenditures	<u>(2,351,132)</u>	<u>(2,443,274)</u>	<u>(92,142)</u>	<u>(8,164,991)</u>
<b>Other Financing Sources:</b>				
Transfers in				
General fund	1,806,535	866,526	(940,009)	258,529
Building Capital Reserve fund	-	1,372,043	1,372,043	1,045,391
School Capital Reserve fund	-	1,294,367	1,294,367	6,567,726
School Capital Project fund	-	79,478	79,478	-
Water & Sewer fund	-	1,250,481	1,250,481	289,870
Capital Projects fund	160,000	153,258	(6,742)	-
Fire District fund	3,475	3,475	-	3,475
Transfers out				
Grant fund	(6,574)	(6,574)	-	-
School Capital Project fund	(35,784)	(35,784)	-	-
Capital Projects - Other fund	-	(394,233)	(394,233)	-
Reserve for future debt	(255,384)	-	255,384	-
Fund balance appropriated	678,864	-	(678,864)	-
Total other financing sources	<u>2,351,132</u>	<u>4,583,037</u>	<u>2,231,905</u>	<u>8,164,991</u>
Net change in fund balance	<u>\$ -</u>	<u>2,139,763</u>	<u>\$ 2,139,763</u>	<u>-</u>
Fund balance, beginning of year		-		-
Fund balance, end of year		<u>\$ 2,139,763</u>		<u>\$ -</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Capital Projects					
	Capital Projects - Other Fund	Capital Projects - Schools	ICC Capital Projects Fund	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund
<b>Assets:</b>						
Cash and cash equivalents	\$ 826,361	\$ -	\$ 367,283	\$ -	\$ -	\$ -
Cash and cash equivalents, restricted	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 826,361</b>	<b>\$ -</b>	<b>\$ 367,283</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
<b>Non Spendable:</b>						
Prepaid items	-	-	-	-	-	-
<b>Restricted:</b>						
Stabilization by State Statute	-	-	-	-	-	-
Capital projects	826,361	-	367,283	-	-	-
Emergency communications	-	-	-	-	-	-
Tourism	-	-	-	-	-	-
Fire protection	-	-	-	-	-	-
Register of deeds	-	-	-	-	-	-
<b>Total fund balance</b>	<b>826,361</b>	<b>-</b>	<b>367,283</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 826,361</b>	<b>\$ -</b>	<b>\$ 367,283</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Special Revenue Funds							Total
Emergency Telephone System Fund	Tourism Development Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Reserve Fund	Grant Fund	Grant CDBG Project Fund	Nonmajor-Governmental Funds
\$ 601,232	\$ 586,198	\$ 1,279,282	\$ 210,876	\$ -	\$ 225,650	\$ -	\$ 4,096,882
-	-	-	-	-	-	-	-
-	-	276,913	-	-	-	-	276,913
54,240	3,849	506	-	-	104,086	-	162,681
-	-	-	-	-	-	-	-
-	1,695	-	-	-	-	-	1,695
<hr/>							
\$ 655,472	\$ 591,742	\$ 1,556,701	\$ 210,876	\$ -	\$ 329,736	\$ -	\$ 4,538,171
<hr/>							
\$ 1,510	\$ 58,354	\$ -	\$ 189	\$ -	\$ 37,377	\$ -	\$ 97,430
-	-	-	-	-	-	-	-
-	-	7,091	-	-	-	-	7,091
-	-	276,913	-	-	-	-	276,913
<hr/>							
1,510	58,354	284,004	189	-	37,377	-	381,434
<hr/>							
-	1,695	-	-	-	-	-	1,695
54,240	3,849	277,419	-	-	104,086	-	439,594
-	-	-	-	-	188,273	-	1,381,917
599,722	-	-	-	-	-	-	599,722
-	527,844	-	-	-	-	-	527,844
-	-	995,278	-	-	-	-	995,278
-	-	-	210,687	-	-	-	210,687
<hr/>							
653,962	533,388	1,272,697	210,687	-	292,359	-	4,156,737
<hr/>							
\$ 655,472	\$ 591,742	\$ 1,556,701	\$ 210,876	\$ -	\$ 329,736	\$ -	\$ 4,538,171
<hr/>							

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
For the year ended June 30, 2011

	Capital Projects			Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund
	Capital Projects - Other Fund	Capital Projects - Schools	ICC Capital Projects Fund			
Revenues:						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales tax	-	-	155,367	-	-	-
Other taxes and licenses	-	-	-	-	-	-
Restricted intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	536	-	-	-
Total revenues	-	-	155,903	-	-	-
Expenditures:						
General government	82,114	-	-	-	-	-
Public safety	109,998	-	-	-	-	-
Environmental protection	-	-	-	-	-	-
Economic and physical development	1,142,953	-	-	-	-	-
Human services	-	-	-	-	-	-
Cultural and recreation	65,237	-	-	-	-	-
Education	-	35,784	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	420	-	-	-	-	-
Total expenditures	1,400,722	35,784	-	-	-	-
Revenues over (under) expenditures	(1,400,722)	(35,784)	155,903	-	-	-
Other Financing Sources (Uses):						
Transfers:						
From other funds	394,233	35,784	-	-	-	-
To other funds	(529,070)	(79,478)	(243,971)	(1,372,043)	(227,397)	(1,294,367)
Debt issued	-	-	-	-	-	-
Total other financing sources (uses)	(134,837)	(43,694)	(243,971)	(1,372,043)	(227,397)	(1,294,367)
Net change in fund balance	(1,535,559)	(79,478)	(88,068)	(1,372,043)	(227,397)	(1,294,367)
Fund balance, beginning of year	2,361,920	79,478	455,351	1,372,043	227,397	1,294,367
Fund balance, end of year	\$ 826,361	\$ -	\$ 367,283	\$ -	\$ -	\$ -

Special Revenue Funds							Total
Emergency Telephone System Fund	Tourism Development Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Reserve Fund	Grant Fund	Grant CDBG Project Fund	Nonmajor-Governmental Funds
\$ -	\$ -	\$ 1,914,524	\$ -	\$ -	\$ -	\$ -	\$ 1,914,524
-	-	539,421	-	-	-	-	694,788
-	550,114	-	-	-	-	-	550,114
546,043	-	-	-	-	1,369,513	94,180	2,009,736
-	-	-	-	-	2,655	-	2,655
-	442	-	-	-	-	-	978
546,043	550,556	2,453,945	-	-	1,372,168	94,180	5,172,795
-	-	-	7,613	-	139,355	-	229,082
341,814	-	2,406,149	-	-	227,594	-	3,085,555
-	-	59,992	-	-	-	-	59,992
-	557,819	-	-	-	929,327	94,180	2,724,279
-	-	-	-	-	-	-	-
-	-	-	-	-	54,500	-	119,737
-	-	-	-	-	-	-	35,784
25,228	-	-	-	-	-	-	25,228
362	-	-	-	-	-	-	782
367,404	557,819	2,466,141	7,613	-	1,350,776	94,180	6,280,439
178,639	(7,263)	(12,196)	(7,613)	-	21,392	-	(1,107,644)
-	-	53,796	43,406	-	23,241	-	550,460
(26,227)	-	(3,475)	-	(874,669)	(26,000)	-	(4,676,697)
-	-	-	-	-	-	-	-
(26,227)	-	50,321	43,406	(874,669)	(2,759)	-	(4,126,237)
152,412	(7,263)	38,125	35,793	(874,669)	18,633	-	(5,233,881)
501,550	540,651	1,234,572	174,894	874,669	273,726	-	9,390,618
\$ 653,962	\$ 533,388	\$ 1,272,697	\$ 210,687	\$ -	\$ 292,359	\$ -	\$ 4,156,737

RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND - OTHER  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 From inception and for the year ended June 30, 2011

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Sales tax refund	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
General government:					
Professional services Daniel Road site	82,114	-	82,114	82,114	-
Professional services 2010 building projects	85,824	85,824	-	85,824	-
Cultural and Recreation:					
Professional services Parks/Cultural	51,440	-	51,440	51,440	-
Professional services Bechtler Mint	13,797	-	13,797	13,797	-
Public Safety:					
Henrietta EMS Satellite Station/Disaster Recovery Site	99,103	21,392	77,711	99,103	-
Professional services Community Pet Center	32,287	-	32,287	32,287	-
Economic and physical development:					
Professional services Farmers Market	51,459	-	51,459	51,459	-
Professional services Livestock Arena	75,092	-	75,092	75,092	-
Municipal/Authority water and sewer	4,583,453	2,772,668	1,016,402	3,789,070	794,383
Debt issuance costs	76,306	75,886	420	76,306	-
Total expenditures	5,150,875	2,955,770	1,400,722	4,356,492	794,383
Revenues under expenditures	(5,150,875)	(2,955,770)	(1,400,722)	(4,356,492)	794,383
Other Financing Sources (Uses):					
Proceeds from general obligation bonds	4,575,000	4,575,000	-	4,575,000	-
Transfers in:					
Debt Service	1,111,687	742,690	394,233	1,136,923	25,236
Transfers out:					
Water and sewer capital reserve fund	-	-	(375,812)	(375,812)	(375,812)
Debt Service	(535,812)	-	(153,258)	(153,258)	382,554
Total other financing sources (uses)	5,150,875	5,317,690	(134,837)	5,182,853	31,978
Net change in fund balance	\$ -	\$ 2,361,920	(1,535,559)	\$ 826,361	\$ 826,361
Fund balance, beginning of year			2,361,920		
Fund balance, end of year			\$ 826,361		

**RUTHERFORD COUNTY, NORTH CAROLINA**

CAPITAL PROJECTS FUND - SCHOOLS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 From inception and for the year ended June 30, 2011

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Intergovernmental - education					
School bus garage	35,784	-	35,784	35,784	-
Total expenditures	35,784	-	35,784	35,784	-
Revenues over (under) expenditures	(35,784)	-	(35,784)	(35,784)	-
Other Financing Sources (Uses):					
Transfers from (to):					
Debt Service Fund	(79,478)	-	(79,478)	(79,478)	-
Debt Service Fund	35,784	-	35,784	35,784	-
Fund balance appropriated	79,478	-	-	(79,478)	-
Total other financial sources (uses)	35,784	-	(43,694)	(43,694)	-
Revenues and other sources over expenditures:	\$ -	\$ -	(79,478)	\$ (79,478)	\$ -
Fund balance, beginning of year			79,478		
Fund balance, end of year			\$ -		

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ISOTHERMAL COMMUNITY COLLEGE CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011			2010
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Investment earnings	\$ 1,000	\$ 536	\$ (464)	\$ 742
Local option sales tax	151,500	155,367	3,867	-
<b>Total revenues</b>	<b>152,500</b>	<b>155,903</b>	<b>3,403</b>	<b>742</b>
<b>Expenditures:</b>				
	-	-	-	-
<b>Revenues over expenditures</b>	<b>152,500</b>	<b>155,903</b>	<b>3,403</b>	<b>742</b>
<b>Other financial sources (uses):</b>				
Transfers in (out):				
General fund (sales tax)	-	-	-	153,910
General fund	(244,000)	(243,971)	29	(49,158)
Fund balance appropriated	91,500	-	(91,500)	-
<b>Total other financing sources (uses)</b>	<b>(152,500)</b>	<b>(243,971)</b>	<b>(91,471)</b>	<b>104,752</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(88,068)</b>	<b>\$ (88,068)</b>	<b>105,494</b>
<b>Fund balance, beginning of year</b>		<b>455,351</b>		<b>349,857</b>
<b>Fund balance, ending of year</b>		<b>\$ 367,283</b>		<b>\$ 455,351</b>

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Contribution from Health Department	-	-	-	60,131
Investment earnings	-	-	-	-
Total revenues	-	-	-	60,131
Expenditures:				
Reserve for future projects	-	-	-	-
Revenues over (under) expenditures	-	-	-	60,131
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	-	-	-	2,102,593
General fund	-	-	-	(129,962)
Debt Service fund	(1,372,043)	(1,372,043)	-	(1,376,382)
Capital Projects fund	-	-	-	(126,281)
Grant fund	-	-	-	(119,367)
Fund balance appropriated	1,372,043	-	(1,372,043)	-
Total other financing sources (uses)	-	(1,372,043)	(1,372,043)	350,601
Net change in fund balance	<u>\$ -</u>	<u>(1,372,043)</u>	<u>\$ (1,372,043)</u>	410,732
Fund balance, beginning of year		<u>1,372,043</u>		<u>961,311</u>
Fund balance, end of year		<u>\$ -</u>		<u>\$ 1,372,043</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Reappraisal	-	-	-	223,349
Mapping	-	-	-	182,333
	-	-	-	405,682
Revenues over (under) expenditures	-	-	-	(405,682)
Other Financing Sources:				
Transfers in:				
General fund - reappraisal	-	-	-	260,000
General fund - mapping	-	-	-	165,000
Transfers out:				
General fund	(220,000)	(227,397)	(7,397)	-
Fund balance appropriated	220,000	-	(220,000)	-
Total other financing sources	-	(227,397)	(227,397)	425,000
Net change in fund balance	<u>\$ -</u>	(227,397)	<u>\$ (227,397)</u>	19,318
Fund balance, beginning of year		<u>227,397</u>		<u>208,079</u>
Fund balance, end of year		<u>\$ -</u>		<u>\$ 227,397</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

SCHOOL CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues:				
ADM State funds	\$ -	\$ -	\$ -	\$ 480,019
Lottery funds	-	-	-	1,545,802
Investment earnings	-	-	-	3,354
Total revenues	-	-	-	2,029,175
Expenditures	-	-	-	-
Revenues over expenditures	-	-	-	2,029,175
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	-	-	-	3,766,743
Schools Capital Projects fund	-	-	-	878,000
Debt service fund	(1,294,367)	(1,294,367)	-	(6,236,735)
General fund	-	-	-	(554,663)
Fund balance appropriated	1,294,367	-	(1,294,367)	-
Total other financing sources (uses)	-	(1,294,367)	(1,294,367)	(2,146,655)
Net change in fund balance	<u>\$ -</u>	<u>(1,294,367)</u>	<u>\$ (1,294,367)</u>	<u>(117,480)</u>
Fund balance, beginning of year		<u>1,294,367</u>		<u>1,411,847</u>
Fund balance, end of year		<u>\$ -</u>		<u>\$ 1,294,367</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011			2010
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Restricted intergovernmental	\$ 546,000	\$ 546,043	\$ 43	\$ 546,043
Total revenues	546,000	546,043	43	546,043
Expenditures:				
Public safety	397,120	341,814	55,306	322,925
Reserve for future projects	135,737	-	135,737	-
Debt service				
Principal	25,273	25,228	45	77,353
Interest and other charges	370	362	8	2,026
Total expenditures	558,500	367,404	191,096	402,304
Revenues over (under) expenditures	(12,500)	178,639	191,139	143,739
Other financial sources (uses):				
Transfers in (out):				
General fund	(20,000)	(26,227)	(6,227)	(23,791)
Fund balance appropriated	32,500	-	(32,500)	-
Total other financing sources (uses)	12,500	(26,227)	(38,727)	(23,791)
Net change in fund balance	\$ -	152,412	\$ 152,412	119,948
Fund balance, beginning of year		501,550		381,602
Fund balance, end of year		\$ 653,962		\$ 501,550

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues:</b>				
Other taxes and licenses	\$ 474,211	\$ 550,114	\$ 75,903	\$ 501,232
Charges for services	-	-	-	1,329
Investment earnings	4,500	442	(4,058)	790
<b>Total revenues</b>	<b>478,711</b>	<b>550,556</b>	<b>71,845</b>	<b>503,351</b>
<b>Expenditures:</b>				
Economic and physical development	782,659	557,819	224,840	494,885
<b>Total expenditures</b>	<b>782,659</b>	<b>557,819</b>	<b>224,840</b>	<b>494,885</b>
Revenues over (under) expenditures	(303,948)	(7,263)	296,685	8,466
<b>Other financial sources:</b>				
Fund balance appropriated	303,948	-	(303,948)	-
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(7,263)</b>	<b>\$ (7,263)</b>	<b>8,466</b>
Fund balance, beginning of year		540,651		532,185
Fund balance, end of year		<b>\$ 533,388</b>		<b>\$ 540,651</b>

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad valorem taxes:</b>				
Current year	\$ 1,865,906	\$ 1,818,485	\$ (47,421)	\$ 1,827,829
Prior years	44,115	76,657	32,542	75,543
Penalties and interest	-	19,382	19,382	18,801
	<u>1,910,021</u>	<u>1,914,524</u>	<u>4,503</u>	<u>1,922,173</u>
<b>Other taxes and licenses:</b>				
Local option sales tax	524,271	539,421	15,150	565,983
	<u>524,271</u>	<u>539,421</u>	<u>15,150</u>	<u>565,983</u>
<b>Miscellaneous</b>				
Total revenues	-	-	-	4,443
	<u>2,434,292</u>	<u>2,453,945</u>	<u>19,653</u>	<u>2,492,599</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Cliffside	175,679	175,679	-	144,919
Chimney Rock	48,323	48,323	-	53,960
Sandy Mush	170,381	170,381	-	163,831
Bills Creek	220,065	220,065	-	208,268
Shingle Hollow	126,117	126,117	-	120,484
Shiloh, Danielstown, and Oakland	238,649	238,649	-	227,901
Cherry Mountain	213,232	213,232	-	208,588
Hudlow	280,770	280,770	-	269,815
Rutherfordton	212,171	212,171	-	204,794
Ellenboro	224,234	224,234	-	219,391
Bostic	89,128	89,128	-	88,488
Union Mills	97,348	96,042	1,306	100,387
Green Hill	222,000	222,000	-	208,036
Contracted	106,753	81,957	24,796	91,552
Hollis Community	7,401	7,401	-	7,721
Fire Advisory Training Ground	1,043,370	-	1,043,370	-
	<u>3,475,621</u>	<u>2,406,149</u>	<u>1,069,472</u>	<u>2,318,135</u>
<b>Environmental protection:</b>				
Cliffside Sanitary District	59,992	59,992	-	67,353
Total expenditures	<u>3,535,613</u>	<u>2,466,141</u>	<u>1,069,472</u>	<u>2,385,488</u>
Revenues over (under) expenditures	<u>(1,101,321)</u>	<u>(12,196)</u>	<u>1,089,125</u>	<u>107,111</u>
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
General fund	53,796	53,796	-	61,296
General fund	-	-	-	(7,645)
Debt service fund	(3,475)	(3,475)	-	(3,475)
Appropriated fund balance	1,051,000	-	(1,051,000)	-
	<u>1,101,321</u>	<u>50,321</u>	<u>(1,051,000)</u>	<u>50,176</u>
Net change in fund balance	<u>\$ -</u>	<u>38,125</u>	<u>\$ 38,125</u>	<u>157,287</u>
Fund balance, beginning of year		<u>1,234,572</u>		<u>1,077,285</u>
Fund balance, end of year		<u>\$ 1,272,697</u>		<u>\$ 1,234,572</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

REGISTER OF DEEDS AUTOMATION ENHANCEMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the year ended June 30, 2011  
 (With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General Government:				
Administration	9,129	7,613	1,516	7,477
Automation equipment	40,791	-	40,791	12,000
	<u>49,920</u>	<u>7,613</u>	<u>42,307</u>	<u>19,477</u>
Revenues under expenditures	<u>(49,920)</u>	<u>(7,613)</u>	<u>42,307</u>	<u>(19,477)</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	<u>49,920</u>	<u>43,406</u>	<u>6,514</u>	<u>48,229</u>
Total other financing sources (uses)	<u>49,920</u>	<u>43,406</u>	<u>6,514</u>	<u>48,229</u>
Net change in fund balance	<u>\$ -</u>	<u>35,793</u>	<u>\$ 35,793</u>	<u>28,752</u>
Fund balance, beginning of year		<u>174,894</u>		<u>146,142</u>
Fund balance, end of year		<u>\$ 210,687</u>		<u>\$ 174,894</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**WATER & SEWER RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011			2010
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Water tap fees	\$ -	\$ -	\$ -	\$ 7,000
Investment earnings	-	-	-	2,123
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,123</u>
Expenditures:				
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,123</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General Fund	(380,760)	-	380,760	275,370
Debt Service Fund	(874,669)	(874,669)	-	(289,870)
Reserve for future projects	380,760	-	(380,760)	-
Fund balance appropriated	874,669	-	(874,669)	-
	<u>-</u>	<u>(874,669)</u>	<u>(874,669)</u>	<u>(14,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>(874,669)</u>	<u>\$ (874,669)</u>	<u>(5,377)</u>
Fund balance, beginning of year		<u>874,669</u>		<u>880,046</u>
Fund balance, end of year		<u>\$ -</u>		<u>\$ 874,669</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**GRANT FUND**

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

From inception and for the year ended June 30, 2011

	Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues:</b>					
Restricted intergovernmental	\$ 4,567,440	\$ 1,077,786	\$ 1,369,513	\$ 2,447,299	\$ (2,120,141)
Miscellaneous	2,564	-	2,655	2,655	91
Total revenues	<u>4,570,004</u>	<u>1,077,786</u>	<u>1,372,168</u>	<u>2,449,954</u>	<u>(2,120,050)</u>
<b>Expenditures:</b>					
General government	409,381	-	139,355	139,355	270,026
Public safety	503,677	14,265	227,594	241,859	261,818
Economic and physical development	3,513,307	751,545	929,327	1,680,872	1,832,435
Cultural and recreation	402,630	300,000	54,500	354,500	48,130
	<u>4,828,995</u>	<u>1,065,810</u>	<u>1,350,776</u>	<u>2,416,586</u>	<u>2,412,409</u>
Revenues (under) over expenditures	<u>(258,991)</u>	<u>11,976</u>	<u>21,392</u>	<u>33,368</u>	<u>292,359</u>
<b>Other Financing Sources:</b>					
Transfers in (out):					
General Fund	137,255	120,588	16,667	137,255	-
Debt Service Fund	6,574	-			
Building Capital Reserve Fund	141,162	141,162	6,574	147,736	(6,574)
General Fund	(26,000)	-	(26,000)	(26,000)	-
	<u>258,991</u>	<u>261,750</u>	<u>(2,759)</u>	<u>258,991</u>	<u>(6,574)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 273,726</u>	<u>18,633</u>	<u>\$ 292,359</u>	<u>\$ 285,785</u>
Fund balance, beginning of year			<u>273,726</u>		
Fund balance, end of year			<u>\$ 292,359</u>		

**RUTHERFORD COUNTY, NORTH CAROLINA**

GRANT CDBG PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 From inception and for the year ended June 30, 2011

	<u>Authorization</u>	<u>Prior Years</u>	<u>Actual</u> <u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Cleghorn Manor sewer project	\$ 97,000	\$ -	\$ -	\$ -
Scattered site housing - 2009	400,000	21,811	94,180	115,991
Total revenues	497,000	21,811	94,180	115,991
Expenditures:				
Economic and physical development:				
Cleghorn Manor sewer project	97,000	-	-	-
Scattered site housing - 2009	400,000	21,811	94,180	115,991
Total expenditures	497,000	21,811	94,180	115,991
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

**RUTHERFORD COUNTY, NORTH CAROLINA**

ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS

June 30, 2011

(With comparative totals for June 30, 2010)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2011	2010
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 885,659	\$ 1,003,841	\$ 1,889,500	\$ 1,854,114
Accounts receivable (net)	385,124	-	385,124	311,109
Total current assets	1,270,783	1,003,841	2,274,624	2,165,223
Capital assets, net of depreciation	2,107,780	-	2,107,780	2,323,407
Total assets	3,378,563	1,003,841	4,382,404	4,488,630
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	213,577	-	213,577	206,301
Current portion of long-term liabilities	149,644	105,145	254,789	330,946
Total current liabilities	363,221	105,145	468,366	537,247
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	-	2,288,008	2,288,008	2,196,555
Long-term debt	24,423	-	24,423	174,001
Total noncurrent liabilities	24,423	2,288,008	2,312,431	2,370,556
Total liabilities	387,644	2,393,153	2,780,797	2,907,803
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,933,713	-	1,933,713	1,921,077
Unrestricted (deficit)	1,057,206	(1,389,312)	(332,106)	(340,250)
Total net assets (deficit)	\$ 2,990,919	\$ (1,389,312)	\$ 1,601,607	\$ 1,580,827

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS (DEFICIT)**

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2011	2010
<b>Operating Revenues:</b>				
Charges for services	\$ 3,052,829	\$ -	\$ 3,052,829	\$ 2,804,274
Other operating revenues	421,927	-	421,927	387,554
Total operating revenues	<u>3,474,756</u>	<u>-</u>	<u>3,474,756</u>	<u>3,191,828</u>
<b>Operating Expenses:</b>				
Salaries	838,788	-	838,788	849,241
Employee benefits	306,146	-	306,146	286,737
Operating expenses	1,999,470	-	1,999,470	1,869,288
Landfill closure and postclosure care costs	-	155,697	155,697	153,878
Depreciation	227,268	-	227,268	232,519
Maintenance	48,837	-	48,837	59,615
Total operating expenses	<u>3,420,509</u>	<u>155,697</u>	<u>3,576,206</u>	<u>3,451,278</u>
Operating income	<u>54,247</u>	<u>(155,697)</u>	<u>(101,450)</u>	<u>(259,450)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	10,725	-	10,725	26,215
Interest expense	(13,495)	-	(13,495)	(22,789)
Total nonoperating revenues (expenses)	<u>(2,770)</u>	<u>-</u>	<u>(2,770)</u>	<u>3,426</u>
<b>Transfers in (out):</b>				
General Fund	-	125,000	125,000	125,000
Landfill postclosure expenditures	(61,716)	61,716	-	-
Total transfers	<u>(61,716)</u>	<u>186,716</u>	<u>125,000</u>	<u>125,000</u>
Increase (decrease) in net assets	(10,239)	31,019	20,780	(131,024)
Net assets (deficit), beginning of year	<u>3,001,158</u>	<u>(1,420,331)</u>	<u>1,580,827</u>	<u>1,711,851</u>
Net assets (deficit), end of year	<u>\$ 2,990,919</u>	<u>\$ (1,389,312)</u>	<u>\$ 1,601,607</u>	<u>\$ 1,580,827</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 3,048,300	\$ 3,052,829	\$ 4,529	\$ 2,804,274
Other operating revenues	363,120	421,927	58,807	387,554
Total operating revenues	<u>3,411,420</u>	<u>3,474,756</u>	63,336	<u>3,191,828</u>
<b>Nonoperating Revenues:</b>				
Interest income	10,725	10,725	-	26,215
Total revenues	<u>3,422,145</u>	<u>3,485,481</u>	63,336	<u>3,218,043</u>
<b>Expenditures:</b>				
Salaries		838,788		849,241
Employee benefits		306,146		286,737
Operating expenses		1,999,470		1,869,288
Landfill closure		61,716		59,744
Interest and fees		13,496		22,789
Debt principal		228,263		218,969
Capital outlay and maintenance		<u>60,478</u>		<u>86,105</u>
Total expenditures	<u>3,770,403</u>	<u>3,508,357</u>	262,046	<u>3,392,873</u>
Revenues over (under) expenditures	<u>(348,258)</u>	<u>(22,876)</u>	325,382	<u>(174,830)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	348,258	-	(348,258)	-
Total other financing sources (uses)	<u>348,258</u>	<u>-</u>	<u>(348,258)</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(22,876)</u>	<u>\$ (22,876)</u>	<u>(174,830)</u>
<b>Reconciling Items:</b>				
Payment of debt principal		228,263		218,969
Capital outlay		11,641		26,490
Depreciation		(227,268)		(232,519)
Total reconciling items		<u>12,636</u>		<u>12,940</u>
Increase (decrease) in net assets		<u>\$ (10,240)</u>		<u>\$ (161,890)</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

SOLID WASTE RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Revenues over expenditures before transfers	-	-	-	-
Transfer from General Fund	-	125,000	125,000	125,000
Increase in net assets	\$ -	\$ 125,000	\$ 125,000	\$ 125,000

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Excess of revenues and other sources over (under) expenditures	<u>\$ 125,000</u>	<u>\$ 125,000</u>
Reconciling Items:		
Landfill closure and postclosure care cost accrual	(155,697)	(153,878)
Payment of landfill closure by Solid Waste Fund	<u>61,716</u>	<u>59,744</u>
Total reconciling items	<u>(93,981)</u>	<u>(94,134)</u>
Increase (decrease) in net assets	<u>\$ 31,019</u>	<u>\$ 30,866</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

ENTERPRISE FUNDS  
COMBINING SCHEDULE OF CASH FLOWS  
For the year ended June 30, 2011  
(With comparative totals for June 30, 2010)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2011	2010
<b>Cash Flows from Operating Activities:</b>				
Cash received from operating revenues	\$ 3,400,741	\$ -	\$ 3,400,741	\$ 3,204,367
Cash paid to employees for services	(838,788)	-	(838,788)	(849,241)
Cash paid for goods and services	(2,347,177)	(61,716)	(2,408,893)	(2,302,751)
Net cash provided (used) by operating activities	<u>214,776</u>	<u>(61,716)</u>	<u>153,060</u>	<u>52,375</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers to other funds	(61,716)	186,716	125,000	125,000
Net cash provided (used) by noncapital financing activities	<u>(61,716)</u>	<u>186,716</u>	<u>125,000</u>	<u>125,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(11,641)	-	(11,641)	(26,490)
Principal paid on debt	(228,263)	-	(228,263)	(218,969)
Interest paid on debt	(13,495)	-	(13,495)	(22,789)
Net cash used by capital and related financing activities	<u>(253,399)</u>	<u>-</u>	<u>(253,399)</u>	<u>(268,248)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest income	10,725	-	10,725	26,215
Net cash provided by investing activities	<u>10,725</u>	<u>-</u>	<u>10,725</u>	<u>26,215</u>
Net increase (decrease) in cash and cash equivalents	(89,614)	125,000	35,386	(64,658)
Cash and cash equivalents at beginning of year	<u>975,273</u>	<u>878,841</u>	<u>1,854,114</u>	<u>1,918,772</u>
Cash and cash equivalents at end of year	<u>\$ 885,659</u>	<u>\$ 1,003,841</u>	<u>\$ 1,889,500</u>	<u>\$ 1,854,114</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>				
Operating income (loss)	\$ 54,247	\$ (155,697)	\$ (101,450)	\$ (259,450)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	227,268	-	227,268	232,519
Landfill closure and postclosure care costs	-	93,981	93,981	94,134
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(74,015)	-	(74,015)	12,539
Increase (decrease) in accounts payable and accrued liabilities	7,276	-	7,276	(27,367)
Total adjustments	<u>160,529</u>	<u>93,981</u>	<u>254,510</u>	<u>311,825</u>
Net cash provided (used) by operating activities	<u>\$ 214,776</u>	<u>\$ (61,716)</u>	<u>\$ 153,060</u>	<u>\$ 52,375</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

AGENCY FUNDS  
COMBINING BALANCE SHEET  
June 30, 2011

(With comparative totals for June 30, 2010)

	Agency						Totals	
	Social Service Fund	Agriculture Department Advisory Council Fund	Cities Tax Collection Fund	Detention Center Commissary Fund	Deed of Trust Fee Fund	Motor Vehicle Interest Fund	2011	2010
<b>Assets</b>								
Cash and cash equivalents	\$ 52,458	\$ 20,566	\$ 97,946	\$ 41,619	\$ 595	\$ 1,820	\$ 215,004	\$ 225,389
Accounts receivable	-	367	-	-	-	-	367	367
	<u>\$ 52,458</u>	<u>\$ 20,933</u>	<u>\$ 97,946</u>	<u>\$ 41,619</u>	<u>\$ 595</u>	<u>\$ 1,820</u>	<u>\$ 215,371</u>	<u>\$ 225,756</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 52,458	\$ 20,933	\$ 97,946	\$ 41,619	\$ 595	\$ 1,820	\$ 215,371	\$ 225,756
Total liabilities	<u>52,458</u>	<u>20,933</u>	<u>97,946</u>	<u>41,619</u>	<u>595</u>	<u>1,820</u>	<u>215,371</u>	<u>225,756</u>
Fund Balances	-	-	-	-	-	-	-	-
	<u>\$ 52,458</u>	<u>\$ 20,933</u>	<u>\$ 97,946</u>	<u>\$ 41,619</u>	<u>\$ 595</u>	<u>\$ 1,820</u>	<u>\$ 215,371</u>	<u>\$ 225,756</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

AGENCY FUNDS - COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Social Services Fund</b>				
Assets:				
Cash and cash equivalents	\$ 39,372	\$ 206,397	\$ 193,311	\$ 52,458
Liabilities:				
Accounts payable	\$ 39,372	\$ 206,397	\$ 193,311	\$ 52,458
<b>Agricultural Department Advisory Council Fund</b>				
Assets:				
Cash and cash equivalents	\$ 21,124	\$ 32,916	\$ 33,474	\$ 20,566
Accounts receivable	367	367	367	367
	\$ 21,491	\$ 33,283	\$ 33,841	\$ 20,933
Liabilities:				
Accounts payable	\$ 21,491	\$ 33,283	\$ 33,841	\$ 20,933
<b>Other Taxing Units</b>				
Assets:				
Cash and cash equivalents	\$ 111,794	\$ 6,952,518	\$ 6,966,366	\$ 97,946
Liabilities:				
Accounts payable	\$ 111,794	\$ 6,952,518	\$ 6,966,366	\$ 97,946
<b>Detention Center Commissary Fund</b>				
Assets:				
Cash and cash equivalents	\$ 50,312	\$ 128,155	\$ 136,848	\$ 41,619
Liabilities:				
Accounts payable	\$ 50,312	\$ 128,155	\$ 136,848	\$ 41,619
<b>Deed of Trust Fee Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 9,320	\$ 8,725	\$ 595
Liabilities:				
Accounts payable	\$ -	\$ 9,320	8,725	\$ 595
<b>Motor Vehicle Interest Fund</b>				
Assets:				
Cash and cash equivalents	\$ 1,942	\$ 23,877	\$ 23,999	\$ 1,820
Liabilities:				
Accounts payable	\$ 1,942	\$ 23,877	\$ 23,999	\$ 1,820
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 224,544	\$ 7,353,183	\$ 7,362,723	\$ 215,004
Accounts receivable	367	367	-	367
	\$ 224,911	\$ 7,353,550	\$ 7,362,723	\$ 215,371
Liabilities:				
Accounts payable	\$ 224,911	\$ 7,353,550	\$ 7,363,090	\$ 215,371

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMPONENT UNIT  
RUTHERFORD COUNTY TRANSIT ADMINISTRATION  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
For the year ended June 30, 2011  
(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues:</b>				
Charges for services	\$ 670,235	\$ 682,214	\$ 11,979	\$ 477,997
Restricted intergovernmental	165,966	63,058	(102,908)	153,692
State transportation assistance grants	769,717	627,381	(142,336)	343,291
Total revenue	<u>1,605,918</u>	<u>1,372,653</u>	<u>(233,265)</u>	<u>974,980</u>
<b>Expenditures:</b>				
Salaries		565,131		523,782
Employee benefits		147,460		139,229
Operating expenses		72,105		61,372
Capital outlay and maintenance		544,605		310,551
Total expenditures	<u>1,605,918</u>	<u>1,329,301</u>	<u>276,617</u>	<u>1,034,934</u>
Revenue over (under) expenditures	<u>-</u>	<u>43,352</u>	<u>43,352</u>	<u>(59,954)</u>
<b>Other Financial Sources:</b>				
Fund balance appropriated	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 43,352</u>	<u>\$ 43,352</u>	<u>\$ (59,954)</u>

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Excess revenues and other sources over expenditures and other uses	<u>\$ 43,352</u>	<u>\$ (59,954)</u>
<b>Reconciling Items:</b>		
Capital outlay - items capitalized	294,011	151,992
Depreciation	<u>(125,267)</u>	<u>(94,417)</u>
Total reconciling items	<u>168,744</u>	<u>57,575</u>
Net income (loss)	<u>\$ 212,096</u>	<u>\$ (2,379)</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMPONENT UNIT  
**RUTHERFORD COUNTY TRANSIT ADMINISTRATION**  
**STATEMENT OF CASH FLOWS**  
 For the year ended June 30, 2011  
 (With comparative totals for June 20, 2010)

	2011	2010
Cash Flows from Operating Activities:		
Cash received from operating revenues	\$ 561,043	\$ 465,991
Cash paid to employees for services	(712,591)	(663,011)
Cash paid for goods and services	(191,238)	(63,117)
Net cash used by operating activities	(342,786)	(260,137)
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(294,011)	(151,991)
Grants	690,439	343,290
Net cash provided by capital and related financing activities	396,428	191,299
Net increase (decrease) in cash and cash equivalents	53,642	(68,838)
Cash and cash equivalents at beginning of year	16,736	85,574
Cash and cash equivalents at end of year	\$ 70,378	\$ 16,736
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:		
Operating income (loss)	\$ (478,343)	\$ (499,362)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	125,267	94,417
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(121,171)	(12,006)
Increase (decrease) in accounts payable and accrued liabilities	131,461	156,814
Total adjustments	135,557	239,225
Net cash provided (used) by operating activities	\$ (342,786)	\$ (260,137)

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMPONENT UNIT - ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Economic and physical development:				
Salaries and benefits	108,559	107,372	1,187	143,216
Operating	1,954,350	921,880	1,032,470	265,758
	<u>2,062,909</u>	<u>1,029,252</u>	<u>1,033,657</u>	<u>408,974</u>
Revenue over (under) expenditures	(2,062,909)	(1,029,252)	1,033,657	(408,974)
Other Financial Sources (Uses):				
Contribution from primary government	<u>2,062,909</u>	<u>1,029,252</u>	<u>(1,033,657)</u>	<u>408,974</u>
Net change in fund balance	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		<u><u>\$ -</u></u>		<u><u>\$ -</u></u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMPONENT UNIT - RUTHERFORD COUNTY AIRPORT AUTHORITY  
SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2011

(With comparative actual amounts for the year ended June 30, 2010)

	2011		Variance	2010
	Budget	Actual	Positive (Negative)	Actual
<b>Revenues:</b>				
Charges for services	\$ 14,150	\$ 9,679	\$ (4,471)	\$ 140,169
Operating grants	99,312	59,871	(39,441)	79,499
Capital grants	486,000	485,941	(59)	222,569
	599,462	555,491	(43,971)	442,237
<b>Expenditures:</b>				
Economic and physical development				
Current	113,462	69,550	43,912	219,668
Capital outlay	486,000	485,941	59	222,569
Total expenditures	599,462	555,491	43,971	442,237
Revenue over (under) expenditures	\$ -	\$ -	\$ -	\$ -
 Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Excess of revenues and other sources over expenditures		\$ -		\$ -
 Reconciling items:				
Capital outlay		485,941		222,569
Depreciation		(143,075)		(111,991)
Total reconciling items		342,866		110,578
Net income		\$ 342,866		\$ 110,578

## **SUPPLEMENTAL FINANCIAL DATA**

This section contains additional information on Taxes Receivable and Tax Levy.

**RUTHERFORD COUNTY, NORTH CAROLINA**

SCHEDULE OF GENERAL FUND AD VALOREM TAXES RECEIVABLE  
June 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections And Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 31,526,306	\$ 29,386,374	\$ 2,139,932
2009-2010	1,939,490	-	842,272	1,097,218
2008-2009	866,400	-	167,774	698,626
2007-2008	308,780	-	58,048	250,732
2006-2007	167,006	-	24,270	142,736
2005-2006	140,738	-	22,818	117,920
2004-2005	121,206	-	17,073	104,133
2003-2004	92,057	-	12,395	79,662
2002-2003	115,320	-	5,974	109,346
2001-2002	82,155	-	4,116	78,039
2000-2001	61,159	-	61,159	-
	<u>\$ 3,894,311</u>	<u>\$ 31,526,306</u>	<u>\$ 30,602,273</u>	4,818,344
Less allowance for uncollectible ad valorem taxes receivable				<u>711,000</u>
Ad valorem taxes receivable - net				<u>\$ 4,107,344</u>
Reconcilement with revenues:				
Ad valorem taxes - General fund				<u>\$ 30,487,286</u>
Reconciling items:				
Interest collected				(271,405)
Discounts/adjustments				325,233
Taxes written off				61,159
Total reconciling items				<u>114,987</u>
Total collections and credits				<u>\$ 30,602,273</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
GENERAL FUND**

For the year ended June 30, 2011

			<u>Total Levy</u>		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 5,846,718,798	0.53	\$ 30,987,610	\$ 29,602,917	\$ 1,384,693
Registered motor vehicles taxed at prior year's rate	90,466,226	0.53	479,471	-	479,471
Penalties	-		20,113	20,113	-
Total	<u>5,937,185,024</u>		<u>31,487,194</u>	<u>29,623,030</u>	<u>1,864,164</u>
Discoveries:					
Current year taxes	16,322,642	0.53	86,510	86,510	-
Advertising costs			13,799	13,799	-
Abatements	<u>(11,546,604)</u>		<u>(61,197)</u>	<u>(40,498)</u>	<u>(20,699)</u>
Total property valuation	<u>\$ 5,941,961,062</u>				
Net levy			31,526,306	29,682,841	1,843,465
Uncollected taxes at June 30, 2011			<u>2,139,932</u>	<u>1,823,650</u>	<u>316,282</u>
Current year's taxes collected			<u>\$ 29,386,374</u>	<u>\$ 27,859,191</u>	<u>\$ 1,527,183</u>
Current levy collection percentage			<u>93.21%</u>	<u>93.86%</u>	<u>82.84%</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE**

June 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections And Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 1,952,557	\$ 1,824,574	\$ 127,983
2009-2010	118,461	-	58,506	59,955
2008-2009	48,967	-	11,477	37,490
2007-2008	19,994	-	3,462	16,532
2006-2007	10,788	-	1,534	9,254
2005-2006	8,250	-	1,089	7,161
2004-2005	6,052	-	750	5,302
2003-2004	4,955	-	433	4,522
2002-2003	5,000	-	385	4,615
2001-2002	4,321	-	222	4,099
2000-2001	3,503	-	3,503	-
	\$ 230,291	\$ 1,952,557	\$ 1,905,935	
Ad valorem taxes receivable				\$ 276,913
Reconcilement with revenues:				
Ad valorem taxes - Special districts				\$ 1,914,524
Reconciling items:				
Interest collected				(17,958)
Discounts/adjustments				5,866
Taxes written off				3,503
Total reconciling items				(8,589)
Total collections and credits				\$ 1,905,935

ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2011

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
<b>Chimney Rock Fire</b>					
Property taxed at current years rate	\$ 73,722,000	\$ 0.05	\$ 36,861	\$ 36,559	\$ 302
Motor vehicles taxed at prior years rate	200,000	0.05	100	-	100
<b>Sandy Mush Fire</b>					
Property taxed at current years rate	252,152,000	0.05	126,076	115,620	10,456
Motor vehicles taxed at prior years rate	7,904,000	0.05	3,952	-	3,952
<b>Cliffside Sanitary</b>					
Property taxed at current years rate	6,856,250	0.08	5,485	5,308	177
Motor vehicles taxed at prior years rate	57,500	0.08	46	-	46
<b>Bills Creek Fire</b>					
Property taxed at current years rate	213,845,000	0.08	171,076	167,299	3,777
Motor vehicles taxed at prior years rate	1,595,000	0.08	1,276	-	1,276
<b>Shingle Hollow Fire</b>					
Property taxed at current years rate	91,812,000	0.10	91,812	86,418	5,394
Motor vehicles taxed at prior years rate	1,731,000	0.10	1,731	-	1,731
<b>Shiloh, Danielstown, and Oakland Fire</b>					
Property taxed at current years rate	346,636,000	0.05	173,318	160,395	12,923
Motor vehicles taxed at prior years rate	8,740,000	0.05	4,370	-	4,370
<b>Cherry Mountain Fire</b>					
Property taxed at current years rate	185,234,444	0.09	166,711	160,373	6,338
Motor vehicles taxed at prior years rate	2,575,556	0.09	2,318	-	2,318
<b>Hudlow Fire</b>					
Property taxed at current years rate	258,493,750	0.08	206,795	194,817	11,978
Motor vehicles taxed at prior years rate	5,065,000	0.08	4,052	-	4,052
<b>Rutherfordton Fire</b>					
Property taxed at current years rate	198,101,250	0.08	158,481	148,140	10,341
Motor vehicles taxed at prior years rate	4,403,750	0.08	3,523	-	3,523
<b>Cliffside Fire</b>					
Property taxed at current years rate	157,378,571	0.07	110,165	100,230	9,935
Motor vehicles taxed at prior years rate	3,940,000	0.07	3,152	-	3,152
<b>Ellenboro Fire</b>					
Property taxed at current years rate	280,020,000	0.06	168,012	153,911	14,101
Motor vehicles taxed at prior years rate	8,006,667	0.06	4,804	-	4,804

ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2011

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
<b>Bostic Fire</b>					
Property taxed at current years rate	110,335,000	0.06	66,201	61,330	4,871
Motor vehicles taxed at prior years rate	3,135,000	0.06	1,881	-	1,881
<b>Union Mills Fire</b>					
Property taxed at current years rate	147,474,000	0.05	73,737	69,192	4,545
Motor vehicles taxed at prior years rate	3,014,000	0.05	1,507	-	1,507
<b>Green Hill Fire</b>					
Property taxed at current years rate	238,220,000	0.07	166,754	158,356	8,398
Motor vehicles taxed at prior years rate	4,642,857	0.07	3,250	-	3,250
<b>Hollis Fire</b>					
Property taxed at current years rate	28,493,333	0.03	8,548	8,105	443
Motor vehicles taxed at prior years rate	610,000	0.03	183	-	183
<b>Contracted Fire</b>					
Property taxed at current years rate	915,850,000	0.02	183,170	175,614	7,556
Motor vehicles taxed at prior years rate	13,100,000	0.02	2,620	-	2,620
Total			1,951,967	1,801,667	150,300
Penalties			1,161	1,161	-
Discoveries			4,330	4,330	-
Gross tax levy			1,957,458	1,807,158	150,300
Releases			(4,901)	(3,233)	(1,668)
Net levy			1,952,557	1,803,925	148,632
Less: uncollected taxes at June 30, 2011			(127,983)	(103,306)	(24,677)
Current year taxes collected			\$ 1,824,574	\$ 1,700,619	\$ 123,955
Percent current year collected			93.45%	94.27%	83.40%

## Statistical Section

This part of Rutherford County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

### Contents

### Tables

#### Financial Trends

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

#### Revenue Capacity

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These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.

#### Debt Capacity

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

#### Demographic and Economic Information

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

#### Operating Information

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These schedules contain information about how the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Reports for the relevant year. The county implemented Governmental Accounting Standards Board Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

**Rutherford County, North Carolina**  
**Net Assets by Component**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009*</u></b>	<b><u>2008</u></b>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 11,261,093	\$ 9,844,642	\$ 9,335,747	\$ 14,236,085
Restricted	7,664,487	2,918,608	3,300,045	9,527,682
Unrestricted	90,305	2,922,565	(1,445,625)	(15,304,122)
<b>Total Governmental activities net assets</b>	<b><u>\$ 19,015,885</u></b>	<b><u>\$ 15,685,815</u></b>	<b><u>\$ 11,190,167</u></b>	<b><u>\$ 8,459,645</u></b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 1,933,713	\$ 1,921,077	\$ 1,908,137	\$ 1,960,924
Restricted	-	-	-	-
Unrestricted (deficit)	(332,106)	(340,250)	(196,286)	387,488
<b>Total business-type activities net assets</b>	<b><u>\$ 1,601,607</u></b>	<b><u>\$ 1,580,827</u></b>	<b><u>\$ 1,711,851</u></b>	<b><u>\$ 2,348,412</u></b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 13,194,806	\$ 11,765,719	\$ 11,243,884	\$ 16,197,009
Restricted	7,664,487	2,918,608	3,300,045	9,527,682
Unrestricted (deficit)	(241,801)	2,582,315	(1,641,911)	(14,916,634)
<b>Total primary government net assets</b>	<b><u>\$ 20,617,492</u></b>	<b><u>\$ 17,266,642</u></b>	<b><u>\$ 12,902,018</u></b>	<b><u>\$ 10,808,057</u></b>

(1) Rutherford County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, data is not available for fiscal year 2002.

\* Restated - In 2010, prior period adjustment to 2009 of \$838,000 due to adoption of GASB 51 in relation to intangible capital assets.

**Table 1**

<b>Fiscal Year</b>				
<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
\$ 7,126,314	\$ 8,155,717	\$ 5,031,401	\$ 2,667,572	\$ 4,204,392
3,899,057	4,515,334	3,342,114	6,325,190	23,924,954
(8,665,225)	(11,690,321)	(14,451,333)	(19,208,792)	(31,672,266)
<b>\$ 2,360,146</b>	<b>\$ 980,730</b>	<b>\$ (6,077,818)</b>	<b>\$ (10,216,030)</b>	<b>\$ (3,542,920)</b>
\$ 2,123,105	\$ 2,157,762	\$ 1,781,898	\$ 1,728,497	\$ 1,830,412
-	-	-	-	-
282,208	131,008	275,914	1,883,020	1,585,325
<b>\$ 2,405,313</b>	<b>\$ 2,288,770</b>	<b>\$ 2,057,812</b>	<b>\$ 3,611,517</b>	<b>\$ 3,415,737</b>
\$ 9,249,419	\$ 10,313,479	\$ 6,813,299	\$ 4,396,069	\$ 6,034,804
3,899,057	4,515,334	3,342,114	6,325,190	23,924,954
(8,383,017)	(11,559,313)	(14,175,419)	(17,325,772)	(30,086,941)
<b>\$ 4,765,459</b>	<b>\$ 3,269,500</b>	<b>\$ (4,020,006)</b>	<b>\$ (6,604,513)</b>	<b>\$ (127,183)</b>

**Rutherford County, North Carolina**  
**Changes in Net Assets**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting)**

Expenses	Fiscal Year				
	2011	2010	2009*	2008	2007
<b>Governmental activities:</b>					
General government	\$ 6,604,844	\$ 6,501,588	\$ 7,047,611	\$ 6,765,566	\$ 6,350,808
Public safety	15,180,889	14,639,570	14,076,757	14,150,480	12,888,356
Environmental protection	175,476	187,376	169,467	123,385	127,640
Economic & Physical Development	3,552,588	1,861,686	4,518,449	4,237,268	4,193,841
Human Services	13,649,550	13,605,280	15,091,631	17,038,627	16,684,710
Cultural & Recreational	677,277	995,584	898,237	848,479	696,619
Education	15,270,039	16,129,157	16,164,309	15,161,837	16,610,237
Interest on long-term debt	3,035,244	2,938,919	2,923,219	2,712,352	2,414,789
<i>Total governmental activities expenses</i>	<u>58,145,907</u>	<u>56,859,160</u>	<u>60,889,680</u>	<u>61,037,994</u>	<u>59,967,000</u>
<b>Business-type activities:</b>					
Solid Waste Disposal	3,589,701	3,474,066	4,001,900	3,539,647	3,384,899
<i>Total business-type activities</i>	<u>3,589,701</u>	<u>3,474,066</u>	<u>4,001,900</u>	<u>3,539,647</u>	<u>3,384,899</u>
<i>Total primary governmental expenses</i>	<u>\$ 61,735,608</u>	<u>\$ 60,333,226</u>	<u>\$ 64,891,580</u>	<u>\$ 64,577,641</u>	<u>\$ 63,351,899</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
Charges for services:					
General government	\$ 444,814	\$ 499,229	\$ 516,270	\$ 613,421	\$ 612,210
Public Safety	3,681,614	3,726,640	3,631,922	3,940,854	3,697,528
Environmental protection	-	-	-	-	-
Economic & Physical Development	78,300	7,000	59,250	100,750	31,250
Human Services	74,718	80,887	85,140	88,608	82,754
Operating grants and contributions	10,372,807	10,657,325	10,775,927	10,287,537	10,404,592
Capital grants and contributions	2,439,302	2,632,656	1,895,968	3,262,444	1,833,975
<i>Total governmental activities program revenues</i>	<u>17,091,555</u>	<u>17,603,737</u>	<u>16,964,477</u>	<u>18,293,614</u>	<u>16,662,309</u>
<b>Business-type activities:</b>					
Charges for services:					
Solid Waste Disposal	3,345,821	3,018,858	3,047,944	3,139,076	3,154,068
Operating grants and contributions	128,935	172,970	150,950	136,512	182,374
<i>Total business-type activities program revenues</i>	<u>3,474,756</u>	<u>3,191,828</u>	<u>3,198,894</u>	<u>3,275,588</u>	<u>3,336,442</u>
<i>Total primary governmental program revenues</i>	<u>\$ 20,566,311</u>	<u>\$ 20,795,565</u>	<u>\$ 20,163,371</u>	<u>\$ 21,569,202</u>	<u>\$ 19,998,751</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (41,054,352)	\$ (39,255,423)	\$ (43,925,203)	\$ (42,744,380)	\$ (43,304,691)
Business-type activities	(114,945)	(282,238)	(803,006)	(264,059)	(48,457)
<i>Total primary governmental net expense</i>	<u>\$ (41,169,297)</u>	<u>\$ (39,537,661)</u>	<u>\$ (44,728,209)</u>	<u>\$ (43,008,439)</u>	<u>\$ (43,353,148)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental activities:</b>					
Taxes					
Property taxes	\$ 33,342,043	\$ 33,187,061	\$ 32,982,004	\$ 32,293,717	\$ 27,438,875
Local Option Sales Tax	9,251,948	9,371,129	11,275,726	13,495,288	13,357,581
Other Taxes and Licenses	755,034	735,385	778,778	935,485	1,118,992
Investment earnings, unrestricted	240,847	255,178	530,073	1,078,129	1,286,059
Dissolution of Fiduciary Fund	-	-	1,003,200	-	-
Donated real estate	-	-	-	1,006,204	1,658,309
Gain (Loss) on disposal of capital assets	409,858	58,532	-	-	(577,585)
Miscellaneous, unrestricted	509,693	268,784	210,944	160,056	526,876
Transfers	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
<i>Total governmental activities</i>	<u>44,384,423</u>	<u>43,751,069</u>	<u>46,655,725</u>	<u>48,843,879</u>	<u>44,684,107</u>
<b>Business-type activities:</b>					
Investment earnings	10,725	26,215	41,445	82,158	40,000
Miscellaneous, unrestricted	-	-	-	-	-
Transfers	125,000	125,000	125,000	125,000	125,000
<i>Total business-type activities</i>	<u>135,725</u>	<u>151,215</u>	<u>166,445</u>	<u>207,158</u>	<u>165,000</u>
<i>Total primary government</i>	<u>\$ 44,520,148</u>	<u>\$ 43,902,284</u>	<u>\$ 46,822,170</u>	<u>\$ 49,051,037</u>	<u>\$ 44,849,107</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 3,330,071	\$ 4,495,646	\$ 2,730,522	\$ 6,099,499	\$ 1,379,416
Business-type activities	20,780	(131,023)	(636,561)	(56,901)	116,543
<i>Total primary government</i>	<u>\$ 3,350,851</u>	<u>\$ 4,364,623</u>	<u>\$ 2,093,961</u>	<u>\$ 6,042,598</u>	<u>\$ 1,495,959</u>

(1) Rutherford County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, data is not available for fiscal year 2002.

\* Restated - In 2010, prior period adjustment to 2009 of \$838,000 due to adoption of GASB 51 in relation to intangible capital assets.

Table 2

		Fiscal Year					
		2006	2005	2004	2003		
\$	5,986,407	\$	5,467,270	\$	4,544,885	\$	4,656,686
	11,805,593		11,402,836		10,821,652		9,856,540
	133,673		124,741		98,217		102,089
	3,491,223		2,512,395		3,134,384		1,090,193
	15,666,923		14,979,133		13,865,856		13,354,244
	496,255		468,023		440,354		415,717
	14,909,359		13,355,725		23,473,409		18,562,891
	2,503,590		2,286,910		2,322,059		1,938,582
	<u>54,993,023</u>		<u>50,597,033</u>		<u>58,700,816</u>		<u>49,976,942</u>
	3,219,636		3,438,732		3,235,872		3,126,418
	<u>3,219,636</u>		<u>3,438,732</u>		<u>3,235,872</u>		<u>3,126,418</u>
\$	<u>58,212,659</u>	\$	<u>54,035,765</u>	\$	<u>61,936,688</u>	\$	<u>53,103,360</u>
\$	546,488	\$	568,640	\$	652,769	\$	599,353
	3,022,527		3,112,715		2,952,281		2,342,527
	-		-		-		26,271
	32,000		-		-		-
	90,516		82,698		80,063		63,148
	9,480,758		8,864,479		7,962,549		8,152,455
	1,522,561		1,709,923		944,225		772,701
	<u>14,694,850</u>		<u>14,338,455</u>		<u>12,591,887</u>		<u>11,956,455</u>
	3,208,508		3,377,143		3,227,006		3,330,561
	129,721		117,345		213,493		-
	<u>3,338,229</u>		<u>3,494,488</u>		<u>3,440,499</u>		<u>3,330,561</u>
\$	<u>18,033,079</u>	\$	<u>17,832,943</u>	\$	<u>16,032,386</u>	\$	<u>15,287,016</u>
\$	(40,298,173)	\$	(36,258,578)	\$	(46,108,929)	\$	(38,020,487)
	118,593		55,756		204,627		204,143
\$	<u>(40,179,580)</u>	\$	<u>(36,202,822)</u>	\$	<u>(45,904,302)</u>	\$	<u>(37,816,344)</u>
\$	26,822,856	\$	25,426,291	\$	25,192,052	\$	25,454,307
	12,492,114		11,743,695		11,278,753		9,107,457
	952,574		634,370		1,588,027		1,392,173
	1,020,453		518,211		443,135		664,437
	5,700,000		-		-		-
	-		-		-		-
	449,090		429,586		889,217		161,498
	(80,365)		(80,365)		44,635		30,000
	<u>47,356,722</u>		<u>38,671,788</u>		<u>39,435,819</u>		<u>36,809,872</u>
	32,000		35,174		35,788		8,344
	-		-		-		(55,490)
	80,365		80,365		(44,635)		(30,000)
	<u>112,365</u>		<u>115,539</u>		<u>(8,847)</u>		<u>(77,146)</u>
\$	<u>47,469,087</u>	\$	<u>38,787,327</u>	\$	<u>39,426,972</u>	\$	<u>36,732,726</u>
\$	7,058,549	\$	2,413,210	\$	(6,673,110)	\$	(1,210,615)
	230,958		171,295		195,780		126,997
\$	<u>7,289,507</u>	\$	<u>2,584,505</u>	\$	<u>(6,477,330)</u>	\$	<u>(1,083,618)</u>

**Rutherford County, North Carolina**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>
General Fund									
Reserved		\$	3,761,124	\$	3,680,844	\$	4,074,203	\$	4,126,704
Unreserved			11,916,835		13,196,079		12,751,211		10,891,729
Total General Fund		\$	<u>15,677,959</u>	\$	<u>16,876,923</u>	\$	<u>16,825,414</u>	\$	<u>15,018,433</u>
All other governmental funds									
Reserved		\$	391,364	\$	686,472	\$	556,972	\$	1,805,359
Unreserved, reported in:									
Debt service fund			-		-		-		-
Special revenue funds			6,640,609		5,811,482		8,080,868		4,246,534
Capital projects funds			2,358,646		3,670,511		9,117,150		2,883,906
Total all other governmental funds		\$	<u>9,390,619</u>	\$	<u>10,168,465</u>	\$	<u>17,754,990</u>	\$	<u>8,935,799</u>
General Fund									
Nonspendable	\$		278,797						
Restricted			2,837,483						
Assigned			1,657,769						
Unassigned			<u>12,797,792</u>						
Total General Fund		\$	<u>17,571,841</u>						
All other governmental funds									
Nonspendable	\$		19,844						
Restricted			4,173,042						
Assigned			559,791						
Unassigned			<u>1,543,823</u>						
Total all other governmental funds		\$	<u>6,296,500</u>						

GASB Statement 54 established new fund balance classification effective beginning 2011.

Table 3

	<u>2006</u>		<u>2005</u>		<u>2004</u>		<u>2003</u>		<u>2002</u>
\$	3,920,463	\$	3,915,909	\$	3,780,885	\$	3,415,837	\$	2,841,403
	10,519,641		9,010,221		8,931,431		7,011,749		5,245,650
\$	14,440,104	\$	12,926,130	\$	12,712,316	\$	10,427,586	\$	8,087,053
<hr/>									
\$	1,324,037	\$	1,429,110	\$	1,487,151	\$	983,201	\$	91,224
	-		-		10,518		-		737,739
	3,959,633		3,701,003		4,021,431		4,944,120		2,711,221
	3,375,401		2,202,181		4,855,762		23,068,333		1,182,914
\$	8,659,071	\$	7,332,294	\$	10,374,862	\$	28,995,654	\$	4,723,098

**Rutherford County, North Carolina**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

Revenues	Fiscal Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Ad Valorem Taxes	\$ 32,401,810	\$ 32,411,413	\$ 32,118,994	\$ 32,258,449	\$ 27,326,881
Local Option Sales Taxes	9,251,948	9,371,128	11,275,726	13,369,301	13,240,333
Other Taxes and Licenses	550,114	526,461	526,459	707,252	683,615
Unrestricted Intergovernmental	-	-	-	-	-
Restricted Intergovernmental	13,218,233	13,960,162	13,326,718	13,698,050	12,480,558
Permits and Fees	733,459	799,562	861,720	1,177,290	1,435,366
Sales and Services	3,047,002	3,080,873	3,119,947	3,801,501	3,674,300
Investment Earnings	74,005	134,324	471,754	1,084,487	1,243,368
Miscellaneous	626,673	287,325	527,821	729,808	590,273
<i>Total revenues</i>	<u>59,903,244</u>	<u>60,571,248</u>	<u>62,229,139</u>	<u>66,826,138</u>	<u>60,674,694</u>
<b>Expenditures</b>					
Current:					
General government	6,074,636	5,805,454	6,615,187	11,334,882	6,609,488
Public safety	14,528,593	14,526,559	14,868,059	14,220,359	12,897,402
Environmental Protection	172,641	184,030	164,582	127,250	125,124
Economic and Physical Development	4,102,277	2,384,886	4,081,840	4,856,946	3,849,835
Human Services	13,614,958	13,442,160	14,844,012	16,521,713	16,037,237
Cultural and Recreational	701,926	943,010	737,637	757,187	647,449
Intergovernmental:					
Education	13,883,820	14,059,565	14,480,287	13,967,220	13,053,968
Capital Outlay	384,755	2,488,388	10,782,995	5,249,596	6,372,376
Debt service					
Principal	8,403,370	7,660,832	6,811,458	6,294,364	5,644,457
Interest	2,997,327	2,986,706	3,060,136	2,754,717	2,363,101
<i>Total expenditures</i>	<u>64,864,303</u>	<u>64,481,590</u>	<u>76,446,193</u>	<u>76,084,234</u>	<u>67,600,437</u>
Excess of revenues over (under) expenditures	(4,961,059)	(3,910,342)	(14,217,054)	(9,258,096)	(6,925,743)
<b>Other financing sources (uses)</b>					
Transfers From Other Funds	6,093,683	16,900,905	20,371,579	18,941,579	14,482,382
Transfers To Other Funds	(6,218,683)	(17,025,905)	(19,493,379)	(19,066,579)	(14,607,382)
Transfers From Component Units	-	-	-	-	-
Transfers To Component Units	-	-	-	-	-
Installment Purchase Obligations Issued	729,579	2,000,000	5,803,838	18,454,270	7,905,800
General Obligation Debt Issued	-	-	-	1,555,000	-
Refunding Bonds Issued	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Sale of capital assets	3,156,244	58,532	-	-	-
<i>Total other financing sources (uses)</i>	<u>3,760,823</u>	<u>1,933,532</u>	<u>6,682,038</u>	<u>19,884,270</u>	<u>7,780,800</u>
Net change in fund balances	\$ (1,200,236)	\$ (1,976,810)	\$ (7,535,016)	\$ 10,626,174	\$ 855,057
Debt services as a percentage of noncapital expenditures	17.68%	17.18%	15.03%	12.77%	13.08%

\* Capital asset information not available from 2002, due to implementation of GASB34.

**Table 4**

		<b>Fiscal Year</b>				
		<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$		26,792,167	\$ 25,585,444	\$ 24,992,262	\$ 25,272,124	\$ 21,839,759
		12,262,177	11,743,695	11,837,956	9,532,653	8,763,472
		623,110	255,577	251,735	261,408	307,056
		-	-	-	-	1,221,268
		11,213,535	10,834,718	9,109,617	9,031,207	6,729,260
		1,439,013	1,151,302	1,012,848	1,092,816	852,716
		2,882,979	2,700,089	2,978,520	2,687,527	2,103,194
		1,012,369	473,461	443,136	664,437	610,534
		415,034	412,112	228,642	116,888	199,176
		<u>56,640,384</u>	<u>53,156,398</u>	<u>50,854,716</u>	<u>48,659,060</u>	<u>42,626,435</u>
		5,641,902	5,703,555	4,800,673	4,560,320	4,356,056
		11,541,916	11,476,343	10,421,427	9,852,175	9,020,892
		130,655	122,584	118,839	100,813	107,310
		3,913,258	2,443,409	2,101,815	1,055,040	564,103
		15,521,178	14,791,299	13,754,017	13,119,093	12,220,518
		444,650	424,877	398,368	361,562	343,050
		12,513,922	12,081,683	11,311,729	10,830,042	11,009,323
		3,856,087	3,281,177	18,381,582	10,503,729	3,562,597
		5,031,194	4,290,159	4,828,539	3,068,213	3,212,748
		2,282,307	2,428,712	1,885,760	3,295,329	1,765,405
		<u>60,877,069</u>	<u>57,043,798</u>	<u>68,002,749</u>	<u>56,746,316</u>	<u>46,162,002</u>
		(4,236,685)	(3,887,400)	(17,148,033)	(8,087,256)	(3,535,567)
		14,356,170	12,292,044	(5,642,601)	14,932,692	10,964,208
		(14,436,533)	(12,372,409)	5,687,236	(13,052,692)	(10,934,208)
		-	-	-	5,000	31,150
		-	-	-	-	(358,415)
		5,637,800	1,139,009	767,336	40,243,372	3,753,000
		1,520,000	-	-	-	-
		-	-	-	18,420,000	-
		-	-	-	(25,848,027)	-
		-	-	-	(25,848,027)	-
		-	-	-	-	-
		<u>7,077,437</u>	<u>1,058,644</u>	<u>811,971</u>	<u>8,852,318</u>	<u>3,455,735</u>
\$		2,840,752	\$ (2,828,756)	\$ (16,336,062)	\$ 765,062	\$ (79,832)
		12.83%	12.50%	13.53%	13.76% *	

**Rutherford County, North Carolina**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Assessed Value in Thousands				
	Real Property		Personal Property		Public Service Companies
	Residential Property	Commercial Property	Motor Vehicles	Other	
2011	\$ 4,389,350	\$ 532,070	\$ 345,280	\$ 335,889	\$ 316,644
2010	3,989,458	877,699	373,025	359,316	299,422
2009	3,936,145	865,282	429,456	371,894	292,286
2008	3,866,901	819,357	429,870	371,205	276,120
2007	2,845,477	440,189	409,569	344,294	228,694
2006	2,645,502	424,199	422,395	353,888	255,553
2005	2,528,754	426,480	391,498	360,929	244,833
2004	2,442,161	437,174	388,513	380,081	252,769
2003	2,407,920	422,400	423,799	433,119	242,451
2002	1,818,520	360,581	373,127	473,746	185,699
2001	1,763,591	344,355	349,930	470,565	205,748

Note - Property was revalued in fiscal year 2003 and 2008.

**Table 5**

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate per \$100</u>	<u>Estimated Actual Taxable Value (in thousands)</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 5,919,233	\$ 0.53	\$ 6,344,981	93.29
5,898,920	0.53	6,463,153	91.27
5,895,063	0.53	6,322,461	93.24
5,763,453	0.53	6,154,905	93.64
4,268,223	0.61	5,176,741	82.45
4,101,537	0.62	4,628,752	88.61
3,952,494	0.62	4,519,202	87.46
3,900,698	0.62	4,352,486	89.62
3,929,689	0.62	4,055,407	96.90
3,211,673	0.66	4,340,099	74.00
3,134,189	0.63	4,071,433	76.98

**Rutherford County, North Carolina**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
*(rate per \$100 of assessed value)*

Table 6

	Year Taxes Are Payable									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
County Direct Rate	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.610	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.660
<b>Town Rates</b>										
Bostic	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Chimney Rock	0.075	0.075	0.075	0.075	0.115	0.115	0.115	0.115	0.125	0.140
Ellenboro	0.220	0.220	0.220	0.220	0.250	0.250	0.250	0.250	0.250	0.280
Forest City	0.290	0.290	0.300	0.290	0.300	0.300	0.280	0.260	0.240	0.240
Lake Lure	0.210	0.210	0.210	0.210	0.280	0.280	0.280	0.280	0.270	0.320
Ruth	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260
Rutherfordton	0.520	0.520	0.520	0.520	0.540	0.540	0.490	0.490	0.490	0.490
Spindale	0.600	0.560	0.560	0.510	0.510	0.510	0.510	0.450	0.450	0.450
<b>Special Districts</b>										
Bill's Creek Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.070	0.070	0.070	0.070
Bostic Fire	0.060	0.060	0.060	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Cherry Mountain Fire	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
Chimney Rock Fire	0.050	0.050	0.050	0.040	0.060	0.060	0.060	0.060	0.060	0.080
Cliffside Fire	0.070	0.080	0.080	0.070	0.055	0.055	0.045	0.045	0.040	0.040
Cliffside Sanitary	0.080	0.070	0.070	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.020	0.020	0.020	0.020	0.030	0.030	0.030	0.030	0.030	0.030
Ellenboro Fire	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
Green Hill Fire	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Hollis Fire	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Hudlow Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Rutherfordton Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.070	0.070	0.070	0.070
Sandy Mush Fire	0.050	0.050	0.050	0.040	0.040	0.040	0.040	0.040	0.030	0.030
Shiloh Danieltown Oakland Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Shingle Hollow Fire	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Union Mills Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050

Note: Property was revalued as of January 1, 2007 which affected the 2008 tax levy and as of January 1, 2002 which affected the 2003 tax levy.

**Rutherford County, North Carolina  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Fiscal Year</u>	
		<u>Assessed Value (Thousands)</u>	<u>Rank</u>
Duke Energy	Public Utility	\$ 325,219	1
CSX Transportation	Public Utility	28,594	2
Rutherford Electric Membership Corp	Public Utility	27,598	3
Shaw Construction Inc	Construction	25,762	4
Bellsouth	Public Utility	23,182	5
RCM Management Serv LLP	Aircraft	13,700	6
Trelleborg US (Reeves Bros)	Manufacturing	12,951	7
Timken US Corp (Torrington)	Manufacturing	12,727	8
Sonoco Crellin Inc	Manufacturing	12,696	9
Regtrol - Watts	Manufacturing	9,666	10
Cone Mills Corporation	Textiles		
Fairfield Communities	Resort Property		
MC Acquisition Group	Textiles		
Broyhill Furniture	Manufacturing		
National Textiles Inc	Textiles		
Milliken & Company	Textiles		
Other		5,427,138	
Total		\$ 5,919,233	

Source: Rutherford County Tax Department

Table 7

<u>2011</u>	<u>Fiscal Year 2002</u>		
Percentage of Total County Taxable Assessed Value	Assessed Value (Thousands)	Rank	Percentage of Total County Taxable Assessed Value
5.49%	\$ 114,181	1	3.56%
0.48%			
0.47%	29,672	4	0.92%
0.44%			
0.39%			
0.23%	22,000	9	0.69%
0.22%			
0.22%			
0.21%			
0.16%	27,588	5	0.86%
	62,560	2	1.95%
	32,665	3	1.02%
	25,632	6	0.80%
	24,271	7	0.76%
	22,521	8	0.70%
	19,607	10	0.61%
91.69%	2,830,976		88.15%
100.00%	\$ 3,211,673		100.00%

**Rutherford County, North Carolina  
Property Tax Levies and Collections (1)  
Last Ten Fiscal Years**

**Table 8**

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2011	\$ 33,478,863	\$ 31,210,949	93.2	\$ -	\$ 31,210,949	93.2
2010	\$ 33,253,013	\$ 31,195,062	93.8	900,778	\$ 32,095,840	96.5
2009	33,213,924	31,362,647	94.4	1,115,161	32,477,808	97.8
2008	32,461,482	31,280,218	96.4	914,000	32,194,218	99.2
2007	27,557,905	26,491,335	96.1	914,580	27,405,915	99.4
2006	26,864,829	25,786,091	96.0	953,657	26,739,748	99.5
2005	25,833,919	24,843,268	96.2	881,216	25,724,484	99.6
2004	25,510,187	24,333,704	95.4	1,092,299	25,426,003	99.7
2003	25,696,721	24,565,452	95.6	1,017,308	25,582,760	99.6
2002	22,245,921	21,218,393	95.4	945,390	22,163,783	99.6

(1) Includes general fund and special districts.

Source: Rutherford County Tax Department

**Rutherford County, North Carolina**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population in thousands (Estimated)</b>	<b>Governmental Activities</b>		
		<b>General Obligation Bonds</b>	<b>Installment Purchase (1)</b>	<b>Capital Leases</b>
2002	63	\$ 19,145,000	\$ 11,920,000	\$ 1,333,883
2003	63	18,420,000	40,642,500	1,482,549
2004	64	16,050,000	39,707,500	1,382,678
2005	63	13,765,000	38,395,000	1,704,028
2006	64	13,010,000	41,104,419	1,876,214
2007	64	10,675,000	44,953,677	2,274,211
2008	63	9,975,000	57,668,467	3,963,343
2009	63	7,720,000	58,074,856	4,758,537
2010	63	7,035,000	54,911,271	3,240,000
2011	67	4,820,000	50,601,731	2,385,102

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

(1) Includes certificates of participation and private placement debt.

(2) See the Schedule of Demographic and Economic Statistics on page 119 for personal income and population data.

**Table 9**

		<u>Business-type Activities</u>					
<u>Revolving</u>		<u>Capital</u>		<u>Total</u>	<u>Percentage</u>	<u>Per</u>	
<u>Fund - DENR</u>		<u>Leases</u>		<u>Primary</u>	<u>of Personal</u>	<u>Capita (2)</u>	
				<u>Government</u>	<u>Income (2)</u>		
\$	-	\$	1,079,228	\$	33,478,111	2.42%	531.40
	-		988,986		61,534,035	4.41%	976.73
	-		893,944		58,034,122	4.03%	906.78
	-		793,847		54,657,875	3.67%	867.59
	-		688,426		56,679,059	3.70%	885.61
	331,400		577,397		58,811,685	3.67%	918.93
	314,830		667,632		72,589,272	4.32%	1,152.21
	298,260		621,299		71,472,952	4.07%	1,134.49
	281,690		402,330		65,870,291	not available	
	-		-		57,806,833	not available	

**Rutherford County, North Carolina**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Table 10

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
2002	\$ 19,145,000	\$ -	\$ 19,145,000.00	0.33%	\$ 301.99
2003	18,420,000	-	18,420,000	0.32%	290.39
2004	16,050,000	-	16,050,000	0.28%	251.33
2005	13,765,000	-	13,765,000	0.24%	217.12
2006	13,010,000	-	13,010,000	0.23%	204.01
2007	10,675,000	-	10,675,000	0.19%	167.14
2008	9,975,000	-	9,975,000	0.17%	158.30
2009	7,720,000	-	7,720,000	0.13%	121.72
2010	7,035,000	-	7,035,000	0.12%	110.21
2011	4,820,000	-	4,820,000	0.08%	71.08

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 107-108 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 119.

**Rutherford County, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2010**

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
None currently outstanding	\$ -	100.00	\$ -
Subtotal, overlapping debt			-
Rutherford County direct debt - general obligation	4,820,000	100.00	4,820,000
Rutherford County direct debt - other outstanding (1)	58,071,953	100.00	58,071,953
			62,891,953
Total direct and overlapping debt			\$ 62,891,953

Source: Local finance offices as reported to North Carolina Local Government Commission.  
(1) Certificates of participation and installment purchase agreements.

**Rutherford County, North Carolina  
Legal Debt Margin  
Last Ten Fiscal Years**

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assessed value of property	\$ 3,211,673,362	\$ 3,929,689,345	\$ 3,900,697,986	\$ 3,952,493,750
Debt limit	256,933,869	314,375,148	312,055,839	316,199,500
Total net debt applicable to limit	<u>19,145,000</u>	<u>60,556,191</u>	<u>57,140,177</u>	<u>53,864,028</u>
Legal debt margin	<u>\$ 237,788,869</u>	<u>\$ 253,818,957</u>	<u>\$ 254,915,662</u>	<u>\$ 262,335,472</u>
Total net debt applicable to the limit as a percentage of debt limit	7.45%	19.26%	18.31%	17.03%

**Note:** The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to 8% of the appraised value of property subject to taxation. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 12

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 4,101,537,258	\$ 4,268,223,139	\$ 5,763,453,025	\$ 5,895,063,019	\$ 5,898,920,189	\$ 5,941,961,062
328,122,981	341,457,851	461,076,242	471,605,042	471,913,615	475,356,885
55,990,633	58,234,288	71,921,640	70,851,653	65,467,961	62,891,953
<u>\$ 272,132,348</u>	<u>\$ 283,223,563</u>	<u>\$ 389,154,602</u>	<u>\$ 400,753,389</u>	<u>\$ 406,445,654</u>	<u>\$ 412,464,932</u>
17.06%	17.05%	15.60%	15.02%	13.87%	13.23%

#### Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value - January 1, 2010	<u>\$ 5,941,961,062</u>
Debt Limit (8% of total assessed value)	\$ 475,356,885
Debt applicable to limit:	
General obligation bonds	4,820,000
Other outstanding debt	<u>58,071,953</u>
Net debt applicable to limit	<u>62,891,953</u>
Legal debt margin	<u>\$ 412,464,932</u>

**Rutherford County, North Carolina  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Table 13**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2) (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
2002	63,397	\$ 1,385,954	\$ 21,861.5	38.87	10,079	11.3
2003	63,432	1,396,617	22,071	39.15	10,038	10.0
2004	63,861	1,438,323	22,646	39.49	9,967	10.9
2005	63,397	1,491,218	23,731	39.87	9,882	8.7
2006	63,771	1,529,934	24,496	38.30	9,898	8.1
2007	63,867	1,601,610	25,077	36.60	9,915	7.9
2008	63,012	1,680,310	26,667	40.56	9,533	7.7
2009	63,424	1,755,054	27,672	39.69	9,298	15.3
2010	63,835	1,700,767	26,643	40.08	9,016	14.8
2011	67,810	<i>not available</i>		42.50	8,765	14.6

(1) 2002-2007 population projected by the Office of State Planning 2008-2011 population is from the Population Division, U.S. Census Bureau. 2011 data from 2010 Census.

(2) Personal income information is from Bureau of Economic Analysis, U.S. Department of Commerce.

(3) NC Office of State Budget and Management.

(4) Public school enrollment from the North Carolina Department of Public Instruction (Final ADM).

(5) Unemployment data from U.S Bureau of Labor Statistics.

**Rutherford County, North Carolina  
Principal Employers  
Current Year and Nine Years Ago**

Table 14

<b>Employer</b>	<b><u>2011</u></b>			<b><u>2002</u></b>		
	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>
AGI Schutz - Forest City	266	1	1.03%			
Timken - Shiloh Plant	219	2	0.85%			
Trelleborg - Grace Plant (formerly Reeves)	171	3	0.67%			
Parker Hannifin Corporation	170	4	0.66%			<i>information not available</i>
Sonoco Molded Plastics	135	5	0.53%			
Eaton	132	6	0.51%			
Truck Service, Inc	130	7	0.51%			
Diamondback Tactical (formerly First Choice)	125	8	0.49%			
Milliken & Company	125	9	0.49%			
Aallied Diecasting	120	10	0.47%			
Total	1,593		6.20%			

NON-MANUFACTURING

<b>Employer</b>	<b><u>2011</u></b>			<b><u>2001</u></b>		
	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>
Rutherford County Schools (1)	1,355	1	5.27%			
Rutherford Hospital	851	2	3.31%			
State of North Carolina	708	3	2.75%			<i>information not available</i>
Rutherford County - Local Government	495	4	1.93%			
Walmart	396	5	1.54%			
Total	3,805		14.80%			

Source: Economic Development Commission October 2011

(1) includes all permanent full and part-time positions.

**Rutherford County, North Carolina**  
**Full-time Equivalent County Government Employees by Function**

<b>Function</b>	<b>Full-time Equivalent Employees</b>				
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
General government	69.73	68.73	68.73	66.00	64.00
Public safety	175.27	175.27	175.27	174.00	159.00
Environmental Protection	2.00	2.00	3.00	3.00	3.00
Economic and Physical Development	12.00	12.00	12.00	11.00	10.00
Human Services	118.00	118.00	118.00	118.00	115.00
Cultural and Recreational	9.00	9.00	9.00	9.00	8.00
Enterprise Fund - Transit	9.00	9.00	9.00	8.00	8.00
Enterprise Fund - Solid Waste	17.00	17.00	17.00	17.00	17.00
<b>Total</b>	<b>412.00</b>	<b>411.00</b>	<b>412.00</b>	<b>406.00</b>	<b>384.00</b>

Source: Rutherford County Finance Office

Table 15

<b>Full-time Equivalent Employees</b>				
<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
65.00	63.00	61.00	61.00	63.00
142.00	141.00	138.00	136.00	136.00
3.00	3.00	2.00	2.00	2.00
11.00	11.00	11.00	11.00	10.00
115.50	109.50	106.50	104.50	104.50
6.00	5.00	5.00	5.00	5.00
8.00	8.00	7.00	7.00	7.00
17.00	17.00	18.00	18.00	18.00
<b>367.50</b>	<b>357.50</b>	<b>348.50</b>	<b>344.50</b>	<b>345.50</b>

**Rutherford County, North Carolina  
Operating Indicators by Function**

Table 16

<b>Function</b>	<b>Fiscal Year</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>General Government</b>					
# Deeds/Deeds of Trusts Processed	4,867	5,490	6,420	8,717	10,177
Parcel Count	55,915	54,140	53,904	53,590	52,598
<b>Public Safety</b>					
# Inmates Processed	4,764	4,981	5,255	5,971	5,576
# Arrests	2,516	3,341	2,953	3,627	3,093
# Building Permits Issued	468	604	469	786	797
<b>Economic and Physical Development</b>					
# of Subdivision Plan Reviews*	not available	not available	34	23	50
<b>Human Services</b>					
# Senior Center Meals Served	77,069	80,667	83,889	89,453	93,499
# of Medicaid Recipients	14,198	14,318	12,927	15,454	11,430
<b>Culture</b>					
Library Book Circulation	336,373	355,060	357,898	330,125	307,922
<b>Enterprise Fund - Transit</b>					
# Trips	58,340	57,199	56,138	56,317	53,354
<b>Enterprise Fund - Landfill</b>					
Total Tonnage	56,523	53,334	61,034	64,008	69,202

Sources: Various government departments.  
Information prior to 2007 not available.

\* FY 2007 Subdivision Plan Reviews calendar year data.

**Rutherford County, North Carolina  
Capital Assets Statistics by Function**

**Table 17**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>General Government</b>										
County Buildings	33	33	33	32	31	31	31	28	28	28
County Vehicles	234	239	230	219	226	235	235	221	226	187
<b>Public Safety</b>										
Detention Center Capacity	205	205	205	205	205	205	205	205	205	205
EMS Stations	3	3	3	3	3	3	3	3	3	3
Volunteer Fire Departments	14	14	14	14	14	14	14	14	14	14
Volunteer Rescue Squads	2	2	2	2	2	2	2	2	2	2
Volunteer EMS Agencies	1	1	1	1	1	1	1	1	1	1
<b>Cultural and Recreation</b>										
Park Acreage	48	48	48	48	48	48	48	36	36	36
Public Libraries	3	3	3	3	3	3	3	3	3	3
<b>Education (Not included in the Reporting Entity)</b>										
Elementary Schools	11	11	11	11	11	12	12	12	12	12
Middle Schools	3	3	3	3	3	3	3	3	3	3
High Schools	3	3	3	3	3	3	3	3	3	3
Community Colleges	1	1	1	1	1	1	1	1	1	1
<b>Airport</b>										
Acreage	250	250	250	250	250	250	250	250	250	250
<b>Solid Waste</b>										
Convenience Centers	9	9	9	9	9	9	9	9	9	8
Manned Green Box Sites	1	1	1	1	1	1	1	1	1	2

Sources: Various government departments.

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

To the Board of County Commissioners  
Rutherford County, North Carolina

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 aggregated remaining fund information of Rutherford County, North Carolina as of and for the year ended June 30, 2011, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Rutherford County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rutherford County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rutherford County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rutherford County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Commissioners  
Page Two

This report is intended for the information of the audit committee, management, members of the Board of Commissioners, and federal and state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*David Killian CPA Group, P.A.*

Asheville, North Carolina  
December 19, 2011

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

To the Board of Commissioners  
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Rutherford County's major federal programs for the year ended June 30, 2011. Rutherford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

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

In our opinion, Rutherford County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB A-133 and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

Management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on

compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Rutherford County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended for the information of the audit committee, management, members of the Board of Commissioners, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 19, 2011

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

To the Board of Commissioners  
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Rutherford County's major State programs for the year ended June 30, 2011. Rutherford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

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

In our opinion, Rutherford County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB A-133 and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

Management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with the requirements that could have a direct and

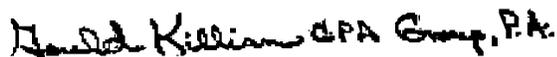
material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Rutherford County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended for the information of the audit committee, management, members of the Board of Commissioners, and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

 Donald Killian CPA Group, P.A.

Asheville, North Carolina  
December 19, 2011

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assist. Program Cluster</u>					
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program					
	10.561		\$ 467,223	\$ -	\$ 368,375
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children					
	10.557		1,335,762	-	-
Total U.S. Dept. of Agriculture					
			<u>1,802,985</u>	<u>-</u>	<u>368,375</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce					
Community Development Block Grant					
	14.228		94,180	-	-
Passed-through N.C. Housing Finance Agency					
Stewart B. McKinney Homeless Assistance Act					
	14.000		37,500	-	-
HOME Investment Partnerships Program					
	14.239		1,973	-	-
Total U.S. Dept. of Housing and Urban Development					
			<u>133,653</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of the Interior</u>					
<u>National Park Service</u>					
American Battlefield Protection Planning Grants					
	15.926		544	-	-
Total U.S. Dept. of the Interior					
			<u>544</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
State Criminal Alien Assistance Program					
	16.572		949	-	-
Bulletproof Vest Partnership Program					
	16.607		5,021	-	-
Edward Byrne Memorial Justice Assistance Grant					
	16.738		16,540	-	-
Family Based Substance Abuse Treatment Grant					
	16.812		46,335	-	-
Total U.S. Dept. of Justice					
			<u>68,845</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Energy</u>					
Office of Energy Efficiency and Renewable Energy					
ARRA-Energy Efficiency and Conservation Block Grant Program					
	81.128		133,911	-	-
Total U.S. Dept. of Energy					
			<u>133,911</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
<u>Federal Aviation Administration</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program					
	20.106		471,358	-	-
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other Than Urbanized Areas					
	20.509		171,883	10,742	-
ARRA - Formula Grants					
	20.509		63,058	-	-
Total U.S. Dept. of Transportation					
			<u>706,299</u>	<u>10,742</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>					
Passed-through the N.C. Department of Cultural Resources					
Planning Grant					
	45.310		(12,846)	-	-
Total Institute of Museum and Library Services					
			<u>(12,846)</u>	<u>-</u>	<u>-</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2011

U.S. Election Assistance Commission

Passed-through N.C. State Board of Elections				
HAVA Grant	90.401	111,481	-	-
Total U.S. Election Assistance Commission		<u>111,481</u>	<u>-</u>	<u>-</u>

U. S. Department of Homeland Security

Passed-through N.C. Dept. of Crime Control and Public Safety:				
Division of Emergency Management				
Emergency Management Performance Grants	97.042	32,973	-	-
Total U. S. Department of Homeland Security		<u>32,973</u>	<u>-</u>	<u>-</u>

U.S. Dept. of Health & Human Services

Administration on Aging

Division of Aging and Adult Services

Passed-through Isothermal Planning and Development Commission:

Aging Cluster: <sup>2</sup>

Special Programs for the Aging - Title III D				
Health Promotions Services	93.043	2,650	156	-
Special Programs for the Aging - Title III B				
Grants for Supportive Services and Senior Centers	93.044	183,444	10,789	-
Special Programs for the Aging - Title III C				
Nutrition Services	93.045	173,379	10,198	-
Nutrition Services Incentive Program	93.053	42,394	-	-
Total Aging Cluster		<u>401,867</u>	<u>21,143</u>	<u>-</u>

Administration for Children and Families

Passed-through N.C. State Board of Elections				
Voting Access for Individuals with Disabilities	93.617	4,151	-	-

Passed-through the N.C. Dept. of Health and Human Services:

Division of Social Services:

Foster Care and Adoption <sup>2</sup>

Title IV-E Foster Care - Administration	93.658	497,304	116,805	379,026
Foster Care - Direct Benefit Payments	93.658	324,790	91,095	93,734
Foster Care - Adoption	93.658	475,363	51,054	-
ARRA - IV-E Foster Care	93.658	8,256	-	-
Title IV-E Adoption Assistance - Administration	93.659	62,879	-	62,303
ARRA - IV-E Adoption Assistance	93.659	16,182	-	-
Adoption Assistance - Direct Benefit Payments	93.659	465,172	106,801	106,801
Total Foster Care and Adoption		<u>1,849,946</u>	<u>365,755</u>	<u>641,864</u>

Temporary Assistance for Needy Families Cluster

Work First /Temporary Assistance for Needy Families (TANF)	93.558	85,104	-	64,916
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs	93.714	94,348	-	-
Work First/TANF-Direct Benefit Payments	93.558	1,052,815	1,843	357,458
Total TANF Cluster		<u>1,232,267</u>	<u>1,843</u>	<u>422,374</u>

AFDC - Direct Benefit Payments	93.560	(180)	93	(49)
CSE Incentive Recovery	93.563	36,741	-	18,927
IV-D Administration	93.563	331,335	21	170,667
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	53,380	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	-	-	-
Energy Assistance - Direct Benefit Payments	93.568	975,726	-	-
Crisis Intervention Program	93.568	405,656	-	-
Child Welfare Services - State Grants				
- Adoption Subsidy - Direct Benefit Payments	93.645	-	188,971	62,990
Child Welfare Services - State Grants				
- Permanency Planning - Families for Kids	93.645	17,364	-	5,957
SSBG - Other Service and Training	93.667	229,625	23,794	84,473
Family Violence Prevention Program	93.671	817	-	-
Independent Living Grant	93.674	37,174	4,695	-
Family Preservation	93.556	5,965	-	-

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2011

Division of Aging and Adult Services:				
SSBG - State In Home Service Fund	93.667	46,727	-	6,675
SSBG - State Adult Day Care	93.667	8,699	13,653	3,193
Division of Child Development:				
Subsidized Child Care				
<u>Child Care Development Fund Cluster:</u> <sup>2</sup>				
Division of Social Services:				
Child Care Development Fund-Administration	93.596	118,592	-	-
Division of Child Development:				
Child Care and Development Block Grant	93.575	747,454	-	-
Child Care and Development Fund - Mandatory	93.596	323,063	-	-
Child Care and Development Fund - Match	93.596	421,242	229,266	-
ARRA - Child Care and Development Fund	93.713	9,930	-	-
Total Child Care Development Fund Cluster		<u>1,620,281</u>	<u>229,266</u>	<u>-</u>
ARRA - TANF Swap	93.714	132,254	-	-
Social Services Block Grant	93.667	23,919	-	-
TANF	93.558	284,945	48,144	-
TANF Job Boost	93.558	75,802	-	-
Smart Start		-	612,389	-
Total Subsidized Child Care		<u>2,137,201</u>	<u>889,799</u>	<u>-</u>
<u>Centers for Medicare and Medicaid Services</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778	63,182,338	25,234,501	9,940
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778	940,807	54,170	884,391
State Children's Insurance Program - N.C. Health Choice	93.767	25,978	2,632	5,815
Total U.S. Dept. of Health and Human Services		<u>71,923,584</u>	<u>26,801,070</u>	<u>2,317,217</u>
Total Federal Awards		<u>\$ 74,901,429</u>	<u>\$ 26,811,812</u>	<u>\$ 2,685,592</u>
<b>State Awards:</b>				
<u>N.C. Dept. of Cultural Resources</u>				
Division of State Library				
State Aid to Public Libraries		\$ -	\$ 133,701	\$ -
N.C. Arts Council				
Grassroots Arts Program		-	18,999	-
Total N.C. Dept. of Cultural Resources		<u>-</u>	<u>152,700</u>	<u>-</u>
<u>N.C. Department of Environment and Natural Resources</u>				
Division of Soil & Water Conservation				
Administration		-	3,960	-
Division of Waste Management				
Scrap Tire Program		-	18,765	-
Electronics Management		-	4,597	-
Division of Pollution Prevention and Environmental Assistance				
Community Waste Reduction and Recycling		-	14,720	-
Total N.C. Dept. of Environmental and Natural Resources		<u>-</u>	<u>42,042</u>	<u>-</u>
Natural Resources				
<u>N.C. Dept. of Health and Human Services</u>				
Passed-through Isothermal Planning and Development Commission:				
Division of Aging and Adult Services				
Health Screen		-	3,515	-
General Transportation		-	24,312	-
Senior Center General Fund		-	12,243	-
Total Division of Aging and Adult Services		<u>-</u>	<u>40,070</u>	<u>-</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2011

Division of Social Services:			
State Foster Care Benefits Program	-	209,035	177,749
State/County Special Assistance - Administration	-	-	24,923
State/County Special Assistance - Direct Benefit Payments	-	883,168	883,168
CPS Expansion State	-	152,685	-
DCD Smart Start	-	49,969	-
State Adult Protective Service	-	37,646	-
Other County Funded Programs	-	-	566,977
Total Division of Social Services	-	1,332,503	1,652,817
Total N. C. Department of Health and Human Services	-	1,372,573	1,652,817
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>			
Juvenile Crime Prevention Programs	-	181,268	-
Total N.C. Dept. of Juvenile Justice and Delinquency Prev.	-	181,268	-
<u>N.C. Dept. of Public Instruction</u>			
Public School Building Capital Fund:			
Corporate Income Tax Collections	-	2,902	-
Lottery Proceeds	-	1,496,534	-
Total N.C. Dept. of Public Instruction	-	1,499,436	-
<u>N.C. Dept. of Transportation</u>			
Equipment Grant	DOT-14	-	2,473
Rural Operating Assistance Program (ROAP)			
ROAP Elderly and Disabled Transportation Assistance Program	DOT-16CL	-	88,940
ROAP Rural General Public Program	DOT-16CL	-	97,639
ROAP Work First Transitional - Employment Transportation Assistance Program	DOT-16CL	-	32,815
Total N.C. Dept. of Transportation		-	221,867
<u>N.C. Dept. of Commerce</u>			
Passed-through N.C. Rural Economic Development Center, Inc.:			
Infrastructure Improvements	-	32,900	-
Building Re-use and Restoration Grant	-	98,616	-
Total N.C. Dept. of Commerce	-	131,516	-
<u>N.C. Dept. of Administration</u>			
County Veterans Program	-	2,000	-
Total N.C. Dept. of Administration	-	2,000	-
<u>N.C. Dept. of Corrections</u>			
Criminal Justice Partnership Program	-	92,972	-
Total N.C. Dept. of Corrections	-	92,972	-
Total State Awards	-	3,696,374	1,652,817
Total Federal and State Awards	\$ 74,901,429	\$ 30,508,186	\$ 4,338,409

**Notes to the Schedule of Expenditures of Federal and State Financial Awards:**

- Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Rutherford County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.
- The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting List Services, and Substance Abuse Services.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2011

**I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_\_\_X\_no
- Significant Deficiency(s) identified that are not considered to be material weaknesses \_\_\_\_\_yes \_\_\_\_\_X\_none reported

Noncompliance material to financial statements noted \_\_\_\_\_yes \_\_\_\_\_X\_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_\_\_X\_no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_yes \_\_\_\_\_X\_none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 \_\_\_\_\_X\_yes \_\_\_\_\_no

Major federal programs for Rutherford County for the fiscal year ended June 30, 2011 are:

<u>Program Name</u>	<u>CFDA #</u>
State Children's Insurance Program	93.767
Medicaid Assistance Program	93.778
Adoption Assistance Program	93.659

The threshold for determining Federal Type A programs for Rutherford County is \$2,247,043. New federal programs that did not meet the criteria for a major program using the criteria discussed in the OMB Circular No. A-133 Section .520 but were tested as a major programs because of a request from the Office of the State Auditor to be a major federal program. The major programs were: (1) Children's Health Insurance Program which the State identifies as the State Children's Insurance Program and (2) Adoption Assistance Program.

Rutherford County does qualify as a low risk auditee under Section .530 of Circular No. A-133.



**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2011

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

**Centers for Medicare and Medicaid Services**

Passed through the NC Dept. of Health and Human Services – Division of Social Services

Program Name: State Children’s Insurance Program – N.C. Health Choice

CFDA # 93.767

Grant Number: None

**Finding: 2011-1**

NONCOMPLIANCE

Eligibility Determination

Criteria: In accordance with the State approved plan, the requirement applicable in this case, an applicant is not eligible for assistance unless the applicant's family income falls below the State-provided income standard.

Condition: One applicant received assistance although their family income was above the State-provided income Standard.

Questioned Costs: Unable to determine. The County performs only eligibility determination. The State is responsible for the costs associated with N.C. Health Choice plan.

Context: Of the participants in August 2010 and April 2011 (approximately 750 participants outstanding) and those who applied for eligibility during August 2010 and April 2011, we examined 30 individuals and determined that one applicant received assistance for which they were not eligible.

Effect: One applicant received assistance starting in September for which they were not eligible.

Cause: Human error occurred in reading the income documentation provided by the applicant. There were two income amounts listed on the wage document. Income for “Baylor” was not included in the income calculation. The department does have procedures in place to verify that the correct thresholds are used in the eligibility determination for this program. The error would not have been prevented by an internal control procedure. We evaluated the cause of this case and determined this finding to not be a material weakness or a significant deficiency.

Recommendation: Additional training for case workers in reviewing wage documentation and questioning all wage information presented by an applicant.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement additional training for case workers in reviewing wage documentation.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2011

**IV. State Award Findings and Questioned Costs**

Refer to finding 2011-1.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the year ended June 30, 2011

There were no prior year findings.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**CORRECTIVE ACTION PLAN**  
For the year ended June 30, 2011

**Finding: 2011-1**

Name of contact person: Paula Roach, Finance Director

Corrective Action: Case workers will be provided additional training on reviewing wage documentation provided by applicants.

Proposed Completion Date: This training will be provided during the fiscal year ending June 30, 2011.