

COUNTY OF RUTHERFORD

RUTHERFORDTON, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

Rutherford County, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

Prepared By
Rutherford County Finance Department



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CHIVOUS BRADLEY

Chairman

PAUL MCINTOSH

Vice Chairman

MARGARET HELTON

Commissioner

CHARLES HILL

Commissioner

BRENT WASHBURN

Commissioner

JOHN W. CONDREY

County Manager

HAZEL S. HAYNES

Clerk to the Board

JULIE T. SCHERER

Finance Director

PAULA A. ROACH

Assistant Finance Director

Rutherford County

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

November 20, 2008

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, 2008. 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

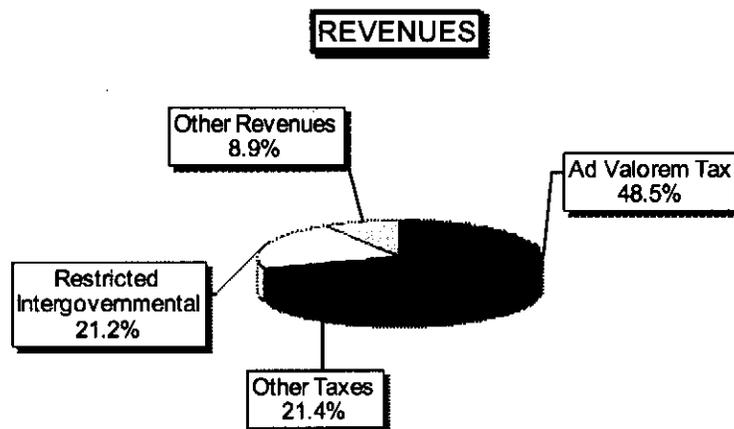
of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and 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, 2008. 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, 911, 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 increased by approximately ten percent, or \$6 million, mainly due to increases in ad valorem taxes and restricted intergovernmental revenues. Increases in these areas were partially offset by decreases in permits and fees and investment earnings.

Ad valorem and other tax revenues continue to be the largest source of revenue for the County accounting for 70% of total revenues. Ad valorem taxes accounts for 48.5% of revenues and increased eighteen percent or \$4,931,568. Real property in Rutherford County was revalued as of January 1, 2007 after a five year period since its last revaluation. The January 1, 2007 total assessed valuation increased thirty-five percent as compared to January 1, 2006. The fiscal year 2007-2008 budget was adopted based on a tax rate of 53 cents per \$100 of value as compared to a FY 2006-2007 tax rate of 61 cents per \$100 value. It is estimated that, based on growth that occurred in FY 2006-2007 in real property of seven percent, natural growth in FY 2007-2008 would have resulted in an additional \$1.8 million in property tax revenue. In addition, two cents of the 53 cents tax rate, equivalent to \$1.1 million, was appropriated to be placed in a reserve fund to begin accumulating funds for future County facilities needs. Approximately \$350,000 of the increase in ad valorem tax revenues occurred in the county's special districts (volunteer fire and sanitary districts). The remaining increase was due to incorporating fiscal planning leading up to the next revaluation in FY 2011-12, a higher than expected final valuation as of January 1, 2007 and an increased collection rate. The County added \$1.8 million to the General Fund fund balance in FY 2007-08 which has helped the County in approaching a fund balance level more consistent with counties our size. (See a more in-depth discussion of fund balance below).

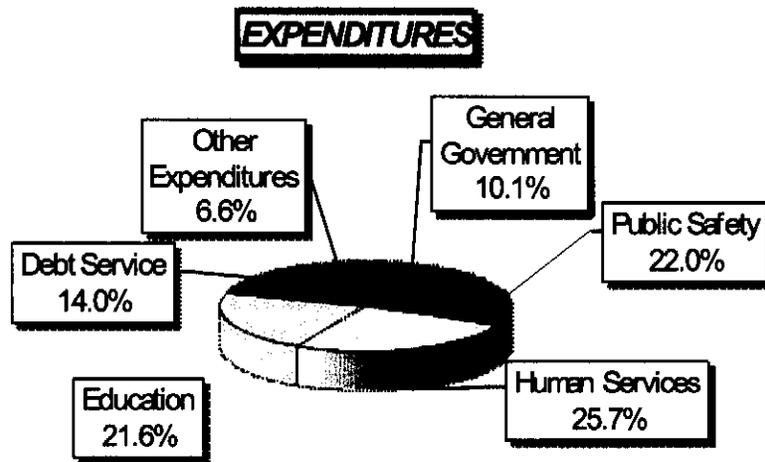
Restricted intergovernmental revenues increased thirteen percent, or \$1,596,096, mainly due to additional federal and state grant funds which were received in the areas of human services and economic and physical development.

The County experienced decreases in the areas of permits and fees and investment earnings. Permits and fees decreased eighteen percent, or \$258,076, mainly due a \$215,000 decrease in excise stamp revenue from the Register of Deeds office. This decrease is the result of a slowing economy that the County, as well as the nation, began experiencing during FY 2007-08. In addition, interest earnings decreased by twenty-nine percent, or \$311,716, due to declining interest rates.

For the fiscal year ending June 30, 2008, Rutherford County has fund balance available for expenditures of approximately \$9.6 million or 16.73% of general fund expenditures. These figures, however, reflect the \$3,150,000 advance that the General Fund made to the Capital Projects Fund for the Daniel Road land purchase. We expect the General Fund to be reimbursed for these funds in FY 2008-2009 from debt proceeds. Had that advance not occurred, fund balance available at June 30, 2008 would have been approximately \$12.7 million or approximately 22% of general fund expenditures as compared to 20% at June 30,

2007. On average, other North Carolina counties in our population group were at approximately 24% of FY 2006-2007 general fund expenditures. The overall increase in revenues has allowed the County to move closer to the average of our population group.

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 69% 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 by approximately five and one-half percent or \$3.4 million. The majority of the increase occurred in public safety and debt service. Increased expenditures in public safety of ten percent, or \$1,322,911, were mainly due to adding four additional road deputies in the Sheriff's department, two additional detention officers and having staffing necessary for Emergency Medical Dispatch in the communications departments and staffing at the new EMS satellite stations for a full year. The Sheriff's office also purchased 15 new vehicles in FY 2007-08 as compared to 10 new vehicles in FY 2006-07. The increase in fuel prices during the year also contributed to the increase. Debt service increased by thirteen percent, or \$1,061,392, due mainly to principal and/or interest payments related to the Rutherfordton Elementary COP issued in December 2007 and the Corporate 74 financing issued in June 2007.

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 2007-2008 earned \$1,217,600. The balance of cash and investments was \$35,359,852 as of June 30, 2008 as compared to \$23,855,474 as of June 30, 2007. The county's undesignated fund balance as of June 30, 2008 was \$8,283,929 in the General Fund.

DEBT ADMINISTRATION

Rutherford County has efficiently managed its debt and has planned for future debt payment. General Long-Term Debt outstanding as of June 30, 2008 is comprised of the following:

- 2003 Certificates of Participation issued for school construction - \$6,315,000
- General Obligation Bonds issued for school construction - \$7,050,000
- General Obligation Bonds issued for water and sewer construction - \$2,925,000
- 2002 Refunding of 1994 Certificates of Participation issued for county facilities - \$6,720,000
- 2001 Private Placement for county building projects - \$2,125,000
- 2002 Certificates of Participation issued for school construction - \$16,575,000
- 2002 Certificates of Participation industrial development - \$780,000
- 2005 Private Placement for school construction - \$4,097,989
- 2006 Private Placement for school construction - \$4,449,089
- 2007 Private Placement for industrial development - \$1,213,334
- 2007 DENR loan for water and sewer construction - \$314,830
- 2007 Certificates of Participation issued for school construction - \$15,393,055
- Other Capitalized Leases - \$3,963,343
- Other commitments (accrued vacation, pension) - \$1,296,065

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-six 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 two 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 "A2" with Moody Investor Service, "A+" with Fitch Ratings, and "A" with Standard and Poors Corporation. The rating for the December 2007 COPS financing is "A3" with Moody Investor Service,

and "A-" with Standard and Poors Corporation. 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 \$5,763,453,025 as of January 1, 2007. Thus, the legal debt limit of the County as of June 30, 2008 is \$461,076,242 with a legal debt margin of \$389,154,602 considering the outstanding bond debt of \$9,975,000 and other debt of \$61,946,640.

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.

Until June 30, 2005, the County also participated in a self-insured pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. The activity of this pool was accounted for in the County's financial statements as an internal service fund. The internal service fund was closed during the fiscal year ended June 30, 2008 with a final distribution to the participating entities. 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 United Concordia for dental.

In December 2003, the County established a fiduciary fund to set aside funds it received in order to continue to provide health insurance benefits for twelve mental health retirees. Upon the dissolution of the Rutherford/Polk Mental Health District, an actuarial study was performed to determine the amount of funds required to be set aside for these twelve employees. The County received this required funding from the dissolution to continue these benefits based on an agreement between the Rutherford Polk Mental Health Authority and the Rutherford County Board of Commissioners as a result of the Authority's dissolution in 2005.

THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 63,012 with a work force of 29,865. The population has grown by 1.5% since the 2000 census. This census revealed that the greatest population growth occurred in the Lake Lure area. The goods-producing employment has declined over the last decade, while the service industry employment has increased. The median age has increased to 40.5 as compared to 37.7 a decade ago. The county trend in jobs and population seems to be following the national trends in rural America.

Seventy-plus manufacturing firms are located in Rutherford County and there is a more diverse industrial base than was previously experienced led by textiles, valve manufacturing, and plastics. While utility company employees are the highest paid sector, the telecommunications subsector is a close second. Textiles and other manufacturing sectors also continue to be the leaders in employment wages. Recent trends closely resemble the national trend of an overall slowdown in textiles and manufacturing. 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. The newest tenant 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.

Unemployment in Rutherford County was trending downward through most of 2007 and early 2008. Unfortunately, the county has not had immunity from the nationwide trend of increased unemployment brought on by plant slowdowns and layoffs.

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.

Another significant industry in the County is travel and tourism. Travel and tourism campaigns and strategies are being aggressively pursued, created and implemented. The

county tourism industry employs 1,150 people and generates over \$107 million in revenues. Major attractions include Lake Lure and Chimney Rock State Park, both located in the western sector of the county. Over 1,200 rentable units are available to visitors for overnight stays. In addition to traditional hotels, cabins, cottages and houses are for rent. The county boasts 3 championship golf courses. The visitors originate from all parts of the US who come to enjoy the challenge of the courses while enjoying the scenic beauty of the area. The area is also known for its role in the filming of blockbuster movies like *The Last of the Mohicans* and *Dirty Dancing*. The Rutherford County Tourism Development Authority is the destination management authority which uses the 5% occupancy tax revenue to promote the area as a travel, tourism, retirement and convention destination.

Resort residential areas in the County have begun to develop over the past few years. Grey Rock at Lake Lure, which is home to the 2006 HGTV dream home, is a 4,000 acre development with approximately 900 planned homesites. Queens Gap, which is partially located in Rutherford County and will include a Jack Nicklaus signature golf course, has approximately 200 homesites in Phase I of its development. Queens Gap has sold over 100 lots and has completed amenities including a gatehouse, the Mountain Ridge Pavilion, the Discovery Center (a community building), and over forty percent of the golf course.

The County has implemented a strategic plan entitled *Realize Rutherford*. The plan was designed by a group of County citizens and defines a comprehensive direction for the next 10 to 20 years on issues such as economic development, education, housing, land use planning and recreation. To date over one hundred groups or individuals have committed their time and effort as Vision Partners. A Vision Partner is someone who is actively working on one of the strategies within the plan. The process is privately funded for five years through local organizations.

One challenge facing the County is re-training the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with specialty training programs to help new and existing industry to keep pace with their changing needs. The college offers 60 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. 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.

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.

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, 2007. This was the nineteenth 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

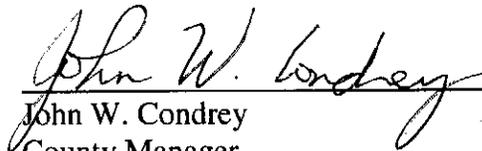
Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

USE OF REPORT

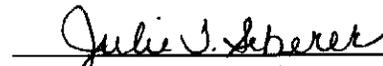
A copy of this report will be made available to various departments of the county, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

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

Respectfully submitted,



John W. Condrey
County Manager



Julie J. Scherer, CPA
Finance Director

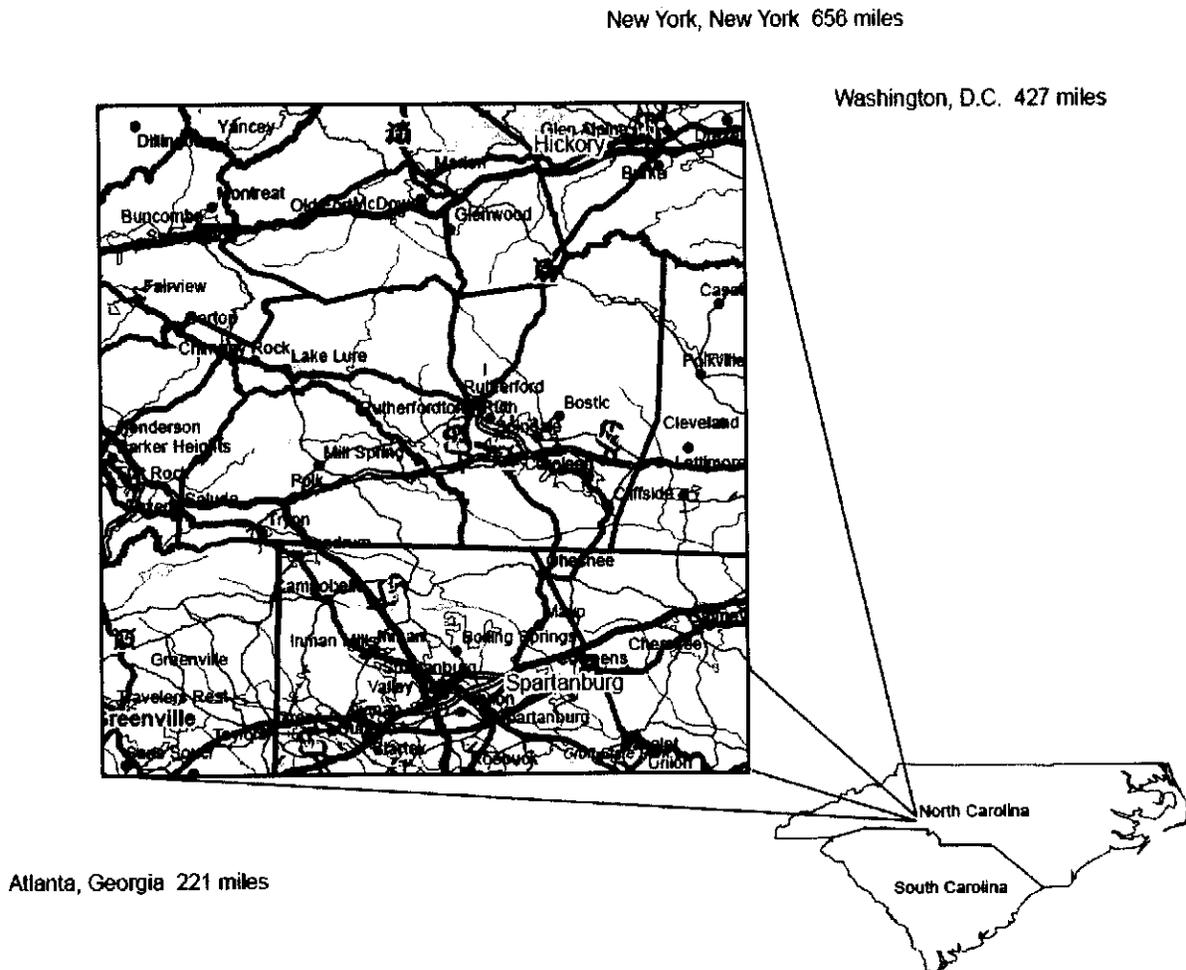
THE COUNTY

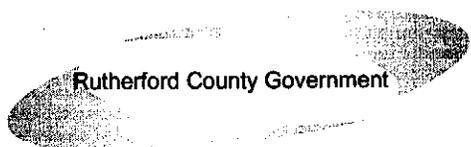
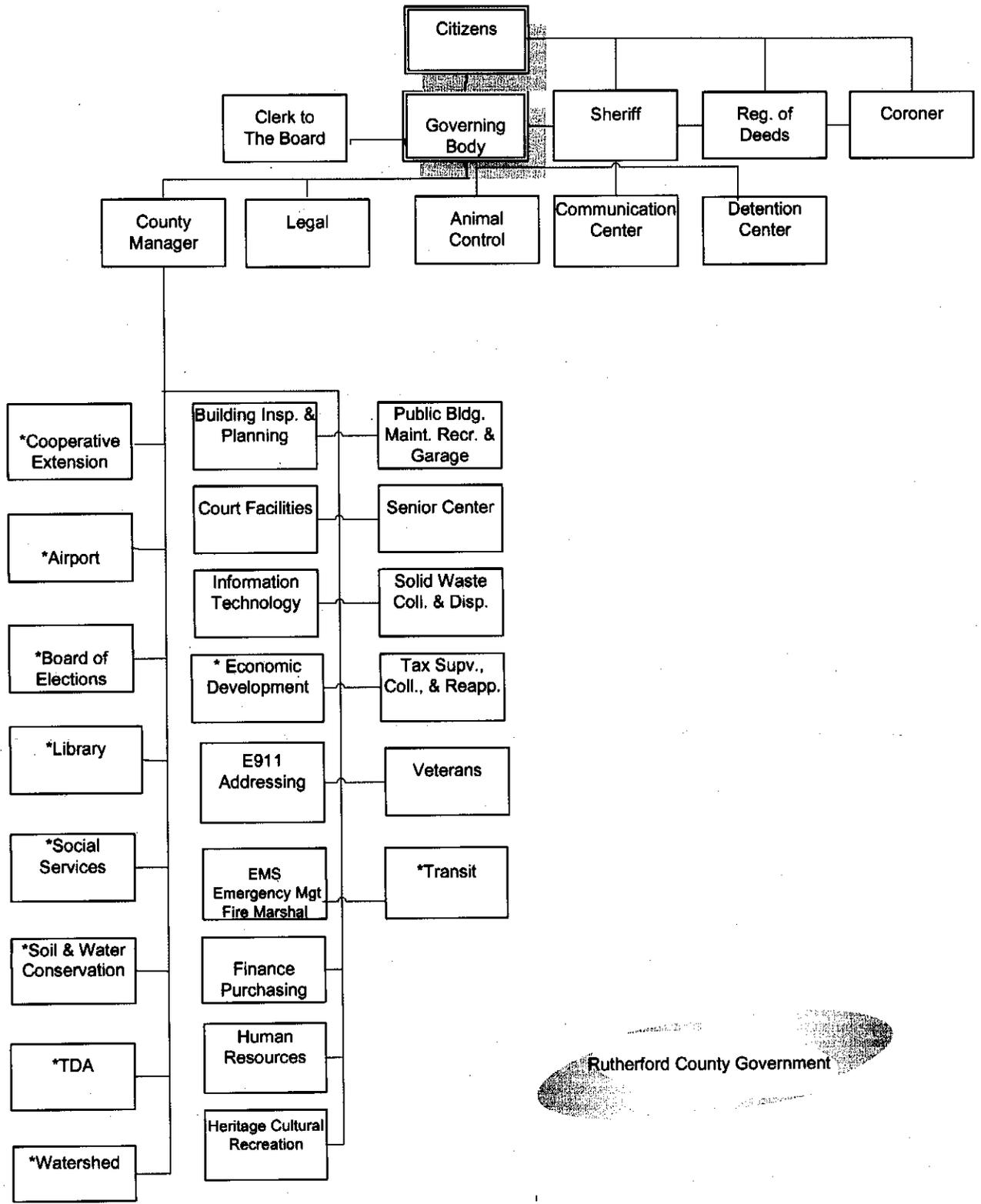
General Description

The County was formed in 1779 from Tryon and named for General Griffith B. Rutherford. The County comprises approximately 566 square miles and is nestled in the rolling foothills of the Blue Ridge Mountains in the heart of the Thermal Belt. These mountain ranges provide shelter from extreme weather conditions in winter, but have cooling mountain breezes in summer. This moderation of weather and temperatures contribute greatly to the pleasant and peaceful living conditions enjoyed by the County residents.

Located in an urban triangle comprised of Charlotte, North Carolina – 70 miles; Asheville, North Carolina – 45 miles; and Spartanburg, South Carolina – 30 miles, the residents of the County enjoy suburban living while having access to urban facilities.

50 MILE RADIUS





Note

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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2008

Board of County Commissioners

Chivous Bradley, Chairman

Paul McIntosh, Vice Chairman

Margaret Helton

Charles Hill

Brent Washburn

County Manager

John Condrey

Finance Director

Julie T. Scherer, CPA

Assistant Finance Director

Paula A. Roach





Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2008, 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, 2008, 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.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation allowance, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008 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. 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.

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 nonmajor fund and 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. Such information 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 presented in the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Gold Hillman CPA Group, P.A.

Asheville, North Carolina
November 20, 2008

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, 2008. 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

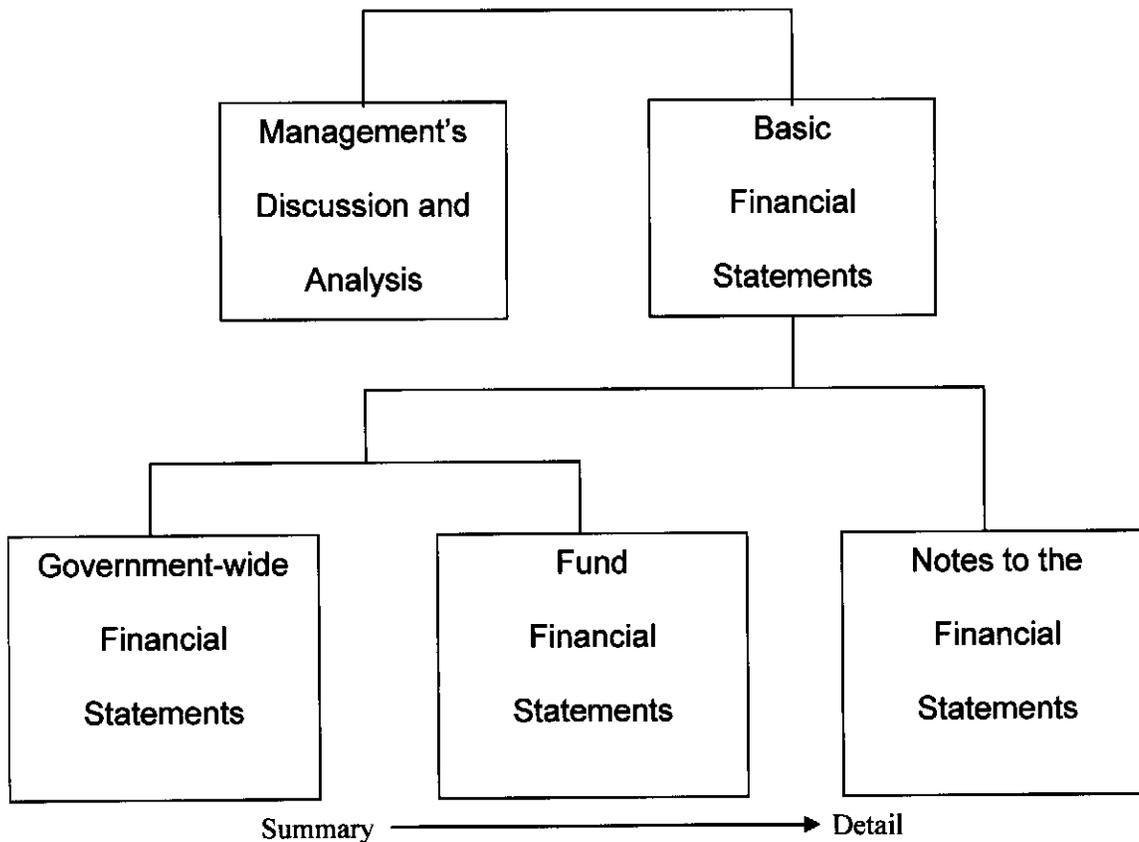
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$34,580,404, an increase of \$10,626,174 in comparison with the prior year. The combined fund balance consisted of: general fund - \$16,825,414 compared to \$15,018,433 (2007); capital projects funds - \$9,206,090 compared to \$2,980,270 (2007); non-major special revenue \$8,548,900 compared to \$5,955,528 (2007). Approximately 77 percent of this total amount, or \$26,678,814, is available for spending at the government's discretion (unreserved fund balance). In 2007, the unreserved fund balance was \$17,694,783 or 26 percent of expenditures.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$9,480,796, or 18.67% of total general fund expenditures. In 2007, unreserved fund balance in the General Fund was \$10,564,343, or 22.32% of total expenditures.
- The assets of Rutherford County's governmental activities exceeded its liabilities at the close of the fiscal year resulting in a surplus of \$8,459,645 (*net assets*). This compares to a June 30, 2007 surplus of \$2,360,146. In accordance with North Carolina law, liabilities of the County include \$24,287,880 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, vacation pay, and landfill post-closure accrual increased by \$13,777,189.
- The government's total net assets increased by \$6,042,598.

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 9) 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, economic and physical development, education, and cultural and recreation. 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 (see Figure 2) 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 both types of proprietary funds – enterprise and internal service funds. 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. Internal service funds are an accounting device used to accumulate and allocate costs internally among the functions of Rutherford County. The County used an internal service fund to account for the accumulation and allocation of costs associated with the County’s previous self-insured insurance program and the activities related to the dissolution of its self insurance fund. Because this service benefited predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements. During fiscal year ended June 30, 2008, the fund was dissolved and all assets were distributed.

Fiduciary Funds – Agency funds are used to account for resources held for the benefit of parties outside the government. Rutherford County has five agency funds. Trust funds are also funds held for the benefit of other parties. Rutherford County has one trust fund.

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 26 through 54 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 55 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 \$10,808,057 as of June 30, 2008. As of June 30, 2007, the net assets of Rutherford County stood at \$4,765,459. The County’s net assets increased by \$6,042,598 for the fiscal year ended June 30, 2008, compared to an increase of \$1,495,959 in 2007. One of the largest portions of this increase relates to the County’s investment in capital assets (e.g. land, buildings, 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, 2008, the total net deficit of (\$14,916,634) in unrestricted net assets is primarily attributable to the governmental activities unrestricted deficit balance of (\$15,304,122). In 2007, the amount of net assets invested in capital assets net of related debt was \$9,249,419, with restricted assets standing at \$3,899,058. The remaining deficit balance (\$8,383,018) was unrestricted.

Figure 2
RUTHERFORD COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 39,179,972	\$ 27,928,620	\$ 2,533,804	\$ 2,312,714	\$ 41,713,776	\$ 30,241,334
Capital assets	44,940,434	35,663,138	2,628,556	2,700,502	47,568,990	38,363,640
Total assets	\$ 84,120,406	\$ 63,591,758	\$ 5,162,360	\$ 5,013,216	\$ 89,282,766	\$ 68,604,974
Long-term liabilities outstanding	\$ 73,217,705	\$ 59,470,531	\$ 2,504,962	\$ 2,435,411	\$ 75,722,667	\$ 61,905,942
Other liabilities	2,443,056	1,761,081	308,986	172,492	2,752,042	1,933,573
Total liabilities	75,660,761	61,231,612	2,813,948	2,607,903	78,474,709	63,839,515
Net assets:						
Invested in capital assets, net of related debt	14,236,085	7,126,314	1,960,924	2,123,105	16,197,009	9,249,419
Restricted	9,527,682	3,899,057	-	-	9,527,682	3,899,057
Unrestricted	(15,304,122)	(8,665,225)	387,488	282,208	(14,916,634)	(8,383,017)
Total net assets	\$ 8,459,645	\$ 2,360,146	\$ 2,348,412	\$ 2,405,313	\$ 10,808,057	\$ 4,765,459

The majority of the governmental activities deficit in prior years consisted of the school construction debt. As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the county's outstanding debt incurred for the 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 (the latter one currently being under construction) are exceptions that the County owns the building. At the end of the fiscal year, \$24,287,880 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 96.41%. This represents a slight increase from fiscal year 2007 when the tax collection percentage for the county was 96.16%.
- Revenues increased to positively affect net assets.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.

Figure 3
RUTHERFORD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
Revenues:						
Program revenues:						
Charges for services	\$ 4,743,633	\$ 4,423,742	\$ 3,139,076	\$ 3,154,068	\$ 7,882,709	\$ 7,577,810
Operating grants and contributions	10,287,537	10,404,592	136,512	182,374	10,424,049	10,586,966
Capital grants and contributions	3,262,444	1,833,975	-	-	3,262,444	1,833,975
General revenues:						
Property taxes	32,293,717	27,438,875	-	-	32,293,717	27,438,875
Other taxes	14,430,773	14,476,573	-	-	14,430,773	14,476,573
Other	2,244,389	2,893,659	82,158	40,000	2,326,547	2,933,659
Total revenues	67,262,493	61,471,416	3,357,746	3,376,442	70,620,239	64,847,858
Expenses:						
General government	6,765,566	6,350,808	-	-	6,765,566	6,350,808
Public safety	14,150,480	12,888,356	-	-	14,150,480	12,888,356
Environmental protection	123,385	127,640	-	-	123,385	127,640
Economic and physical development	4,237,268	4,193,841	-	-	4,237,268	4,193,841
Human services	17,038,627	16,684,710	-	-	17,038,627	16,684,710
Cultural and recreation	848,479	696,619	-	-	848,479	696,619
Education	15,161,837	16,610,237	-	-	15,161,837	16,610,237
Interest on long-term debt	2,712,352	2,414,789	-	-	2,712,352	2,414,789
Landfill	-	-	3,539,647	3,384,899	3,539,647	3,384,899
Total expenses	61,037,994	59,967,000	3,539,647	3,384,899	64,577,641	63,351,899
Increase (decrease) in net assets before transfers and special items						
	6,224,499	1,504,416	(181,901)	(8,457)	6,042,598	1,495,959
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase (decrease) in net assets	6,099,499	1,379,416	(56,901)	116,543	6,042,598	1,495,959
Net assets, July 1	2,360,146	980,730	2,405,313	2,288,770	4,765,459	3,269,500
Net assets, June 30	\$ 8,459,645	\$ 2,360,146	\$ 2,348,412	\$ 2,405,313	\$10,808,057	\$ 4,765,459

Governmental activities. Governmental activities increased the County's net assets by \$6,099,499. This compares to an increase of \$1,379,416 in 2007. The key element of this increase is in Capital Assets. Four major capital assets contributed to this increase – the completion of the ICC Lifelong Learning Center, the purchase of the Daniel Road Property, the construction in progress on the Highway 74 Corporate Center and the construction in progress on the Rutherfordton Elementary School.

Business-type activities: Business-type activities decreased Rutherford County's net assets by \$56,901. The key elements of this decrease are increased fuel costs, workers compensation and the purchase of capital equipment.

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 is in the process of applying for a permit with the North Carolina Department of Environment and Natural Resources for this construction. The current contract for MSW transportation out of County expires December 2010.

The County continues to operate a Construction and Demolition (C&D) landfill as C&D is not required to be placed in a lined landfill. The County has established a two-tiered tipping fee system. The tipping fee for C&D is \$25 per ton and the tipping fee for all other commercial industrial waste is \$37 per ton. The household fee is \$100 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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$8,283,929, while total fund balance reached \$16,825,414. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 16.3 percent of total General Fund expenditures, while total fund balance represents 33.1 percent of that same amount.

At June 30, 2008, the governmental funds of Rutherford County reported a combined fund balance of \$34,580,404, a 44 percent increase as compared to last year. The primary reason for this increase is due to the unspent debt proceeds in the School Capital Projects Fund. In the General Fund, fund balance increased due to higher than anticipated revenues in ad valorem tax, sales tax, and the transfer of 911 fund balance to the General Fund due to a change in state statute. Also, Medicaid expenditures were lower than anticipated due to the Medicaid relief provided by the State.

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 \$745,970 which represents 1% of the original revenue budget. There were no amendments made in Fiscal Year 2007-2008 worth noting. Notable variances occurred between the amended budget and actual results for permits and fees (23% variance) and investment earnings (35% variance). These variances occurred due to the significant slowdown in the economy in the last half of the fiscal year. Sales tax, restricted intergovernmental, sales and services, and miscellaneous revenues exceeded budget estimates to provide positive financial results.

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 Landfill Fund at the end of the fiscal year amounted to \$387,488. The total decrease in net assets was \$56,901. 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, 2008, totals \$44,940,434 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchased new vehicles for Public Safety
- Isothermal Community College Lifelong Learning Center completed
- Construction in Progress on the Highway 74 Corporate Center and Rutherfordton Elementary School
- Purchased Daniel Road Property
- Purchased Offsite Storage Building

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 6,545,237	\$ 2,059,202	\$ 703,069	\$ 703,069	\$ 7,248,306	\$ 2,762,271
Buildings and system	30,893,808	27,693,111	1,414,029	1,567,963	32,307,837	29,261,074
Improvements other than buildings	114,340	35,420	-	-	114,340	35,420
Machinery and equipment	939,010	797,234	432,234	334,132	1,371,244	1,131,366
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	1,431,892	1,361,294	79,224	95,338	1,511,116	1,456,632
Construction in progress	5,016,147	3,716,877	-	-	5,016,147	3,716,877
Total	\$ 44,940,434	\$ 35,663,138	\$ 2,628,556	\$ 2,700,502	\$ 47,568,990	\$ 38,363,640

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

Long-term Debt. As of June 30, 2008, Rutherford County had total bonded debt outstanding of \$9,975,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation and capital lease debt outstanding follows:

Figure 5
Rutherford County's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 9,975,000	\$ 10,675,000	\$ -	\$ -	\$ 9,975,000	\$ 10,675,000
Capital leases	3,963,343	2,274,609	667,632	577,397	4,630,975	2,852,006
Installment purchase	57,668,467	44,953,677	-	-	57,668,467	44,953,677
Revolving Fund - NCDENR	314,830	331,400	-	-	314,830	331,400
Total	\$ 71,921,640	\$ 58,234,686	\$ 667,632	\$ 577,397	\$ 72,589,272	\$ 58,812,083

Rutherford County's total debt, excluding pension liability, vacation pay, and landfill postclosure accruals increased by \$13,777,189 (23.4 percent) during the past fiscal year.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard & Poors Corporation, and "A+" with Fitch Ratings. The rating for the December 2007 COPS financing is "A3" with Moody Investor Service and "A-" with Standard and Poors Corporation. 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 \$389,154,602. The County has no un-issued authorized bonds at June 30, 2008. Additional information regarding Rutherford County's long-term debt can be found in note 5 beginning on page 45 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

In 2008, Rutherford County continued to build a reputation for quality and value in advanced manufacturing. Targets for growth include automotive components, plastics, data centers and composites. Within the past two years, industrial announcements have included Sky America, Icon Products, Ultracoat, LLC, Watts Regulator, and Thieman Metals. During the past few years, unemployment has steadily declined in Rutherford County. The annual average unemployment rate in the County was 8.1 percent in 2006, 7.9 and the June, 2008 percentage was 7.7. According to the most recent county profile from the NC Department of Commerce (for the 4th quarter 2007 reporting quarter) there was \$70,922,500 in new investment from January 2006 through October 2007 and 901 jobs created during that same period of time.

The outlook for 2008 continues to look positive. The State selected the Highway 74 Corporate Center as its home for the Western North Carolina Data Center (backup data center) and construction is complete. This \$24 million State investment will create 30 to 50 jobs. Also, residential development continues throughout the County. Queens Gap, a large resort-style residential development partially located in Rutherford County, will include a Jack Nicklaus signature golf course and have approximately 200 homesites in Phase I of its development.

In September 2007, the County was awarded \$1.45 million from the GoldenLEAF foundation to increase fiber build-out within the County. This will expand on the fiber network which currently connects all Rutherford County public schools and will connect fiber to various local government assets such as fire stations, police stations and libraries. Also, the Appalachian Regional Commission awarded the County \$178,920 to enhance broadband availability and increase redundancy. The County will deploy a wireless network of equipment with the primary benefit of supporting public safety.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: The tax rate adopted for fiscal year 2008-2009 remained the same (53 cents) as compared to FY 2007-2008. A portion of the 53 cents tax rate (2.1 cents) was appropriated to be placed in a reserve fund to continue accumulating funds for future County facilities needs.

Property taxes resulting from natural growth are expected to lead the increase in revenue projections. Budgeted expenditures in the General Fund are expected to rise by approximately four and one-half percent to \$62,192,577. The largest increments are in foster care, school and community college appropriations, debt service, new positions which were funded for a portion of fiscal year 2007-2008, employee compensation, and fuel increases.

Business – type Activities: The County rates for landfill services remain the same for tipping fees and annual household user fees. However, 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. 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.

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, 2008

Primary Government

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,474,792	\$ 2,189,987	\$ 19,664,779
Receivables (net)	2,600,619	343,817	2,944,436
Due from other governments	4,354,422	-	4,354,422
Inventories	29,181	-	29,181
Prepaid items	41,220	-	41,220
Cash and cash equivalents - restricted	14,346,228	-	14,346,228
Deferred charge - issuance costs	333,510	-	333,510
Capital assets:			
Land and			
construction in progress	11,561,383	703,069	12,264,452
Other capital assets, net of depreciation	33,379,051	1,925,487	35,304,538
Total capital assets	44,940,434	2,628,556	47,568,990
Total assets	84,120,406	5,162,360	89,282,766
LIABILITIES			
Accounts payable and accrued expenses	1,570,230	308,986	1,879,216
Accrued interest payable	652,184	-	652,184
Unearned revenue	220,642	-	220,642
Long-term liabilities:			
Due within one year	7,608,761	246,313	7,855,074
Due in more than one year	65,608,944	2,258,649	67,867,593
Total long-term debt	73,217,705	2,504,962	75,722,667
Total liabilities	75,660,761	2,813,948	78,474,709
NET ASSETS			
Invested in capital assets, net of related debt	14,236,085	1,960,924	16,197,009
Restricted for:			
Register of Deeds	109,283	-	109,283
Emergency telephone system fund	212,309	-	212,309
Capital projects	9,206,090	-	9,206,090
Unrestricted (deficit)	(15,304,122)	387,488	(14,916,634)
Total net assets	\$ 8,459,645	\$ 2,348,412	\$ 10,808,057

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

Exhibit 1

Component Units

<u>Economic Development Commission</u>	<u>Rutherford County Airport Authority</u>	<u>Transit Administration</u>
\$ -	\$ -	\$ 129,438
-	-	-
-	-	114,965
-	-	-
-	-	-
-	-	-
-	-	-
-	423,979	-
-	2,373,933	197,850
<u>-</u>	<u>2,797,912</u>	<u>197,850</u>
<u>-</u>	<u>2,797,912</u>	<u>442,253</u>
-	-	104,277
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>104,277</u>
-	2,797,912	197,850
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>140,126</u>
<u>\$ -</u>	<u>\$ 2,797,912</u>	<u>\$ 337,976</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, 2008

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 6,765,566	\$ 613,421	\$ 123,435	\$ 1,467,718
Public safety	14,150,480	3,940,854	443,680	4,730
Environmental protection	123,385	-	-	5,000
Economic and physical development	4,237,268	100,750	428,939	553,202
Human services	17,038,627	88,608	9,276,016	-
Cultural and recreation	848,479	-	15,467	231,794
Education	15,161,837	-	-	1,000,000
Interest on long-term debt	2,712,352	-	-	-
Total governmental activities	61,037,994	4,743,633	10,287,537	3,262,444
Business-type activities:				
Solid Waste Disposal	3,539,647	3,139,076	136,512	-
Total business-type activities	3,539,647	3,139,076	136,512	-
	\$ 64,577,641	\$ 7,882,709	\$ 10,424,049	\$ 3,262,444
Component units:				
Economic Development Commission	\$ 588,385	\$ -	\$ 588,385	\$ -
Rutherford County Airport Authority	218,547	17,811	76,503	205,128
Transit Administration	856,421	473,465	454,086	-
Total component units	\$ 1,663,353	\$ 491,276	\$ 1,118,974	\$ 205,128
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Investment earnings, unrestricted				
Donated real estate				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
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
\$ (4,560,992)	\$ -	\$ (4,560,992)			
(9,761,216)	-	(9,761,216)			
(118,385)	-	(118,385)			
(3,154,377)	-	(3,154,377)			
(7,674,003)	-	(7,674,003)			
(601,218)	-	(601,218)			
(14,161,837)	-	(14,161,837)			
(2,712,352)	-	(2,712,352)			
<u>(42,744,380)</u>	<u>-</u>	<u>(42,744,380)</u>			
-	(264,059)	(264,059)			
-	(264,059)	(264,059)			
<u>(42,744,380)</u>	<u>(264,059)</u>	<u>(43,008,439)</u>			
			\$ -	\$ -	\$ -
			-	80,895	-
			-	-	71,130
			<u>-</u>	<u>80,895</u>	<u>71,130</u>
32,293,717	-	32,293,717	-	-	-
13,495,288	-	13,495,288	-	-	-
935,485	-	935,485	-	-	-
1,078,129	82,158	1,160,287	-	-	-
1,006,204	-	1,006,204	-	-	-
160,056	-	160,056	-	-	-
(125,000)	125,000	-	-	-	-
<u>48,843,879</u>	<u>207,158</u>	<u>49,051,037</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,099,499	(56,901)	6,042,598	-	80,895	71,130
2,360,146	2,405,313	4,765,459	-	2,717,017	266,846
<u>\$ 8,459,645</u>	<u>\$ 2,348,412</u>	<u>\$ 10,808,057</u>	<u>\$ -</u>	<u>\$ 2,797,912</u>	<u>\$ 337,976</u>

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



Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	<u>Major</u>			<u>Non-major</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u>	<u>School</u> <u>Capital Projects</u>	<u>Other</u> <u>Capital Projects</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	
ASSETS					
Cash and cash equivalents	\$ 10,219,722	\$ 654,582	\$ 83,742	\$ 6,516,746	\$ 17,474,792
Receivables, net	2,068,640	-	-	272,317	2,340,957
Due from other governments	3,981,314	88,940	18,113	266,056	4,354,423
Prepaid items	39,770	-	-	1,450	41,220
Due from (to) other funds	3,150,000	-	(4,883,665)	1,733,665	-
Inventories	29,181	-	-	-	29,181
Cash and cash equivalents - restricted	-	12,976,526	1,276,203	93,499	14,346,228
Total assets	<u>\$ 19,488,627</u>	<u>\$ 13,720,048</u>	<u>\$ (3,505,607)</u>	<u>\$ 8,883,733</u>	<u>\$ 38,586,801</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 384,360	\$ 1,008,351	\$ -	\$ 177,520	1,570,231
Unearned revenue	213,993	-	-	6,649	220,642
Deferred revenue	2,064,860	-	-	150,664	2,215,524
Total liabilities	<u>2,663,213</u>	<u>1,008,351</u>	<u>-</u>	<u>334,833</u>	<u>4,006,397</u>
Fund balances:					
Reserved for:					
Inventories and prepaid items	68,951	-	-	-	68,951
State statute	7,135,094	88,940	-	389,159	7,613,193
Court facilities	140,573	-	-	-	140,573
Register of Deeds	-	-	-	70,471	70,471
Emergency telephone system	-	-	-	9,852	9,852
Unreserved, undesignated (deficit)	8,283,929	-	(3,505,607)	-	4,778,322
Unreserved, designated for subsequent year's expenditures	1,196,867	12,622,757	-	-	13,819,624
Unreserved, reported in :					
Special revenue funds	-	-	-	8,079,418	8,079,418
Total fund balances	<u>16,825,414</u>	<u>12,711,697</u>	<u>(3,505,607)</u>	<u>8,548,900</u>	<u>34,580,404</u>
Total liabilities and fund balances	<u>\$ 19,488,627</u>	<u>\$ 13,720,048</u>	<u>\$ (3,505,607)</u>	<u>\$ 8,883,733</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.	44,940,434
Deferred charges related to bond debt issuance	333,510
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	259,662
Liabilities for earned but deferred revenues in fund statements.	2,215,524
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1).	(73,869,889)
Net assets of governmental activities	<u>\$ 8,459,645</u>

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major			Non-major	Total Governmental Funds
	General	School Capital Projects	Other Capital Projects	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 30,450,128	\$ -	\$ -	\$ 1,808,321	\$ 32,258,449
Local option sales taxes	12,788,036	-	-	707,252	13,495,288
Other taxes and licenses	-	-	-	762,681	762,681
Restricted intergovernmental	9,440,450	-	-	4,636,204	14,076,654
Permits and fees	1,177,290	-	-	-	1,177,290
Sales and services	3,134,095	-	-	107,386	3,241,481
Investment earnings	635,000	292,933	11,253	145,301	1,084,487
Miscellaneous	682,296	29,920	17,592	-	729,808
Total revenues	<u>58,307,295</u>	<u>322,853</u>	<u>28,845</u>	<u>8,167,145</u>	<u>66,826,138</u>
EXPENDITURES					
Current:					
General government	6,261,175	-	4,803,472	270,235	11,334,882
Public safety	10,998,442	-	-	3,221,871	14,220,313
Environmental protection	110,427	-	-	16,823	127,250
Economic and physical development	950,985	-	1,434,094	2,490,717	4,875,796
Human services	16,521,713	-	-	-	16,521,713
Cultural and recreational	662,849	-	-	75,534	738,383
Intergovernmental:					
Education	13,967,220	-	-	-	13,967,220
Capital outlay:					
Education	-	4,843,061	406,535	-	5,249,596
Debt service:					
Principal	1,200,496	-	-	5,093,868	6,294,364
Interest and other charges	95,969	-	-	2,658,748	2,754,717
Total expenditures	<u>50,769,276</u>	<u>4,843,061</u>	<u>6,644,101</u>	<u>13,827,796</u>	<u>76,084,234</u>
Revenues over (under) expenditures	<u>7,538,019</u>	<u>(4,520,208)</u>	<u>(6,615,256)</u>	<u>(5,660,651)</u>	<u>(9,258,096)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,008,408	415,261	-	17,517,910	18,941,579
Transfers to other funds	(8,704,929)	(652,950)	(377,033)	(9,331,667)	(19,066,579)
Debt issued	1,965,483	16,421,007	1,555,000	67,780	20,009,270
Total other financing sources and uses	<u>(5,731,038)</u>	<u>16,183,318</u>	<u>1,177,967</u>	<u>8,254,023</u>	<u>19,884,270</u>
Net changes in fund balances	1,806,981	11,663,110	(5,437,289)	2,593,372	10,626,174
Fund balances, beginning	15,018,433	1,048,587	1,931,682	5,955,528	23,954,230
Fund balances, ending	<u>\$ 16,825,414</u>	<u>\$ 12,711,697</u>	<u>\$ (3,505,607)</u>	<u>\$ 8,548,900</u>	<u>\$ 34,580,404</u>

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

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

Net changes in fund balances - total governmental funds	\$ 10,626,174
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.	8,271,092
Donated capital assets	1,006,204
Disposal of internal service fund net assets upon dissolution	(392,557)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(23,129)
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.	(13,368,322)
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>(19,963)</u>
Total changes in net assets of governmental activities	<u>\$ 6,099,499</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
Budget and Actual - General Fund
For the Year Ended June 30, 2008

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 30,067,046	\$ 30,067,046	\$ 30,450,128	\$ 383,082
Local option sales taxes	12,665,360	12,665,360	12,788,036	122,676
Restricted intergovernmental	9,080,428	9,373,309	9,440,450	67,141
Permits and fees	1,473,540	1,526,040	1,177,290	(348,750)
Sales and services	2,878,655	2,963,363	3,134,095	170,732
Investment earnings	975,000	975,000	635,000	(340,000)
Miscellaneous	177,400	493,281	682,296	189,015
Total revenues	<u>57,317,429</u>	<u>58,063,399</u>	<u>58,307,295</u>	<u>243,896</u>
Expenditures:				
Current:				
General government	6,720,213	7,312,290	6,261,175	1,051,115
Public safety	11,121,490	11,534,340	10,998,442	535,898
Environmental protection	134,879	135,835	110,427	25,408
Economic and physical development	1,112,908	1,253,192	950,985	302,207
Human services	17,976,654	17,593,106	16,521,713	1,071,393
Cultural and recreational	658,047	717,271	662,849	54,422
Intergovernmental:				
Education	13,872,520	13,967,220	13,967,220	-
Total current expenditures	<u>51,596,711</u>	<u>52,513,254</u>	<u>49,472,811</u>	<u>3,040,443</u>
Debt service:				
Principal retirement			1,200,496	
Interest and other charges			95,969	
Total debt service	1,198,583	1,327,129	<u>1,296,465</u>	30,664
Total expenditures	<u>52,795,294</u>	<u>53,840,383</u>	<u>50,769,276</u>	<u>3,071,107</u>
Revenues over (under) expenditures	<u>4,522,135</u>	<u>4,223,016</u>	<u>7,538,019</u>	<u>3,315,003</u>
Other financing sources (uses):				
Transfers from other funds	944,852	1,339,501	1,008,408	(331,093)
Transfers to other funds	(8,379,640)	(9,035,563)	(8,704,929)	330,634
Debt issued	1,965,483	1,965,483	1,965,483	-
Appropriated fund balances	947,170	1,507,563	-	(1,507,563)
Total other financing sources (uses)	<u>(4,522,135)</u>	<u>(4,223,016)</u>	<u>(5,731,038)</u>	<u>(1,508,022)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	1,806,981	<u>\$ 1,806,981</u>
Fund balances:				
Beginning			<u>15,018,433</u>	
Ending			<u>\$ 16,825,414</u>	

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

Rutherford County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Fund Solid Waste Disposal Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,189,987	\$ -
Receivables, net	343,817	-
Total current assets	2,533,804	-
Capital assets:		
Land, improvements, and construction in progress	703,069	-
Other capital assets, net of depreciation	1,925,487	-
Total capital assets	2,628,556	-
 Total noncurrent assets	 2,628,556	 -
 Total assets	 5,162,360	 -
LIABILITIES		
Current liabilities:		
Accounts payable	308,986	-
Current portion of long-term liabilities	246,313	-
Total current liabilities	555,299	-
Noncurrent liabilities:		
Accrued landfill closure and postclosure care costs	1,757,873	-
Long-term debt	500,776	-
Total noncurrent liabilities	2,258,649	-
Total liabilities	2,813,948	-
NET ASSETS		
Invested in capital assets, net of related debt	1,960,924	-
Unrestricted	387,488	-
Total net assets	\$ 2,348,412	\$ -

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, 2008

	<u>Enterprise Fund</u> <u>Solid</u> <u>Waste</u> <u>Disposal</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
OPERATING REVENUES		
Charges for services	\$ 3,069,095	\$ -
Miscellaneous	206,493	-
Total operating revenues	<u>3,275,588</u>	<u>-</u>
OPERATING EXPENSES		
Salaries, wages, and fringe benefits	1,156,044	-
Maintenance and repairs	115,411	-
Other operating expenses	1,923,476	-
Landfill closure and postclosure care costs	46,278	-
Depreciation	266,970	-
Total operating expenses	<u>3,508,179</u>	<u>-</u>
Operating income (loss)	<u>(232,591)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	82,157	-
Interest and other charges	(31,467)	-
Total nonoperating revenue (expenses)	<u>50,690</u>	<u>-</u>
Income (loss) before transfers	(181,901)	-
Distribution to other entities	-	(88,558)
Transfers from (to) other funds	<u>125,000</u>	<u>(303,999)</u>
Changes in net assets	(56,901)	(392,557)
Total net assets, beginning	<u>2,405,313</u>	<u>392,557</u>
Total net assets, ending	<u>\$ 2,348,412</u>	<u>\$ -</u>

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, 2008

	Enterprise Fund		Internal Service Fund
	Solid Waste Disposal Fund		Fund
Cash flows from operating activities:			
Cash received from customers	\$ 3,260,624	\$	-
Cash paid to employees for services	(853,485)		(69)
Cash paid for goods and services	(2,271,914)		-
Net cash provided (used) by operating activities	135,225		(69)
Cash flows from noncapital financing activities:			
Transfers in	125,000		-
Distribution upon dissolution	-		(392,557)
Net cash provided (used) by noncapital financing activities	125,000		(392,557)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(195,024)		-
Proceeds from debt	225,000		-
Principal paid on long-term debt	(134,765)		-
Interest paid on long-term debt	(31,467)		-
Net cash used by capital and related financing activities	(136,256)		-
Cash flows from investing activities:			
Interest on investments	82,157		-
Net cash provided by investing activities	82,157		-
Net increase in cash and cash equivalents	206,126		(392,626)
Cash and cash equivalents, beginning of year	1,983,861		392,626
Cash and cash equivalents, end of year	\$ 2,189,987	\$	-

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

	<u>Enterprise Fund</u>	
	Solid Waste Disposal Fund	<u>Internal Service Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (232,591)</u>	<u>\$ -</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	266,970	-
Landfill closure and postclosure care costs	(20,684)	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	(14,964)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>136,494</u>	<u>(69)</u>
Total adjustments	<u>367,816</u>	<u>(69)</u>
 Net cash provided by operating activities	 <u>\$ 135,225</u>	 <u>\$ (69)</u>

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

Rutherford County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Agency Funds	Postemployment Healthcare Plan
ASSETS		
Cash and cash equivalents	\$ 216,251	\$ 1,003,156
Accounts receivable	158	-
	216,409	1,003,156
LIABILITIES		
Accounts payable	138,678	-
Due to other taxing units	77,731	-
	216,409	-
NET ASSETS		
Held in trust for pension benefits - health insurance	\$ -	\$ 1,003,156

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

Rutherford County, North Carolina
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2008

	<u>Postemployment Healthcare Plan</u>
Additions	
Interest earnings	\$ 50,956
Total additions	<u>50,956</u>
Deductions	
Benefits	<u>34,435</u>
Total deductions	<u>34,435</u>
Changes in net assets	16,521
Net assets, beginning	<u>986,635</u>
Net assets, ending	<u><u>\$ 1,003,156</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, 2008

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.

School Capital Projects Fund – This fund is used to account for capital asset construction of public schools from general government resources and financing.

Other Capital Projects Fund – This fund is used to account for capital asset construction of County buildings and other public projects from general government resources and financing.

The County reports the following major enterprise fund:

Solid Waste 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:

Internal Service Fund. The internal service fund was used to account for the accumulation and allocation of costs associated with the County's previous self-insured group health and dental insurance programs. Due to a change to a fully insured plan on July 1, 2005, the fund has been inactive since that time other than paying prior years' claims. The fund was dissolved in the current year and the remaining fund balance was distributed to participating entities. This distribution was the only activity that occurred.

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; NCDMV 3% delinquent interest, which accounts for delinquent interest received for the first month that is collected by the County and submitted to NCDMV monthly per House Bill 1779j and the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates.

Trust Fund. The mental health retiree insurance trust fund is used to pay medical insurance premiums for mental health service retirees as established January 1, 2005.

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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, 2008 because they are intended to finance the County's operations during the 2008 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 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.

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).

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 construction	\$ 12,977,729
Reserved for county construction	<u>1,368,499</u>
	<u>\$ 14,346,228</u>

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

Amounts reported at June 30, 2008 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, 2007. 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.

(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, and the Isothermal Community College Lifelong Learning Center (the latter one currently being under construction) 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
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, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories and prepaid items - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories and prepaid items, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Court Facilities – portion of fund balance available for court facilities.

Reserved for register of deeds – portion of fund balance available to pay for computer and imaging technology in the office of the register of deeds.

Reserved for Enhanced 911 expenditures – portion of fund balance available for lease, purchase or maintenance of emergency telephone equipment for the enhanced 911 systems (including necessary computer hardware, software and data base provisioning), the nonrecurring cost of establishing a wireless enhanced 911 system, and rates associated with the local telephone companies’ charges related to the operation of the enhanced 911 system.

Unreserved

Designated for subsequent year’s expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2008-2009 budget ordinance.

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

(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 (\$26,120,759) 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)	\$ 62,634,731
Less accumulated depreciation	<u>(17,694,297)</u>
Net capital assets	44,940,434
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.	259,662
Deferred charges related to debt insurance – included on government-wide statement of net-assets but are not current financial resources.	333,510
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	2,215,524
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	(71,921,640)
Compensated absences and pension	(1,296,065)
Accrued interest payable	<u>(652,184)</u>
Total Adjustment	<u>\$ (26,120,759)</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 \$4,526,675 as follows:

Description

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 10,274,775
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.	(1,762,305)
Loss on disposal of capital assets	(241,378)
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	(20,009,270)
Expenses reported on fund statements that are capitalized on government-wide statements – debt insurance costs	346,584
The internal service fund was retired in the current year. The disposition of the beginning net assets is reported in the government-wide statement of activities.	(392,557)
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	6,294,364
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)	24,981
Amortization of debt issuance costs	(13,074)
Amortization of debt premiums	27,952
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(6,505)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(53,317)

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

Donated capital assets	1,006,204
Reversal of deferred interest revenue recorded at July 1, 2007	(266,030)
Recording of interest revenue deferred in fund statements at June 30, 2008	259,662
Reversal of deferred tax revenue recorded at July 1, 2007	(1,770,674)
Recording of tax receipts deferred in the fund statements as of June 30, 2008	1,805,943
Reversal of other deferred revenue recorded at July 1, 2007	(461,611)
Recording of other revenues deferred in fund statements as of June 30, 2008	<u>409,581</u>
Total adjustment	<u>\$ (4,526,675)</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 – Stewardship, Compliance, and Accountability

(A) **Deficit in Fund Balance**

The Other Capital Projects Fund ended the year with a deficit fund balance of \$3,505,607. This deficit occurred due to capital expenditures being made during the year for which the County plans to obtain long-term financing in calendar year 2009. The expenditures were covered in the short term with advancements from the General and Building Capital Reserve Funds. These advancements are shown as Due to/from Other Funds. Once the long-term financing is obtained, the advances will be reimbursed.

Note 3 – 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, 2008, the County's deposits had a carrying amount of \$15,021,785 and a bank balance of \$15,279,574. Of the bank balance, \$300,000 was covered by federal depository insurance, and \$14,979,574 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2008 of \$1,790.

The Transit Administration's deposits had a carrying amount and bank balance of \$129,438 all of which was covered by federal depository insurance.

(B) Investments

At June 30, 2008, the County's investments consisted of \$19,206,839 in the North Carolina Capital Cash Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. Also, the County had \$1,000,000 in the North Carolina Short Term Investment fund of ADM funds that had been approved and allocated as of June 30, 2008.

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, 2008, the County only invested in North Carolina Capital Cash Management Trust's Cash Portfolio and as of June 30, 2008, 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
2005	\$ 450,612	\$ 66,465	\$ 517,077
2006	455,399	26,185	481,584
2007	590,678	33,964	590,678
2008	598,632	-	598,632
Total	<u>\$ 2,095,321</u>	<u>\$ 208,155</u>	<u>\$ 2,303,476</u>

(D) Receivables

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,721,882	\$ 2,528,287	\$ 3,981,314	\$ 8,231,483
Other Governmental	121,653	179,318	373,108	674,079
Total receivables	1,843,535	2,707,605	4,354,422	8,905,562
Allowance for doubtful accounts	1,308,521	642,000	-	1,950,521
Total governmental activities	<u>\$ 535,014</u>	<u>\$ 2,065,605</u>	<u>\$ 4,354,422</u>	<u>\$ 6,955,041</u>
Business-type Activities:				
Solid waste	\$ 367,817	\$ -	\$ -	\$ 367,817
Total receivables	367,817	-	-	367,817
Allowance for doubtful accounts	24,000	-	-	24,000
Total – business-type activities	<u>\$ 343,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,817</u>

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

Local option sales tax	\$ 3,627,364
Other	<u>727,058</u>
Total	<u>\$ 4,354,422</u>

(E) Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,059,202	\$ 4,486,035	\$ -	\$ 6,545,237
Construction in progress	3,716,877	3,988,212	2,688,943	5,016,146
Total capital assets not being depreciated	<u>5,776,079</u>	<u>8,474,247</u>	<u>2,688,943</u>	<u>11,561,383</u>
Capital assets being depreciated:				
Buildings	37,181,241	4,395,146	275,979	41,300,408
Other improvements	486,697	90,333	-	576,730
Equipment	3,870,790	464,729	14,069	4,321,450
Vehicles	4,786,185	545,797	457,192	4,874,760
Total capital assets being depreciated	<u>46,324,913</u>	<u>5,495,675</u>	<u>747,240</u>	<u>51,073,348</u>
Less accumulated depreciation for:				
Buildings	9,488,130	969,807	51,338	10,406,599
Other improvements	451,277	11,113	-	462,390
Equipment	3,073,556	322,953	14,069	3,382,440
Vehicles	3,424,891	458,432	440,455	3,442,868
Total accumulated depreciation	<u>16,437,854</u>	<u>1,762,305</u>	<u>505,852</u>	<u>17,694,297</u>
Governmental activities capital assets, net	<u>29,887,059</u>			<u>33,379,051</u>
	<u>\$35,663,138</u>			<u>\$44,940,434</u>
Business-type activities:				
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	3,181,339	-	-	3,181,339
Equipment	1,563,039	189,524	-	1,752,563
Vehicles	423,162	5,500	14,151	414,511
Total capital assets being depreciated	<u>5,167,540</u>	<u>195,024</u>	<u>14,151</u>	<u>5,348,413</u>
Less accumulated depreciation for:				
Buildings and improvements	1,613,376	153,934	-	1,767,310
Equipment	1,228,907	91,422	-	1,320,329
Vehicles	327,824	24,614	14,151	335,287
Total accumulated depreciation	<u>3,170,107</u>	<u>266,970</u>	<u>14,151</u>	<u>3,422,926</u>
Total capital assets being depreciated, net	<u>1,997,433</u>			<u>1,925,487</u>
Solid Waste Disposal capital assets, net	<u>\$ 2,700,502</u>			<u>\$ 2,628,556</u>

Depreciation Expense:

Governmental activities:

General Government	\$ 382,895
Public Safety	670,348
Economic and physical development	48,674
Environmental Protection	2,273
Human services	165,183
Cultural and recreational	43,219
Education	449,712
Total depreciation expense	<u>\$ 1,762,305</u>

Business-type activities:

Solid Waste Disposal	\$ 266,970
	<u>\$ 266,970</u>

Discretely presented component units	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Airport				
Capital assets not being depreciated:				
Land	\$ 423,979	\$ -	\$ -	\$ 423,979
Total capital assets not being depreciated	<u>423,979</u>	<u>-</u>	<u>-</u>	<u>423,979</u>
Capital assets being depreciated:				
Buildings and improvements	3,156,783	205,128	-	3,361,911
Equipment	181,073	-	-	181,073
Total capital assets being depreciated	<u>3,337,856</u>	<u>205,128</u>	<u>-</u>	<u>3,542,984</u>
Less accumulated depreciation for:				
Buildings and improvements	953,307	111,935	-	1,065,242
Equipment	91,511	12,298	-	103,809
Total accumulation depreciation	<u>1,044,818</u>	<u>124,233</u>	<u>-</u>	<u>1,169,051</u>
Rutherford County Regional Airport capital assets, net	<u>2,293,038</u>			<u>2,373,933</u>
	<u>\$ 2,717,017</u>			<u>\$ 2,797,912</u>

Transit

Capital assets being depreciated:

Equipment	\$ 17,167	\$ -	\$ -	\$ 17,167
Vehicles	880,686	146,447	95,182	931,951
Total capital assets being depreciated	<u>897,853</u>	<u>146,447</u>	<u>95,182</u>	<u>949,118</u>

Less accumulated depreciation for:

Equipment	17,167	-	-	17,167
Vehicles	771,546	57,737	95,182	734,101
Total accumulated depreciation	<u>788,713</u>	<u>57,737</u>	<u>95,182</u>	<u>751,268</u>
Total capital assets being depreciated, net	<u>109,140</u>			<u>197,850</u>

Rutherford County Transit Administration capital assets, net

	<u>\$ 109,140</u>			<u>\$ 197,850</u>
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Note 4 – Liabilities

(A) Payables

Payables at the government-wide level at June 30, 2008, were as follows:

	Vendors	Salaries and Accrued Benefits	Interest	Total
Governmental Activities				
General	\$ 376,747	\$ 7,613	\$ -	\$ 384,360
Other Governmental	1,184,839	1,031	652,184	1,838,054
Total-governmental activities	\$ 1,561,586	\$ 8,644	\$ 652,184	\$ 2,222,414
Business-type Activities				
Solid waste	\$ 277,560	\$ 31,426	\$ -	\$ 308,986
Total - business-type activities	\$ 277,560	\$ 31,426	\$ -	\$ 308,986

(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 4.93% of annual covered payroll. For County law enforcement officers the current rate is 4.78% 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, 2008, 2007, and 2006 were \$1,469,271, \$1,360,124 and \$1,260,574, respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$22,237, \$20,735, and \$19,827, respectively. The Economic Development Commission's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$10,383, \$9,736, and \$16,207, 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, 2007, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	8
Active plan members	<u>64</u>
Total	<u><u>72</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, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% 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, 2007 was 24 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	\$ 81,774
Interest on net pension obligation	23,512
Adjustment to annual required contribution	<u>(19,928)</u>
Annual pension cost	85,358
Contributions made	<u>78,853</u>
Increase in net pension obligation	6,505
Net pension obligation beginning of year	<u>324,303</u>
Net pension obligation end of year	<u><u>\$ 330,808</u></u>

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
6/30/08	\$ 85,358	92.37%	\$ 330,808
6/30/07	84,234	77.27%	324,303
6/30/06	85,168	66.67%	305,159

Funded Status and Funding Progress.

As of December 31, 2007, 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 \$838,788. The covered payroll (annual payroll of active employees covered by the plan) was \$2,717,526 and the ratio of the UAAL to the covered payroll was 30.87%.

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, 2008 were \$171,160, which consisted of \$138,625 from the County and \$32,535 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 4% 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, 2008 were \$706,102, which consisted of \$522,134 from the County and \$183,968 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2008 were \$15,681, which consisted of \$10,173 from the Rutherford County Transit Administration and \$5,508 from the employees. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2008 were \$5,507, which consisted of \$4,635 from the Economic Development Commission and \$872 from the employees.

Postemployment Benefits

In addition to providing pension benefits, the County has elected to provide postretirement health benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System). For employees hired prior to August 1, 2005, that have twenty years of creditable service with the County, the County pays the full cost of coverage for these benefits. For employees hired on or after August 1, 2005, the County pays 50% of the health insurance premiums and limited to one-half of FY 2005-2006 rates.

Currently, 59 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2008, the County made payments for postretirement health benefit premiums of \$167,895. The County is not obligated by statutory, contractual or other authority to make contributions for postemployment 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, 2008, the County made contributions to the State for death benefits of \$18,582. 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, 2008, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$223 and \$67, 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, 2008, the County's required and actual contributions were \$6,575.

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 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)	\$ -	\$ 213,993
Prepaid taxes not yet earned (Special Revenue)	-	6,649
Taxes receivable, net (General)	1,655,279	-
Taxes receivable, net (Special Revenue)	150,664	-
Other receivable, (General)	409,581	-
	<u>\$ 2,215,524</u>	<u>\$ 220,642</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, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single losses in excess of \$750,000 up to \$1.7 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. Because the County is in area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP.

From July 1, 2003 through June 30, 2005, the County participated in a self-insured pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. To account for the activities of the self-funded pool, the County established an Internal Service Fund. All three entities contributed to the pool on the same basis. The employees of each agency shared the common benefits and the common obligations of the pool. The balance in the fund as of June 30, 2007 of \$392,557 was distributed among the participating entities during Fiscal Year 2008 upon dissolution.

Effective July 1, 2005 the benefit plan transitioned back to a fully insured plan. Participants in the current fully insured plan include all full-time agency employees, all retired employees with more than twenty years of service, all disabled retired 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). As of June 30, 2008, the program had 536 active participants. 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, 2008 were North Carolina State Health Plan for medical and United Concordia 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.

The Rutherford Polk Mental Health Authority officially dissolved June 30, 2005. As of December 31, 2003, the Rutherford Polk Mental Health ceased employment and Western Highlands LME served as the local management entity to coordinate services in the area. An actuarial study was performed in October, 2003 that determined the actuarially-determined value of the promised benefits to retirees were \$965,000. Following discussion with the Rutherford County Commissioners and Rutherford Polk Mental Health Authority, the boards agreed that \$1,061,500 would be sent to the County from the existing Rutherford Polk Mental Health Authority to pay retiree healthcare benefits. In December 2003, the County established a fiduciary fund to account for the funding and costs to provide health insurance for twelve mental health retirees.

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 treasurer and tax collector 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, 2008, 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 5 – 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:

Buildings	\$ 26,565,792
Vehicles	3,969,053
Equipment & Software	<u>2,269,142</u>
	<u>\$ 32,803,987</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, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Serviced by the General Fund:</u>				
Vehicle and equipment lease purchase agreement, 2005 \$839,509 issue, monthly payments of \$24,296, including interest at 2.68% through January, 2008	\$ 168,561	\$ –	\$ 168,561	\$ –
Vehicle and equipment lease purchase agreement, 2006 \$651,300 issue, monthly payments of \$19,090, including interest at 3.52% through February, 2009	370,293	–	219,568	150,725

Vehicle and equipment lease purchase agreement, 2006 \$484,000 issue, monthly payments of \$8,813, including interest at 3.54% through February, 2011	363,178	–	94,428	268,750
Equipment lease purchase agreement, 2007 \$1,565,483 issue, monthly payments of \$36,605, including interest at 4.03% through March, 2010	1,138,766	–	397,620	741,146
Vehicle and equipment lease purchase agreement, 2008 \$1,565,483 issue, monthly payments of \$45,464, including interest at 2.91% through January, 2011	–	1,565,483	209,353	1,356,130
Software lease purchase agreement, 2008 \$400,000 issue, monthly payments of \$7,291, including interest at 2.94% through December, 2012	–	400,000	31,708	368,292
<u>Serviced by Schools Capital Reserve 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	–	1,000,000	79,258	920,742
<u>Serviced by ROD Automation Funds</u>				
Equipment lease purchase agreement, 2005 \$1,700,000 issue, monthly payments of \$4,920, including interest at 2.68% through January, 2008	34,133	–	34,133	–
<u>Serviced by Emergency Telephone System Fund</u>				
Equipment lease purchase agreement, 2002 \$235,565 issue, monthly payments of \$4,394, including interest at 3.9% through November, 2007	21,758	–	21,758	–
Equipment lease purchase agreement, 2005 \$129,500 issue, monthly payments of \$3,748, including interest at 2.68% through January, 2008	26,002	–	26,002	–
Equipment lease purchase agreement, 2007 \$165,000 issue, monthly payments of \$4,888, including interest at 4.03% through March 2010	151,918	–	53,077	98,841
Equipment lease purchase agreement, 2008 \$67,780 issue, monthly payments of \$1,968, including interest at 2.91% through January 2011	–	67,780	9,063	58,717
Total capital leases	<u>\$ 2,274,609</u>	<u>\$ 3,033,263</u>	<u>\$ 1,344,529</u>	<u>\$ 3,963,343</u>

For Rutherford County, the future minimum payments as of June 30, 2008, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008/09	\$ 1,528,323	\$ 103,441
2009/10	1,299,509	55,052
2010/11	686,773	21,930
2011/12	296,955	9,213
2012/13	151,782	1,304
Total	<u>\$ 3,963,343</u>	<u>\$ 190,940</u>

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

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</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	\$ 577,397	\$ -	\$ 116,934	\$ 460,463
Equipment lease purchase agreement, 2008 \$225,000 issue, monthly payments of \$4,100, including interest at 2.94% through December, 2012	-	225,000	17,831	207,169
Total capital leases	<u>\$ 577,397</u>	<u>\$ 225,000</u>	<u>\$ 134,765</u>	<u>\$ 667,632</u>

For Rutherford County, the future minimum payments as of June 30, 2008, including interest are:

	<u>Solid Waste Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2008/09	\$ 166,856	\$ 28,084
2009/10	174,708	20,231
2010/11	182,948	11,991
2011/12	118,728	3,344
2012/13	24,392	210
Total	<u>\$ 667,632</u>	<u>\$ 63,860</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, 2008 by installment purchase.

<u>Governmental Activities</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
<u>Serviced by the Debt Service Fund</u>				
Public facilities project installment purchase agreement, 2001 \$3,500,000 issue, interest at 4.74% through July 2016.	\$ 2,375,000	\$ —	\$ 250,000	\$ 2,125,000
Public facilities project private placement, 2005 \$4,502,500 issue, interest at 3.55% due semiannually to 2020	4,264,075	—	166,086	4,097,989
Public facilities project installment purchase agreement, 2006 \$4,873,000 issue, interest at 4.17% due semiannually to 2021	4,734,602	—	285,513	4,449,089
Public facilities project certificates of participation, 2003 \$29,590,000 issue, interest at 1.5% to 5% due semiannually to 2023	25,540,000	—	1,465,000	24,075,000
Public facilities project certificates of participation, 2003 \$7,740,000 issue, interest at 2% to 5% due semiannually to 2023	6,740,000	—	425,000	6,315,000
Public facilities project certificates of participation, 2007 \$14,680,000 issue, interest at 4% to 5% due semiannually to 2027. A premium of \$741,007 is represented as an increase to long-term debt and will be amortized over the life of the debt.	—	15,421,007	27,952	15,393,055
Economic development installment purchase agreement, 2007 \$1,300,000 issue, interest at 5.59% due semiannually to 2022	1,300,000	—	86,666	1,213,334
Total installment purchases	<u>\$44,953,677</u>	<u>\$15,421,007</u>	<u>\$ 2,706,217</u>	<u>\$57,668,467</u>

For Rutherford County, the future minimum payments as of June 30, 2008, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008/09	\$ 2,781,244	\$ 2,551,896
2009/10	2,884,943	2,452,290
2010/11	3,078,207	2,347,135
2011/12	3,811,982	2,205,163
2012/13	3,831,982	2,033,503
2013/18	19,089,911	7,476,750
2018/23	16,272,143	3,178,393
2023/28	5,205,000	546,338
Total	56,955,412	<u>\$ 22,791,468</u>
Add unamortized premium	<u>713,055</u>	
	<u>\$ 57,668,467</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. These loans 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</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Serviced by the Debt Service Fund</u>				
Public facilities DENR water quality loan, 2007 \$331,400 issue, interest at 2.305% due semiannually to 2027	\$ 331,400	\$ –	\$ 16,570	\$ 314,830
Total Revolving Fund - DENR	<u>\$ 331,400</u>	<u>\$ –</u>	<u>\$ 16,570</u>	<u>\$ 314,830</u>

For Rutherford County, the future minimum payments as of June 30, 2008, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008/09	\$ 16,570	\$ 7,256
2009/10	16,570	6,875
2010/11	16,570	6,494
2011/12	16,570	6,111
2012/13	16,570	5,729
2013/18	82,850	22,916
2018/23	82,850	13,368
2023/28	66,280	3,819
Total	<u>\$ 314,830</u>	<u>\$ 72,568</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</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Refunding bonds, 2003A \$1,148,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023	\$ 1,265,000	\$ –	\$ 80,000	\$ 1,185,000
Refunding bonds, 2003B \$16,940,000 issue interest at 2.5% to 4.5%, payable semiannually, due serially 2011	7,965,000	–	2,100,000	5,865,000
General obligation bonds, 2006 \$1,520,000 issue interest at 4% to 6%, payable semiannually, due serially 2026	1,445,000	–	75,000	1,370,000
General obligation bonds, 2008 \$1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028	–	1,555,000	–	1,555,000
Total general obligation bonds	<u>\$10,675,000</u>	<u>\$ 1,555,000</u>	<u>\$ 2,255,000</u>	<u>\$ 9,975,000</u>

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

	Governmental Activities	
	Principal	Interest
2008/09	\$ 2,255,000	\$ 353,144
2009/10	2,185,000	281,944
2010/11	2,115,000	212,844
2011/12	230,000	141,881
2012/13	230,000	132,731
2013/18	1,150,000	524,199
2018/23	1,135,000	285,626
2023/28	675,000	77,875
Total	<u>\$ 9,975,000</u>	<u>\$ 2,010,244</u>

(E) 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, 2008

	Long-Term Debt			Long-Term Debt June 30, 2008	Current Portion of Balance
	June 30, 2007	Additions	Retirements		
Governmental Activities					
By type of debt:					
Capital leases	\$ 2,274,609	\$ 3,033,263	\$ 1,344,529	\$ 3,963,343	\$ 1,528,323
Installment purchase	44,953,677	15,421,007	2,706,217	57,668,467	2,843,611
Revolving fund – DENR	331,400	–	16,570	314,830	16,570
General obligation bonds	10,675,000	1,555,000	2,255,000	9,975,000	2,255,000
Pension liability	324,303	85,358	78,853	330,808	–
Vacation pay	911,940	853,553	800,236	965,257	965,257
Total	<u>\$59,470,929</u>	<u>\$20,948,181</u>	<u>\$ 7,201,405</u>	<u>\$73,217,705</u>	<u>\$ 7,608,761</u>
By purpose:					
School	\$42,278,738	\$16,421,007	\$ 4,156,731	\$54,543,013	
General government:					
-equipment/vehicles/software	2,274,609	2,033,263	1,265,271	3,042,601	
-public facilities	9,586,446	–	663,656	8,922,791	
-economic development	4,094,893	1,555,000	236,658	5,413,235	
Pension liability	324,303	85,358	78,853	330,808	
Vacation pay	911,940	853,553	800,236	965,257	
Total	<u>\$59,470,929</u>	<u>\$20,948,181</u>	<u>\$ 7,201,405</u>	<u>\$73,217,705</u>	
Reconciliation:					
Current portion				\$ 7,608,761	
Subsequent years				<u>65,608,944</u>	
				<u>\$73,217,705</u>	
Business-type Activities					
Capital lease -equipment	\$ 577,397	\$ 225,000	\$ 134,765	\$ 667,632	\$ 166,856
Accrued landfill	1,858,014	–	20,684	1,837,330	79,457
Total	<u>\$ 2,435,411</u>	<u>\$ 225,000</u>	<u>\$ 155,449</u>	<u>\$ 2,504,962</u>	<u>\$ 246,313</u>

Compensated absences typically have been liquidated in the general fund.

At June 30, 2008, the County had a legal debt margin of approximately \$389,154,602.

(F) 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, 2008, there were three series of industrial revenue bonds outstanding, with issued amounts totaling \$10,500,000 and an aggregate principal amount payable of \$4,210,000.

Note 6 – Closure and Postclosure Care Costs - Rutherford County Central 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. State and federal laws and regulations require the County to place a final cover on this landfill upon its closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although the County has just recently started to incur closure and postclosure care costs, the County accrued costs as an operating expense during the years of operation based on landfill capacity consumed as of each balance sheet date. During the year ended June 30, 2008, the County expended \$20,684 of postclosure care costs. The \$1,837,330 accrual reported on the Statement of Net Assets is the present value of estimated postclosure care costs at June 30, 2008. Actual costs may vary due to inflation, changes in technology, or changes in regulations.

Changes in the post closure care cost liabilities follows:

Estimate, June 30, 2007	\$ 1,858,014
Retirement	20,684
Estimate, June 30, 2008	<u>\$ 1,837,330</u>

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 7 – Contingent Liability

Economic Development Grant

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 were awarded in December 2004, April 2005 and October 2005, respectively. These grants have certain requirements which include having a firm commitment for a specific number of new jobs within the Rutherford 74 Corporate Center before December 31, 2008. Due to the fact that the County does not have a firm commitment for a specific number of new jobs within the Rutherford 74 Corporate Center at this time, there is a reasonable possibility that the County could be required to repay these grants. The County has expended and received reimbursement from these grants totaling \$1,017,349, which would be the maximum amount that could possibly be repaid.

The Corporate 74 Industrial Park is located at the intersection of US Highway 74 and Old Caroleen Road. It is situated on 95 acres with 72 acres of rough-graded property. It is currently subdivided into eight lots. It is home to the North Carolina State Data Center.

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 8 – Interfund Balances and Activities**Due to/from other funds:**

The Capital Projects – Other Fund was advanced \$3,150,000 from the General Fund and \$1,733,665 from the Building Capital Reserve for the purchase of land and a building. The County anticipates financing the project in calendar year 2009 and will reimburse the funds with debt proceeds.

Transfers to/from other funds at June 30, 2008 consist of the following:

From	To	For	Amount
General Fund:			
General	School Capital Reserve	Sales tax collections designated school construction	\$4,777,446
General	Building Capital Reserve	Sales tax collection designated for facilities	1,220,537
General	Building Capital Reserve	Payment for building construction debt	46,367
General	Building Capital Reserve	Ad valorem collections designated for facilities	1,102,390
General	School Capital Reserve	Transfer ADM hold harmless to reserve	314,512
General	College Capital Reserve	Sales tax collections designated for college construction	122,777
General	Reappraisal	Contribution for reappraisal expenses	260,000
General	Debt Service	Payment of economic development debt	273,251
General	Water & Sewer Project	Sales tax collections designated utility construction	294,904
General	Register of Deeds Automation	Accumulate resources for office automation	71,429
General	Grant	Local funds for economic development	76,680
General	Grant	Local funds for public safety grant	4,730
General	Grant	Local funds for airport approach survey	5,128
General	Grant	Local funds for airport improvements	9,778
General	Solid Waste	Reimbursement of prior year transfer	125,000
			<u>\$8,704,929</u>
Major Governmental Funds:			
School Capital Projects	School Capital Reserve	Transfer unexpended project balance to reserve	652,950
Other Capital Projects	Building Capital Reserve	Transfer unexpended project balance to reserve	377,033
			<u>\$1,029,983</u>

Non-major Governmental Funds:			
Emergency Telephone	General	Result of a state statute change	472,607
Emergency Telephone	Reappraisal	Result of a state statute change	250,000
Building Capital Reserve	Debt Service	Payment of building construction debt	1,065,708
Building Capital Reserve	General	County building projects	89,602
Building Capital Reserve	Grant	Provide local share for airport improvements	16,667
Building Capital Reserve	College Capital Reserve	Transfer unexpended project balance to reserve	312,830
School Capital Reserve	Debt Service	Payment of school construction debt	6,066,797
School Capital Reserve	General	School special project	231,525
School Capital Reserve	General	School technology	91,120
School Capital Reserve	School Capital Projects	Land	415,261
College Capital Reserve	General	College	94,700
Fire Districts	Debt Service	Hollis VFD contribution to debt service for payment	3,475
Fire Districts	General	Contribution for deputy fire marshal	28,853
Water & Sewer Project	Debt Service	Contribution to debt service for payment	192,520
Total			<u>\$9,331,667</u>

Note 9 – 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, 2008. The County contributed \$102,168 to the Authority to fund operations during fiscal year June 30, 2008. 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, 2008. The County contributed \$269,079 to the District to fund operations during fiscal year June 30, 2008. 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 \$1,942,636 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2008. 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, 2008. 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 10 – 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 \$11,130 to the Council during the fiscal year ended June 30, 2008.

Note 11 – 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 12 – 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	\$ 83,599,993
Food stamps program	9,142,543
Temporary assistance to needy families	747,045
SC/SA domiciliary care	1,089,860
Energy assistance	202,425
Title IV-E adoption/foster care	601,259
	<u>\$ 95,383,125</u>

Note 13 – General Revenues – Donated Real Estate

Capital assets reflected on the Balance Sheet for the fiscal year ending June 30, 2008 includes a building located on the campus of Isothermal Community College with a total cost of \$4,101,682. The building was constructed by the College using funds received from both the County and the State. Upon completion in 2008, the College transferred ownership of the building to the County. Of the \$4,101,682 cost, \$1,437,169 was expended by the County and \$2,664,513 was expended by the State. The County has reported the \$2,664,513 expended by the State as revenue from donated real estate (\$1,006,204 in FY 2007-2008 and \$1,658,309 previously reported in FY 2006-2007).

RUTHERFORD COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll for Year Ending On Val Date (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/1998	-	\$ 222,079	\$ 222,079	0.00%	\$ 1,713,020	12.96%
12/31/1999	-	285,944	285,944	0.00%	1,719,678	16.63%
12/31/2000	-	466,434	466,434	0.00%	1,877,528	24.84%
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%

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
1999	\$ 32,718	\$ 5,547	16.95%
2000	37,521	10,133	27.01%
2001	45,550	13,541	29.73%
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%

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	12/31/07
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
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, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 10,219,722	\$ 11,453,342
Receivables (net):		
Taxes	1,655,279	1,639,315
Governmental agencies	3,981,314	3,721,726
Accounts	413,361	468,734
Due from other funds	3,150,000	327,386
Inventories	29,181	34,106
Prepaid items	39,770	209,751
	<hr/>	<hr/>
Total assets	\$ 19,488,627	\$ 17,854,360
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 384,360	\$ 566,489
Unearned revenues	213,993	168,512
Deferred revenues	2,064,860	2,100,926
	<hr/>	<hr/>
Total liabilities	2,663,213	2,835,927
	<hr/>	<hr/>
Fund Balances:		
Reserved:		
By State statute	7,135,094	4,056,235
For inventories and prepaid items	68,951	243,857
For court facilities	140,573	153,998
Unreserved:		
Designated for subsequent years' budget	1,196,867	1,184,546
Undesignated	8,283,929	9,379,797
	<hr/>	<hr/>
Total fund balances	16,825,414	15,018,433
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 19,488,627	\$ 17,854,360
	<hr/> <hr/>	<hr/> <hr/>

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2008
 (With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 28,909,546	\$ 29,213,344	\$ 303,798	\$ 24,771,061
Prior years	900,000	940,841	40,841	842,139
Penalties and interest	257,500	295,943	38,443	250,764
Total	<u>30,067,046</u>	<u>30,450,128</u>	<u>383,082</u>	<u>25,863,964</u>
Local option sales taxes	<u>12,665,360</u>	<u>12,788,036</u>	<u>122,676</u>	<u>12,673,966</u>
Restricted intergovernmental revenues:				
ABC net revenues	12,000	12,569	569	11,910
Court facilities	175,400	166,148	(9,252)	191,107
Federal and state grants	9,185,909	9,261,733	75,824	8,427,613
Total	<u>9,373,309</u>	<u>9,440,450</u>	<u>67,141</u>	<u>8,630,630</u>
Permits and fees:				
Building permits	429,740	400,181	(29,559)	404,019
Register of deeds	460,000	412,499	(47,501)	463,594
Marriage license	12,000	12,900	900	12,800
Revenue stamps	566,800	288,887	(277,913)	504,013
Cable franchise fees	40,000	42,259	2,259	28,726
Rental vehicle tax	17,500	20,564	3,064	22,214
Total	<u>1,526,040</u>	<u>1,177,290</u>	<u>(348,750)</u>	<u>1,435,366</u>
Sales and services:				
Rents, concessions and fees	161,773	168,721	6,948	100,335
Sheriff's fees	235,476	325,537	90,061	175,313
Senior Center meals	82,000	88,608	6,608	82,754
EMS fees	1,674,000	1,702,027	28,027	1,935,544
Court costs, fees and charges	91,000	86,976	(4,024)	89,005
Detention Center fees	618,600	658,525	39,925	623,911
Tax collection fees	52,000	54,452	2,452	51,200
Animal shelter fees	35,220	31,438	(3,782)	29,825
Airport revenues	13,294	17,811	4,517	14,237
Total	<u>2,963,363</u>	<u>3,134,095</u>	<u>170,732</u>	<u>3,102,124</u>
Investment earnings	975,000	635,000	(340,000)	929,102
Miscellaneous	463,281	566,613	103,332	216,229
Sale of county property	30,000	115,683	85,683	303,113
Total revenues	<u>58,063,399</u>	<u>58,307,295</u>	<u>243,896</u>	<u>53,154,494</u>

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2008
 (With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing body	293,209	279,079	14,130	245,426
Manager	151,248	139,962	11,286	127,291
Board of Elections	336,723	280,256	56,467	426,551
Finance and purchasing	371,847	370,335	1,512	382,328
Information technology	1,791,752	1,335,389	456,363	771,571
Tax listing	724,809	692,196	32,613	704,127
Tax collections	326,867	308,203	18,664	297,118
Legal	75,300	74,912	388	80,702
Register of Deeds	297,850	263,002	34,848	286,668
Personnel	132,360	126,982	5,378	117,578
Public buildings / recreation	1,746,831	1,432,259	314,572	1,308,102
County garage	105,310	100,606	4,704	166,164
Court facilities	138,536	133,176	5,360	254,993
Special allocations	819,648	724,818	94,830	611,869
Total general government	7,312,290	6,261,175	1,051,115	5,780,488
Public Safety:				
Sheriff's Department	4,565,149	4,509,313	55,836	4,066,383
Detention Center	2,091,236	2,068,987	22,249	1,906,509
Communications	971,810	929,803	42,007	747,356
Inspections	574,928	556,779	18,149	552,906
Coroner	60,400	59,200	1,200	48,125
Emergency Services	2,842,710	2,439,862	402,848	2,167,755
Special allocations	215,693	215,687	6	282,315
Animal control	212,414	218,811	(6,397)	185,360
Total public safety	11,534,340	10,998,442	535,898	9,956,709
Environmental Protection:				
Soil conservation	119,285	96,573	22,712	102,772
Watershed	16,550	13,854	2,696	15,412
Total environmental protection	135,835	110,427	25,408	118,184

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2008
 (With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Economic and Physical Development:				
Agricultural extension	208,279	203,036	5,243	186,416
Farmers market	3,490	2,015	1,475	2,281
Forestry	64,923	63,234	1,689	58,500
Airport Authority	216,655	94,315	122,340	192,994
Economic Development Commission	759,845	588,385	171,460	489,048
Total economic and physical development	1,253,192	950,985	302,207	929,239
Human Services:				
Contribution to District Health	269,079	269,079	-	258,730
Contribution to Mental Health	111,168	102,168	9,000	102,168
Drug Court	34,285	25,000	9,285	-
Veterans Service Officers	70,811	69,123	1,688	73,524
Special appropriation	201,969	201,788	181	198,394
Social Services Administration	5,991,091	5,974,709	16,382	5,457,822
Social Services programs	10,234,142	9,217,402	1,016,740	9,334,281
Senior Citizens Center	254,509	245,380	9,129	217,798
Meals program	426,052	417,064	8,988	390,928
Total human services	17,593,106	16,521,713	1,071,393	16,033,645
Cultural and recreational:				
Libraries	571,844	549,705	22,139	512,119
Heritage, culture and recreation	145,427	113,144	32,283	54,330
Total cultural	717,271	662,849	54,422	566,449
Education:				
Public schools:				
Current expenditures	11,793,059	11,793,059	-	11,122,007
Capital outlay	231,525	231,525	-	220,500
Community college	1,942,636	1,942,636	-	1,711,461
Total education	13,967,220	13,967,220	-	13,053,968

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2008
 (With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Debt Service:				
Principal retirement		1,200,496		838,591
Interest and fees		95,969		50,861
Total debt service	1,327,129	1,296,465	30,664	889,452
Total expenditures	53,840,383	50,769,276	3,071,107	47,328,134
Revenues over expenditures	4,223,016	7,538,019	3,315,003	5,826,360
Other Financing Sources (Uses):				
Transfers:				
From other funds	1,339,501	1,008,408	(331,093)	460,584
To other funds	(9,035,563)	(8,704,929)	330,634	(6,945,015)
Debt issued	1,965,483	1,965,483	-	1,236,400
Appropriated fund balance	1,507,563	-	(1,507,563)	-
Total other financing sources (uses)	(4,223,016)	(5,731,038)	(1,508,022)	(5,248,031)
Net change in fund balance	<u>\$ -</u>	1,806,981	<u>\$ 1,806,981</u>	578,329
Fund balances:				
Beginning of year		15,018,433		14,440,104
End of year		<u>\$ 16,825,414</u>		<u>\$ 15,018,433</u>



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, 2008

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
Sales tax refund	\$ -	\$ 70,931	\$ 29,920	\$ 100,851	\$ 100,851
Investment earnings	631,616	181,588	292,933	474,521	(157,095)
Total revenues	<u>631,616</u>	<u>252,519</u>	<u>322,853</u>	<u>575,372</u>	<u>(56,244)</u>
Expenditures:					
Capital outlay:					
Dunbar Elementary addition	2,801,715	2,793,120	8,595	2,801,715	-
Harris Elementary addition	1,696,605	1,325,797	252,600	1,578,397	118,208
Forest City Elementary	1,000,000	-	942,683	942,683	57,317
Rutherfordton Elementary building	15,848,777	182,440	3,539,213	3,721,653	12,127,124
Old Ellenboro roof	116,624	16,654	99,970	116,624	-
Maintenance/Bus Garage land purchase	315,291	-	-	-	315,291
Total expenditures	<u>21,779,012</u>	<u>4,318,011</u>	<u>4,843,061</u>	<u>9,161,072</u>	<u>12,617,940</u>
Revenues under expenditures	<u>(21,147,396)</u>	<u>(4,065,492)</u>	<u>(4,520,208)</u>	<u>(8,585,700)</u>	<u>12,561,696</u>
Other Financing Sources (Uses):					
Installment purchase obligations issued	21,053,272	4,632,265	16,421,007	21,053,272	-
Two thirds general obligation bonds issued	152,452	152,452	-	152,452	-
Transfers from (to):					
School Capital Reserve Fund	744,623	329,362	415,261	744,623	-
School Capital Reserve Fund	(802,951)	-	(652,950)	(652,950)	150,001
Total Other Financial Sources (Uses)	<u>21,147,396</u>	<u>5,114,079</u>	<u>16,183,318</u>	<u>21,297,397</u>	<u>150,001</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 1,048,587</u>	<u>11,663,110</u>	<u>\$ 12,711,697</u>	<u>\$ 12,711,697</u>
Fund balance, beginning of year			<u>1,048,587</u>		
Fund balance, end of year			<u>\$ 12,711,697</u>		



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, 2008

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total To Date	
Revenues					
Investment earnings	\$ 8,486	\$ 29,221	\$ 11,253	\$ 40,474	\$ 31,988
Sales tax refund	-	-	17,592	17,592	17,592
Total revenues	8,486	29,221	28,845	58,066	49,580
Expenditures:					
General government:					
Offsite Storage Facility	333,665	-	333,665	333,665	-
Daniel Road land purchase	4,550,000	-	4,445,564	4,445,564	104,436
Economic and physical development:					
Corporate 74 Industrial Park	1,286,496	1,028,425	204,823	1,233,248	53,248
Municipal/Authority water and sewer	3,418,148	962,148	1,229,271	2,191,419	1,226,729
Education:					
ICC Lifetime Learning Center	1,437,169	1,030,634	406,535	1,437,169	-
Debt issuance costs	74,757	39,285	24,243	63,528	11,229
Total expenditures	11,100,235	3,060,492	6,644,101	9,704,593	1,395,642
Revenues under expenditures	(11,091,749)	(3,031,271)	(6,615,256)	(9,646,527)	1,445,222
Other Financing Sources (Uses):					
Installment purchase obligations- Corp 74	1,300,000	1,300,000	-	1,300,000	-
Installment purchase obligations - ICC LLC	1,768,627	1,768,627	-	1,768,627	-
Installment purchase obligations- buildings	414,405	414,405	-	414,405	-
Installment purchase obligations 2009 - Offsite storage/land	4,883,665	-	-	-	(4,883,665)
Two thirds general obligation bonds issued	3,075,000	1,520,000	1,555,000	3,075,000	-
Proceeds from Water Quality Revolving loan	331,400	331,400	-	331,400	-
Transfers in:					
Water and sewer capital reserve fund	67,164	-	-	-	(67,164)
Transfers out:					
Building capital reserve fund	(748,512)	(371,479)	(377,033)	(748,512)	-
Total other financing sources (uses)	11,091,749	4,962,953	1,177,967	6,140,920	(4,950,829)
Net change in fund balance	\$ -	\$ 1,931,682	(5,437,289)	\$ (3,505,607)	\$ (3,505,607)
Fund balance, beginning of year			1,931,682		
Fund balance (deficit) , end of year			\$ (3,505,607)		

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

(With comparative totals for June 30, 2007)

	Debt Service Fund	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Emergency Telephone System Fund
Assets:					
Cash and cash equivalents	\$ -	\$ 260,500	\$ 363,949	\$ 1,562,686	\$ 87,450
Cash and cash equivalents, restricted	-	92,296	-	1,203	-
Taxes receivable, net	-	-	-	-	-
Intergovernmental receivable	-	-	508	-	4,438
Prepaid items	-	-	-	-	-
Due from other funds	-	1,733,665	-	-	-
Other receivables	-	-	-	-	121,653
Total assets	\$ -	\$ 2,086,461	\$ 364,457	\$ 1,563,889	\$ 213,541
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,637	\$ -	\$ 1,232
Unearned revenues	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	1,637	-	1,232
Fund Balances:					
Reserved for:					
State Statute	-	-	508	-	126,091
Register of Deeds	-	-	-	-	-
Enhanced 911	-	-	-	-	9,852
Unreserved:					
Designated for subsequent year's budget	-	252,440	159,992	359,895	76,366
Designated for future capital outlay	-	1,834,021	-	-	-
Undesignated	-	-	202,320	1,203,994	-
Total fund balance	-	2,086,461	362,820	1,563,889	212,309
Total liabilities and fund balances	\$ -	\$ 2,086,461	\$ 364,457	\$ 1,563,889	\$ 213,541

Special Revenue Funds

ICC Capital Reserve Fund	Tourism Development Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Reserve Fund	Grant Fund	Grant CDBG Project Fund	Total Nonmajor- Governmental Funds
344,170	\$ 639,300	\$ 1,003,340	\$ 108,734	\$ 1,242,680	\$ 903,937	\$ -	\$ 6,516,746
-	-	-	-	-	-	-	93,499
-	-	150,664	-	-	-	-	150,664
-	3,140	3,687	549	-	253,734	-	266,056
-	1,450	-	-	-	-	-	1,450
-	-	-	-	-	-	-	1,733,665
-	-	-	-	-	-	-	121,653
<u>\$ 344,170</u>	<u>\$ 643,890</u>	<u>\$ 1,157,691</u>	<u>\$ 109,283</u>	<u>\$ 1,242,680</u>	<u>\$ 1,157,671</u>	<u>\$ -</u>	<u>\$ 8,883,733</u>
\$ -	\$ 29,532	\$ 9,441	\$ -	\$ -	\$ 135,678	\$ -	\$ 177,520
-	-	6,649	-	-	-	-	6,649
-	-	150,664	-	-	-	-	150,664
-	29,532	166,754	-	-	135,678	-	334,833
-	4,590	3,687	549	-	253,734	-	389,159
-	-	-	70,471	-	-	-	70,471
-	-	-	-	-	-	-	9,852
-	138,500	731,800	38,263	1,000,488	-	-	2,757,744
-	-	-	-	-	-	-	1,834,021
344,170	471,268	255,450	-	242,192	768,259	-	3,487,653
344,170	614,358	990,937	109,283	1,242,680	1,021,993	-	8,548,900
<u>\$ 344,170</u>	<u>\$ 643,890</u>	<u>\$ 1,157,691</u>	<u>\$ 109,283</u>	<u>\$ 1,242,680</u>	<u>\$ 1,157,671</u>	<u>\$ -</u>	<u>\$ 8,883,733</u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2008
(With comparative totals for June 30, 2007)

	Debt Service Fund	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Emergency Telephone System Fund
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales tax	-	-	-	-	-
Other taxes and licenses	-	-	-	-	181,416
Restricted intergovernmental	-	-	-	1,000,000	378,604
Charges for services	-	-	-	-	1,825
Investment earnings	-	-	-	82,208	-
Total revenues	-	-	-	1,082,208	561,845
Expenditures:					
General government	-	-	227,135	-	-
Public safety	-	-	-	-	478,043
Environmental protection	-	-	-	-	-
Economic and physical development	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Debt service:					
Principal	4,949,835	-	-	-	109,900
Interest and other charges	2,651,918	-	-	-	6,524
Total expenditures	7,601,753	-	227,135	-	594,467
Revenues over (under) expenditures	(7,601,753)	-	(227,135)	1,082,208	(32,622)
Other Financing Sources (Uses):					
Transfers:					
From other funds	7,601,753	2,746,327	510,000	5,744,907	-
To other funds	-	(1,484,808)	-	(6,804,703)	(722,608)
Debt issued	-	-	-	-	67,780
Total other financing sources (uses)	7,601,753	1,261,519	510,000	(1,059,796)	(654,828)
Net change in fund balance	-	1,261,519	282,865	22,412	(687,450)
Fund balance, beginning of year	-	824,942	79,955	1,541,477	899,759
Fund balance, end of year	\$ -	\$ 2,086,461	\$ 362,820	\$ 1,563,889	\$ 212,309

Special Revenue Funds							Total
ICC Capital Reserve Fund	Tourism Development Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Project Fund	Grant Fund	Grant CDBG Project Fund	Nonmajor- Governmental Funds
\$ -	\$ -	\$ 1,808,321	\$ -	\$ -	\$ -	\$ -	\$ 1,808,321
-	-	707,252	-	-	-	-	707,252
-	581,265	-	-	-	-	-	762,681
-	-	32,000	-	-	2,717,598	508,002	4,636,204
-	4,800	-	-	100,750	11	-	107,386
3,263	20,772	-	-	39,058	-	-	145,301
3,263	606,837	2,547,573	-	139,808	2,717,609	508,002	8,167,145
-	-	-	43,100	-	-	-	270,235
-	-	2,409,356	-	-	334,472	-	3,221,871
-	-	16,823	-	-	-	-	16,823
-	464,577	-	-	-	1,518,138	508,002	2,490,717
-	-	-	-	-	75,534	-	75,534
-	-	-	34,133	-	-	-	5,093,868
-	-	-	306	-	-	-	2,658,748
-	464,577	2,426,179	77,539	-	1,928,144	508,002	13,827,796
3,263	142,260	121,394	(77,539)	139,808	789,465	-	(5,660,651)
435,607	-	-	71,429	294,904	112,983	-	17,517,910
(94,700)	-	(32,328)	-	(192,520)	-	-	(9,331,667)
-	-	-	-	-	-	-	67,780
340,907	-	(32,328)	71,429	102,384	112,983	-	8,254,023
344,170	142,260	89,066	(6,110)	242,192	902,448	-	2,593,372
-	472,098	901,871	115,393	1,000,488	119,545	-	5,955,528
\$ 344,170	\$ 614,358	\$ 990,937	\$ 109,283	\$ 1,242,680	\$ 1,021,993	\$ -	\$ 8,548,900

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, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Bond principal payments	4,950,169	4,949,835	334	4,658,742
Bond interest payments	2,681,031	2,645,276	35,755	2,269,931
Bond issuance costs	6,642	6,642	-	2,693
Total expenditures	<u>7,637,842</u>	<u>7,601,753</u>	<u>36,089</u>	<u>6,931,366</u>
Revenues over (under) expenditures	<u>(7,637,842)</u>	<u>(7,601,753)</u>	<u>36,089</u>	<u>(6,931,366)</u>
Other Financing Sources (Uses):				
Transfers in				
Building Capital Reserve fund	1,065,709	1,065,709	-	1,054,799
School Capital Reserve fund	6,066,798	6,066,798	-	5,610,349
General fund	309,340	273,251	(36,089)	117,730
Water & Sewer Project fund	192,520	192,520	-	145,013
Fire district fund	3,475	3,475	-	3,475
Total other financing sources	<u>7,637,842</u>	<u>7,601,753</u>	<u>(36,089)</u>	<u>6,931,366</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>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Reserve for future projects	1,092,936	-	1,092,936	-
Revenues over expenditures	(1,092,936)	-	1,092,936	-
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	2,380,481	2,369,294	(11,187)	1,249,511
Capital Projects fund	377,032	377,033	1	371,479
General fund	(312,830)	(312,830)	-	(75,000)
Debt Service fund	(1,065,709)	(1,065,709)	-	(1,054,799)
Capital Projects fund	(282,541)	(89,602)	192,939	(136,312)
Grant fund	(16,668)	(16,667)	1	(16,667)
Fund balance appropriated	13,171	-	(13,171)	-
Total other financing sources (uses)	1,092,936	1,261,519	168,583	338,212
Net change in fund balance	\$ -	1,261,519	\$ 1,261,519	338,212
Fund balance, beginning of year		824,942		486,730
Fund balance, end of year		\$ 2,086,461		\$ 824,942

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Reappraisal	221,299	206,148	15,151	262,755
Mapping	53,803	20,987	32,816	34,430
	<u>275,102</u>	<u>227,135</u>	<u>47,967</u>	<u>297,185</u>
Revenues over (under) expenditures	<u>(275,102)</u>	<u>(227,135)</u>	<u>47,967</u>	<u>(297,185)</u>
Other Financing Sources:				
Transfers in:				
General fund	260,000	260,000	-	260,000
Special revenue fund – 911	9,174	-	(9,174)	-
Special revenue fund – 911	250,000	250,000	-	-
Reserve for future projects	(250,000)	-	250,000	-
Fund balance appropriated	5,928	-	(5,928)	-
Total other financing sources	<u>275,102</u>	<u>510,000</u>	<u>234,898</u>	<u>260,000</u>
Net change in fund balance	<u>\$ -</u>	<u>282,865</u>	<u>\$ 282,865</u>	<u>(37,185)</u>
Fund balance, beginning of year		<u>79,955</u>		<u>117,140</u>
Fund balance, end of year		<u>\$ 362,820</u>		<u>\$ 79,955</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, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
ADM State funds	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,140,000
Investment earnings	70,000	82,208	12,208	93,869
Total revenues	<u>1,070,000</u>	<u>1,082,208</u>	<u>12,208</u>	<u>1,233,869</u>
Expenditures	-	-	-	-
Revenues over expenditures	<u>1,070,000</u>	<u>1,082,208</u>	<u>12,208</u>	<u>1,233,869</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	5,256,383	5,091,957	(164,426)	4,830,453
Schools Capital Projects fund	674,133	652,950	(21,183)	-
Debt service fund	(6,066,798)	(6,066,797)	1	(5,610,350)
General fund	(322,645)	(322,645)	-	(220,500)
Schools Capital Projects fund	(415,261)	(415,261)	-	(182,440)
Reserve for future projects	(336,325)	-	336,325	-
Fund balance appropriated	140,513	-	(140,513)	-
Total other financing sources (uses)	<u>(1,070,000)</u>	<u>(1,059,796)</u>	<u>10,204</u>	<u>(1,182,837)</u>
Net change in fund balance	<u>\$ -</u>	22,412	<u>\$ 22,412</u>	51,032
Fund balance, beginning of year		<u>1,541,477</u>		<u>1,490,445</u>
Fund balance, end of year		<u>\$ 1,563,889</u>		<u>\$ 1,541,477</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, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Other taxes and licenses	\$ 370,000	\$ 181,416	\$ (188,584)	\$ 370,527
Restricted intergovernmental	170,000	378,604	208,604	161,540
Private road signs	2,000	1,825	(175)	3,075
Total revenues	542,000	561,845	19,845	535,142
Public safety	626,076	478,043	148,033	653,133
Debt service				
Principal	112,509	109,900	2,609	107,523
Interest and other charges	6,600	6,524	76	310
Total expenditures	745,185	594,467	150,718	760,966
Revenues over (under) expenditures	(203,185)	(32,622)	170,563	(225,824)
Other financial sources (uses):				
Transfers in (out):				
General fund	(475,089)	(472,608)	2,481	-
Reappraisal fund	(259,174)	(250,000)	9,174	-
Debt issued	66,940	67,780	840	165,000
Fund balance appropriated	870,508	-	(870,508)	-
Net change in fund balance	<u>\$ -</u>	<u>(687,450)</u>	<u>\$ (687,450)</u>	<u>(60,824)</u>
Fund balance, beginning of year		<u>899,759</u>		<u>960,583</u>
Fund balance, end of year		<u>\$ 212,309</u>		<u>\$ 899,759</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008			2007
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Investment earnings	\$ -	\$ 3,263	\$ 3,263	\$ -
Expenditures	-	-	-	-
Revenues over expenditures	-	3,263	3,263	-
Other financial sources (uses):				
Transfers in (out):				
General fund (sales tax)	124,245	122,777	(1,468)	-
Building Capital Reserve fund	312,830	312,830	-	-
General fund	(94,700)	(94,700)	-	-
Future projects	(342,375)	-	342,375	-
	-	340,907	340,907	-
Net change in fund balance	<u>\$ -</u>	344,170	<u>\$ 344,170</u>	-
Fund balance, beginning		-		-
Fund balance, ending		<u>\$ 344,170</u>		<u>\$ -</u>

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, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 6,400
Other taxes and licenses	553,200	581,265	28,065	566,367
Charges for services	4,800	4,800	-	4,800
Investment earnings	7,500	20,772	13,272	19,470
Total revenues	<u>565,500</u>	<u>606,837</u>	<u>41,337</u>	<u>597,037</u>
Expenditures:				
Economic and physical development	517,955	464,577	53,378	314,236
Reserve for future projects	47,545	-	47,545	-
Total expenditures	<u>565,500</u>	<u>464,577</u>	<u>100,923</u>	<u>314,236</u>
Net change in fund balance	<u>\$ -</u>	142,260	<u>\$ 142,260</u>	282,801
Fund balance, beginning of year		<u>472,098</u>		<u>189,297</u>
Fund balance, end of year		<u>\$ 614,358</u>		<u>\$ 472,098</u>

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, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 1,707,810	\$ 1,732,850	\$ 25,040	\$ 1,390,976
Prior years	44,675	56,568	11,893	56,336
Penalties and interest	-	18,903	18,903	15,605
	<u>1,752,485</u>	<u>1,808,321</u>	<u>55,836</u>	<u>1,462,917</u>
Other taxes and licenses:				
Local option sales tax	711,326	707,252	(4,074)	683,615
Restricted intergovernmental	32,000	32,000	-	3,100
	<u>743,326</u>	<u>739,252</u>	<u>(4,074)</u>	<u>686,715</u>
Total revenues	<u>2,495,811</u>	<u>2,547,573</u>	<u>51,762</u>	<u>2,149,632</u>
Expenditures:				
Public safety -				
Cliffside	161,077	157,763	3,314	151,544
Chimney Rock	49,417	49,417	-	41,389
Sandy Mush	152,138	152,138	-	138,830
Bills Creek	188,841	188,841	-	129,225
Shingle Hollow	126,003	126,003	-	105,781
Shiloh, Danielstown, and Oakland	241,839	241,839	-	220,800
Cherry Mountain	235,055	235,055	-	161,689
Hudlow	306,077	306,077	-	279,711
Rutherfordton	212,550	212,550	-	196,148
Ellenboro	246,746	246,746	-	219,700
Bostic	81,574	81,574	-	74,790
Union Mills	97,155	97,155	-	86,496
Green Hill	210,490	210,490	-	170,435
Contracted	994,939	94,868	900,071	43,184
Hollis Community	8,312	8,840	(528)	7,136
	<u>3,312,213</u>	<u>2,409,356</u>	<u>902,857</u>	<u>2,026,858</u>
Environmental protection:				
Cliffside Sanitary District	16,823	16,823	-	6,940
Total expenditures	<u>3,329,036</u>	<u>2,426,179</u>	<u>902,857</u>	<u>2,033,798</u>
Revenues over (under) expenditures	<u>(833,225)</u>	<u>121,394</u>	<u>954,619</u>	<u>115,834</u>
Other Financing Sources:				
Transfers:				
General fund	-	-	-	10,000
General fund	(26,850)	(28,853)	(2,003)	(9,933)
Debt service fund	(3,475)	(3,475)	-	(3,475)
Appropriated fund balance	863,550	-	(863,550)	-
	<u>833,225</u>	<u>(32,328)</u>	<u>(865,553)</u>	<u>(3,408)</u>
Net change in fund balance	<u>\$ -</u>	<u>89,066</u>	<u>\$ 89,066</u>	<u>112,426</u>
Fund balance, beginning of year		<u>901,871</u>		<u>789,445</u>
Fund balance, end of year		<u>\$ 990,937</u>		<u>\$ 901,871</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, 2008
(With comparative actual amounts for the year ended June 30, 2007)**

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Automation equipment	55,500	43,100	(12,400)	96,147
Debt service:				
Principal	38,959	34,133	(4,826)	57,288
Interest and other charges	400	306	(94)	1,750
	<u>94,859</u>	<u>77,539</u>	<u>(17,320)</u>	<u>155,185</u>
Revenues over expenditures	<u>(94,859)</u>	<u>(77,539)</u>	<u>(17,320)</u>	<u>(155,185)</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	102,880	71,429	(31,451)	98,041
Reserve for future projects	(8,021)	-	8,021	-
	<u>94,859</u>	<u>71,429</u>	<u>(23,430)</u>	<u>98,041</u>
Total other financing sources (uses)	<u>94,859</u>	<u>71,429</u>	<u>(23,430)</u>	<u>98,041</u>
Net change in fund balance	<u>\$ -</u>	<u>(6,110)</u>	<u>\$ (6,110)</u>	<u>(57,144)</u>
Fund balance, beginning of year		<u>115,393</u>		<u>172,537</u>
Fund balance, end of year		<u>\$ 109,283</u>		<u>\$ 115,393</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, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008			2007
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Water tap fees	\$ -	\$ 100,750	\$ 100,750	\$ 31,250
Investment earnings	-	39,058	39,058	49,576
	-	139,808	139,808	80,826
Expenditures:				
Economic and physical development:				
Administrative	15,000	-	15,000	6,627
Total expenditures	15,000	-	15,000	6,627
Revenues over expenditures	(15,000)	139,808	154,808	74,199
Other Financing Sources:				
Transfers in (out):				
General Fund	288,400	294,904	6,504	295,519
Debt Service Fund	(192,520)	(192,520)	-	(145,013)
Reserve for future projects	(106,806)	-	106,806	-
Fund balance appropriated	25,926	-	(25,926)	-
	15,000	102,384	87,384	150,506
Net change in fund balance	<u>\$ -</u>	<u>242,192</u>	<u>\$ 242,192</u>	<u>224,705</u>
Fund balance, beginning of year		<u>1,000,488</u>		<u>775,783</u>
Fund balance, end of year		<u>\$ 1,242,680</u>		<u>\$ 1,000,488</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, 2008**

	<u>Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental	\$ 6,364,875	\$ 2,210,455	\$ 2,717,598	\$ 4,928,053	\$ (1,436,822)
Miscellaneous	994	983	11	994	-
Total revenues	6,365,869	2,211,438	2,717,609	4,929,047	(1,436,822)
Expenditures:					
Public safety	460,266	100,196	334,472	434,668	25,598
Economic and physical development	6,003,139	2,058,086	1,518,138	3,576,224	2,426,915
Cultural and recreation	91,586	9,750	75,534	85,284	6,302
Total expenditures	6,554,991	2,168,032	1,928,144	4,096,176	2,458,815
Revenues (under) over expenditures	(189,122)	43,406	789,465	832,871	1,021,993
Other Financing Sources:					
Transfers in (out):					
General Fund	122,454	26,138	96,316	122,454	-
Building Capital Reserve Fund	66,668	50,001	16,667	66,668	-
Total	189,122	76,139	112,983	189,122	-
Net change in fund balance	\$ -	\$ 119,545	902,448	\$ 1,021,993	\$ 1,021,993
Fund balance, beginning of year			119,545		
Fund balance, end of year			\$ 1,021,993		

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, 2008**

	<u>Authorization</u>	<u>Prior Years</u>	<u>Total Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Highway 74 Corporation	\$ 420,000	\$ 457,939	\$ (37,939)	\$ 420,000
Scattered site housing - 2006	400,000	212,296	110,402	322,698
Thieman metals	476,200	107,074	245,649	352,723
IDA program	74,850	-	6,321	6,321
2007 water hookup	75,000	-	12,955	12,955
ARC Grant - Hwy 74 Corporate	200,000	-	170,614	170,614
	<hr/>			
Total revenues	1,646,050	777,309	508,002	1,285,311
	<hr/>			
Expenditures:				
Highway 74 Corporation	420,000	457,939	(37,939)	420,000
Highway 74 Corporation -ARC	200,000	-	170,614	170,614
Scattered site housing - 2006	400,000	212,296	110,402	322,698
Thieman metals	476,200	107,074	245,649	352,723
IDA program	74,850	-	6,321	6,321
2007 water hookup	75,000	-	12,955	12,955
	<hr/>			
Total expenditures	1,646,050	777,309	508,002	1,285,311
	<hr/>			
Net change in fund balance	\$ -	\$ -	-	\$ -
	<hr/>			
Fund balance, beginning of year			-	
			<hr/>	
Fund balance, end of year			\$ -	
			<hr/>	



RUTHERFORD COUNTY, NORTH CAROLINA

**ENTERPRISE FUNDS
COMBINING SCHEDULE OF NET ASSETS
June 30, 2008
(With comparative totals for June 30, 2007)**

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2008	2007
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,561,146	\$ 628,841	\$ 2,189,987	\$ 1,983,861
Accounts receivable (net)	343,817	-	343,817	328,853
Total current assets	1,904,963	628,841	2,533,804	2,312,714
Capital assets, net of depreciation	2,628,556	-	2,628,556	2,700,502
Total assets	4,533,519	628,841	5,162,360	5,013,216
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	308,986	-	308,986	172,492
Current portion of long-term liabilities	166,856	79,457	246,313	192,863
Total current liabilities	475,842	79,457	555,299	365,355
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	-	1,757,873	1,757,873	1,782,085
Long-term debt	500,776	-	500,776	460,463
Total noncurrent liabilities	500,776	1,757,873	2,258,649	2,242,548
Total liabilities	976,618	1,837,330	2,813,948	2,607,903
Net Assets				
Invested in capital assets, net of related debt	1,960,924	-	1,960,924	2,123,105
Unrestricted (deficit)	1,595,977	(1,208,489)	387,488	282,208
Total net assets (deficit)	\$ 3,556,901	\$ (1,208,489)	\$ 2,348,412	\$ 2,405,313

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2008	2007
Operating Revenues:				
Charges for services	\$ 3,069,095	\$ -	\$ 3,069,095	\$ 3,065,350
Other operating revenues	206,493	-	206,493	271,091
Total operating revenues	<u>3,275,588</u>	<u>-</u>	<u>3,275,588</u>	<u>3,336,441</u>
Operating Expenses:				
Salaries	853,485	-	853,485	832,837
Employee benefits	302,559	-	302,559	261,522
Operating expenses	1,923,476	-	1,923,476	1,869,810
Landfill closure and postclosure care costs	-	46,278	46,278	19,180
Depreciation	266,970	-	266,970	269,607
Maintenance	115,411	-	115,411	97,238
Total operating expenses	<u>3,461,901</u>	<u>46,278</u>	<u>3,508,179</u>	<u>3,350,194</u>
Operating income	<u>(186,313)</u>	<u>(46,278)</u>	<u>(232,591)</u>	<u>(13,753)</u>
Nonoperating Revenues (Expenses):				
Interest income	82,157	-	82,157	40,000
Interest expense	(31,467)	-	(31,467)	(34,704)
Total nonoperating revenues (expenses)	<u>50,690</u>	<u>-</u>	<u>50,690</u>	<u>5,296</u>
Transfers:				
General Fund	-	125,000	125,000	125,000
Landfill postclosure expenditures	(66,962)	66,962	-	-
Total transfers	<u>(66,962)</u>	<u>191,962</u>	<u>125,000</u>	<u>125,000</u>
Increase (decrease) in net assets	(202,585)	145,684	(56,901)	116,543
Net assets (deficit), beginning of year	<u>3,759,486</u>	<u>(1,354,173)</u>	<u>2,405,313</u>	<u>2,288,770</u>
Net assets (deficit), end of year	<u>\$ 3,556,901</u>	<u>\$ (1,208,489)</u>	<u>\$ 2,348,412</u>	<u>\$ 2,405,313</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Operating Revenues:				
Charges for services	\$ 3,120,800	\$ 3,069,095	\$ (51,705)	\$ 3,065,350
Other operating revenues	226,200	206,493	(19,707)	271,091
Total operating revenues	3,347,000	3,275,588	(71,412)	3,336,441
Nonoperating Revenues:				
Interest income	82,158	82,157	(1)	40,000
Total revenues	3,429,158	3,357,745	(71,413)	3,376,441
Expenditures:				
Salaries		853,485		832,837
Employee benefits		302,559		261,522
Operating expenses		1,923,476		1,869,810
Landfill closure		66,962		39,514
Interest and fees		31,467		34,704
Debt principal		134,765		111,028
Capital outlay and maintenance		310,435		115,738
Total expenditures	3,739,422	3,623,149	116,273	3,265,153
Revenues over (under) expenditures	(310,264)	(265,404)	44,860	111,288
Other Financing Sources (Uses):				
Proceeds from debt	225,000	225,000	-	-
Appropriated fund balance	85,264	-	(85,264)	-
Total other financing sources (uses)	310,264	225,000	(85,264)	-
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	(40,404)	<u>\$ (40,404)</u>	111,288
Reconciling Items:				
Payment of debt principal		134,765		111,028
Capital outlay		195,024		18,500
Proceeds from debt		(225,000)		-
Depreciation		(266,970)		(269,607)
Total reconciling items		(162,181)		(140,079)
Increase (decrease) in net assets		<u>\$ (202,585)</u>		<u>\$ (28,791)</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, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	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	\$ 125,000	\$ 125,000
Reconciling Items:		
Landfill closure and postclosure care cost accrual	(46,278)	(19,180)
Payment of landfill closure by Solid Waste Fund	66,962	39,514
Total reconciling items	20,684	20,334
Increase in net assets	\$ 145,684	\$ 145,334

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
COMBINING SCHEDULE OF CASH FLOWS

For the year ended June 30, 2008

(With comparative totals for June 30, 2007)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2008	2007
Cash Flows from Operating Activities:				
Cash received from operating revenues	\$ 3,260,624	\$ -	\$ 3,260,624	\$ 3,327,774
Cash paid to employees for services	(853,485)	-	(853,485)	(832,837)
Cash paid for goods and services	(2,204,952)	(66,962)	(2,271,914)	(2,277,233)
Net cash provided (used) by operating activities	202,187	(66,962)	135,225	217,704
Cash Flows from Noncapital Financing Activities:				
Transfers to other funds	(66,962)	191,962	125,000	125,000
Net cash provided (used) by noncapital financing activities	(66,962)	191,962	125,000	125,000
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(195,024)	-	(195,024)	(18,500)
Proceeds from debt	225,000	-	225,000	-
Principal paid on debt	(134,765)	-	(134,765)	(111,028)
Interest paid on debt	(31,467)	-	(31,467)	(34,704)
Net cash used by capital and related financing activities	(136,256)	-	(136,256)	(164,232)
Cash Flows from Investing Activities:				
Interest income	82,157	-	82,157	40,000
Net cash provided by investing activities	82,157	-	82,157	40,000
Net increase in cash and cash equivalents	81,126	125,000	206,126	218,472
Cash and cash equivalents at beginning of year	1,480,020	503,841	1,983,861	1,765,389
Cash and cash equivalents at end of year	\$ 1,561,146	\$ 628,841	\$ 2,189,987	\$ 1,983,861
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:				
Operating income (loss)	\$ (186,313)	\$ (46,278)	\$ (232,591)	\$ (13,753)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	266,970	-	266,970	269,607
Landfill closure and postclosure care costs	-	(20,684)	(20,684)	(20,334)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(14,964)	-	(14,964)	(8,667)
Increase (decrease) in accounts payable and accrued liabilities	136,494	-	136,494	(9,149)
Total adjustments	388,500	(20,684)	367,816	231,457
Net cash provided (used) by operating activities	\$ 202,187	\$ (66,962)	\$ 135,225	\$ 217,704

RUTHERFORD COUNTY, NORTH CAROLINA

**INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 392,626</u>
Liabilities		
Accounts payable	<u>-</u>	<u>69</u>
Total liabilities	<u>-</u>	<u>69</u>
Net Assets		
Unrestricted	<u>-</u>	<u>392,557</u>
Total net assets	<u><u>\$ -</u></u>	<u><u>\$ 392,557</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

**INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2008
(With comparative totals for the year ended June 30, 2007)**

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Operating revenues:				
Employer contributions	\$ -	\$ -	\$ -	\$ -
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses				
Claims and administration (refunds)	-	-	-	(19,050)
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,050)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,050</u>
Other sources (uses):				
Transfer to General Fund	(295,000)	(303,999)	(8,999)	-
Distribution to other entities	(97,626)	(88,558)	9,068	-
Fund balance appropriated	392,626	-	(392,626)	-
Total other sources (uses)	<u>-</u>	<u>(392,557)</u>	<u>(392,557)</u>	<u>-</u>
Change in net assets	<u>\$ -</u>	<u>(392,557)</u>	<u>\$ (392,557)</u>	<u>19,050</u>
Total net assets - beginning		<u>392,557</u>		<u>373,507</u>
Total net assets - ending		<u>\$ -</u>		<u>\$ 392,557</u>

RUTHERFORD COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS

For the year ended June 30, 2008

(With comparative totals for the year ended June 30, 2007)

	2008	2007
Cash Flows from Operating Activities:		
Receipts from employer contributions	\$ -	\$ -
Payments to insurer (refunds)	(69)	19,119
Net cash provided (used) by operating activities	(69)	19,119
Cash Flows from Noncapital Financing Activities:		
Disbursement upon dissolution	(392,557)	-
Net cash used by noncapital financing activities	(392,557)	-
Net increase (decrease) in cash and cash equivalents	(392,626)	19,119
Cash and cash equivalents, July 1	392,626	373,507
Cash and cash equivalents, June 30	\$ -	\$ 392,626
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ -	\$ 19,050
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Increase (decrease) in accounts payable	(69)	69
Total adjustments	(69)	69
Net cash provided by operating activities	\$ (69)	\$ 19,119

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, 2008
 (With comparative actual amounts for the year ended June 30, 2007)

	2008		Variance Positive (Negative)	2007
	Budget	Actual		Actual
Revenues:				
Charges for services	\$ 478,890	\$ 473,465	\$ (5,425)	\$ 440,327
State transportation assistance grants	466,712	454,086	(12,626)	292,778
Total revenue	945,602	927,551	(18,051)	733,105
Expenditures:				
Salaries		462,167		423,990
Employee benefits		111,576		96,480
Operating expenses		71,170		58,388
Capital outlay and maintenance		300,218		128,164
Total expenditures	952,650	945,131	7,519	707,022
Revenue over (under) expenditures	(7,048)	(17,580)	(10,532)	26,083
Other Financial Sources (Uses):				
Fund balance appropriated	7,048	-	(7,048)	-
Total	7,048	-	(7,048)	-
Excess of revenues over expenditures and other uses	\$ -	\$ (17,580)	\$ (17,580)	\$ 26,083

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

Excess revenues and other sources over expenditures and other uses	\$ (17,580)	\$ 26,083
Reconciling Items:		
Capital outlay - items capitalized	146,447	-
Depreciation	(57,737)	(83,571)
Total reconciling items	88,710	(83,571)
Net income (loss)	\$ 71,130	\$ (57,488)

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
RUTHERFORD COUNTY TRANSIT ADMINISTRATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2008
(With comparative totals for June 20, 2007)

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Cash received from operating revenues	\$ 395,939	\$ 437,210
Cash paid to employees for services	(573,743)	(423,990)
Cash paid for goods and services	(147,968)	(276,012)
Net cash used by operating activities	<u>(325,772)</u>	<u>(262,792)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(146,447)	-
Grants	454,086	292,778
Net cash provided by capital and related financing activities	<u>307,639</u>	<u>292,778</u>
Net increase (decrease) in cash and cash equivalents	(18,133)	29,986
Cash and cash equivalents at beginning of year	<u>147,571</u>	<u>117,585</u>
Cash and cash equivalents at end of year	<u>\$ 129,438</u>	<u>\$ 147,571</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:		
Operating income (loss)	<u>\$ (382,956)</u>	<u>\$ (350,266)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	<u>57,737</u>	<u>83,571</u>
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(77,526)	(3,118)
Increase (decrease) in accounts payable and accrued liabilities	<u>76,973</u>	<u>7,021</u>
Total adjustments	<u>57,184</u>	<u>87,474</u>
Net cash provided (used) by operating activities	<u>\$ (325,772)</u>	<u>\$ (262,792)</u>

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING BALANCE SHEET
 June 30, 2008
 (With comparative totals for June 30, 2007)

	Agency					Totals	
	Social Service Fund	Agriculture Department Advisory Council Fund	Cities Tax Collection Fund	Detention Center Commissary Fund	Motor Vehicle Interest Fund	2008	2007
Assets							
Cash and cash equivalents	\$ 58,255	\$ 16,365	\$ 77,731	\$ 61,799	\$ 2,101	\$ 216,251	\$ 192,796
Accounts receivable	-	158	-	-	-	158	-
	<u>\$ 58,255</u>	<u>\$ 16,523</u>	<u>\$ 77,731</u>	<u>\$ 61,799</u>	<u>\$ 2,101</u>	<u>\$ 216,409</u>	<u>\$ 192,796</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 58,255	\$ 16,523	\$ 77,731	\$ 61,799	\$ 2,101	\$ 216,409	\$ 192,796
Total liabilities	<u>58,255</u>	<u>16,523</u>	<u>77,731</u>	<u>61,799</u>	<u>2,101</u>	<u>216,409</u>	<u>192,796</u>
Fund Balances	-	-	-	-	-	-	-
	<u>\$ 58,255</u>	<u>\$ 16,523</u>	<u>\$ 77,731</u>	<u>\$ 61,799</u>	<u>\$ 2,101</u>	<u>\$ 216,409</u>	<u>\$ 192,796</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**AGENCY FUNDS - COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
For the year ended June 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 49,841	\$ 229,387	\$ 220,973	\$ 58,255
Liabilities:				
Accounts payable	\$ 49,841	\$ 229,387	\$ 220,973	\$ 58,255
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	\$ 16,529	\$ 23,796	\$ 23,960	\$ 16,365
Accounts receivable	-	158	\$ -	158
	<u>\$ 16,529</u>	<u>\$ 23,954</u>	<u>\$ 23,960</u>	<u>\$ 16,523</u>
Liabilities:				
Accounts payable	\$ 16,529	\$ 23,954	\$ 23,960	\$ 16,523
Other Taxing Units				
Assets:				
Cash and cash equivalents	\$ 87,767	\$ 6,095,688	\$ 6,105,724	\$ 77,731
Liabilities:				
Accounts payable	\$ 87,767	\$ 6,095,688	\$ 6,105,724	\$ 77,731
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	\$ 36,543	\$ 167,273	\$ 142,017	\$ 61,799
Liabilities:				
Accounts payable	\$ 36,543	\$ 167,273	\$ 142,017	\$ 61,799
Motor Vehicle Interest Fund				
Assets:				
Cash and cash equivalents	\$ 2,116	27,862	27,877	\$ 2,101
Liabilities:				
Accounts payable	\$ 2,116	27,862	27,877	\$ 2,101
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 192,796	\$ 6,544,006	\$ 6,520,551	\$ 216,251
Accounts receivable	-	158	-	158
	<u>\$ 192,796</u>	<u>\$ 6,544,164</u>	<u>\$ 6,520,551</u>	<u>\$ 216,409</u>
Liabilities:				
Accounts payable	\$ 192,796	\$ 6,544,164	\$ 6,520,551	\$ 216,409

RUTHERFORD COUNTY, NORTH CAROLINA

**POSTEMPLOYMENT HEALTHCARE PLAN
STATEMENT OF NET ASSETS**

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	<u>\$ 1,003,156</u>	<u>\$ 986,635</u>
Total assets	<u>1,003,156</u>	<u>986,635</u>
Liabilities	<u>-</u>	<u>-</u>
Net Assets		
Held for pension benefits - health insurance	<u>\$ 1,003,156</u>	<u>\$ 986,635</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**POSTEMPLOYMENT HEALTHCARE PLAN
STATEMENT OF CHANGES IN NET ASSETS**

For the year ended June 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
Additions		
Cobra premiums	\$ -	\$ -
Interest earnings	50,956	40,485
Total additions	<u>50,956</u>	<u>40,485</u>
Deductions		
Benefits	34,435	38,604
Administrative expenses	<u>-</u>	<u>-</u>
Total deductions	<u>34,435</u>	<u>38,604</u>
Changes in net assets	16,521	1,881
Net assets, beginning	<u>986,635</u>	<u>984,754</u>
Net assets, ending	<u><u>\$ 1,003,156</u></u>	<u><u>\$ 986,635</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
Revenues	\$ -	\$ -
Expenditures:		
Economic and physical development	<u>588,385</u>	<u>489,048</u>
Revenue over (under) expenditures	(588,385)	(489,048)
Other Financial Sources (Uses):		
Contribution from primary government	<u>588,385</u>	<u>489,048</u>
Net change in fund balance	-	-
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, EXPENDITURES AND CHANGES IN
FUND BALANCE**

For the year ended June 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
	<u>Actual</u>	<u>Actual</u>
Revenues:		
Operating grants	\$ 76,503	\$ 178,757
Charges for services	17,811	14,237
	<u>94,314</u>	<u>192,994</u>
Total revenues		
Expenditures:		
Economic and physical development	<u>218,547</u>	<u>302,437</u>
Revenue over (under) expenditures	(124,233)	(109,443)
Other Financial Sources (Uses):		
Contribution from primary government	<u>205,128</u>	<u>111,400</u>
Net change in fund balance	80,895	1,957
Fund balance, beginning of year	<u>2,717,017</u>	<u>2,715,060</u>
Fund balance, end of year	<u>\$ 2,797,912</u>	<u>2,717,017</u>

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, 2008

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2007</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 30,643,479	\$ 29,542,421	\$ 1,101,058
2006-2007	1,002,204	-	680,636	321,568
2005-2006	356,299	-	149,299	207,000
2004-2005	210,809	-	54,956	155,853
2003-2004	151,525	-	32,636	118,889
2002-2003	152,207	-	21,326	130,881
2001-2002	104,274	-	10,654	93,620
2000-2001	81,140	-	11,869	69,271
1999-2000	60,707	-	7,565	53,142
1998-1999	52,383	-	6,386	45,997
1997-1998	47,767	-	47,767	-
	<u>\$ 2,219,315</u>	<u>\$ 30,643,479</u>	<u>\$ 30,565,515</u>	<u>2,297,279</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>642,000</u>
Ad valorem taxes receivable - net				<u>\$ 1,655,279</u>
Reconcilement with revenues:				
Ad valorem taxes - General fund				<u>\$ 30,450,128</u>
Reconciling items:				
Interest collected				(266,494)
Discounts/adjustments				334,114
Taxes written off				47,767
Total reconciling items				<u>115,387</u>
Total collections and credits				<u>\$ 30,565,515</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND**

For the year ended June 30, 2008

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 5,710,307,170	0.53	\$ 30,264,628	\$ 28,431,673	\$ 1,832,955
Registered motor vehicles taxed at prior year's rate	70,562,459	0.61	430,431	-	430,431
Penalties	-		30,025	30,025	-
Total	<u>5,780,869,629</u>		<u>30,725,084</u>	<u>28,461,698</u>	<u>2,263,386</u>
Discoveries:					
Current year taxes	15,338,868	0.61	81,296	81,296	-
Advertising costs			10,703	10,703	-
Abatements	<u>(32,755,472)</u>		<u>(173,604)</u>	<u>(118,490)</u>	<u>(55,114)</u>
Total property valuation	<u>\$ 5,763,453,025</u>				
Net levy			30,643,479	28,435,207	2,208,272
Uncollected taxes at June 30, 2007			<u>1,101,058</u>	<u>739,828</u>	<u>361,230</u>
Current year's taxes collected			<u>\$ 29,542,421</u>	<u>\$ 27,695,379</u>	<u>\$ 1,847,042</u>
Current levy collection percentage			<u>96.41%</u>	<u>97.40%</u>	<u>83.64%</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE
June 30, 2008

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2007</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 1,818,003	\$ 1,737,797	\$ 80,206
2006-2007	64,366	-	42,492	21,874
2005-2006	20,421	-	7,434	12,987
2004-2005	12,289	-	3,676	8,613
2003-2004	8,619	-	1,842	6,777
2002-2003	6,952	-	1,032	5,920
2001-2002	5,524	-	528	4,996
2000-2001	4,576	-	613	3,963
1999-2000	3,381	-	374	3,007
1998-1999	2,685	-	365	2,320
1997-1998	2,546	-	2,546	-
	<u>\$ 131,359</u>	<u>\$ 1,818,003</u>	<u>\$ 1,798,699</u>	
Ad valorem taxes receivable				<u>\$ 150,663</u>
Reconcilement with revenues:				
Ad valorem taxes - Special districts				<u>\$ 1,808,321</u>
Reconciling items:				
Interest collected				(17,153)
Discounts/adjustments				4,985
Taxes written off				<u>2,546</u>
Total reconciling items				<u>(9,622)</u>
Total collections and credits				<u>\$ 1,798,699</u>

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2008

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Chimney Rock Fire					
Property taxed at current years rate	\$ 73,890,000	\$ 0.04	\$ 29,556	\$ 29,056	\$ 500
Motor vehicles taxed at prior years rate	286,667	0.06	172	-	172
Sandy Mush Fire					
Property taxed at current years rate	250,180,000	0.04	100,072	89,391	10,681
Motor vehicles taxed at prior years rate	5,977,500	0.04	2,391	-	2,391
Cliffside Sanitary					
Property taxed at current years rate	5,436,250	0.08	4,349	4,066	283
Motor vehicles taxed at prior years rate	140,000	0.08	112	-	112
Bills Creek Fire					
Property taxed at current years rate	192,980,000	0.08	154,384	149,302	5,082
Motor vehicles taxed at prior years rate	1,070,000	0.08	856	-	856
Shingle Hollow Fire					
Property taxed at current years rate	84,376,000	0.10	84,376	76,854	7,522
Motor vehicles taxed at prior years rate	1,414,000	0.10	1,414	-	1,414
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current years rate	351,348,000	0.05	175,674	158,997	16,677
Motor vehicles taxed at prior years rate	6,796,000	0.05	3,398	-	3,398
Cherry Mountain Fire					
Property taxed at current years rate	162,360,000	0.09	146,124	138,279	7,845
Motor vehicles taxed at prior years rate	1,836,667	0.09	1,653	-	1,653
Hudlow Fire					
Property taxed at current years rate	270,227,500	0.08	216,182	201,671	14,511
Motor vehicles taxed at prior years rate	4,290,000	0.08	3,432	-	3,432
Rutherfordton Fire					
Property taxed at current years rate	187,267,500	0.08	149,814	137,095	12,719
Motor vehicles taxed at prior years rate	2,851,250	0.08	2,281	-	2,281
Cliffside Fire					
Property taxed at current years rate	155,204,286	0.070	108,643	97,985	10,658
Motor vehicles taxed at prior years rate	3,643,636	0.055	2,004	-	2,004
Ellenboro Fire					
Property taxed at current years rate	274,718,333	0.06	164,831	147,931	16,900
Motor vehicles taxed at prior years rate	6,116,667	0.06	3,670	-	3,670

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2008

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Bostic Fire					
Property taxed at current years rate	107,798,000	0.05	53,899	48,365	5,534
Motor vehicles taxed at prior years rate	2,164,000	0.05	1,082	-	1,082
Union Mills Fire					
Property taxed at current years rate	132,078,000	0.05	66,039	60,482	5,557
Motor vehicles taxed at prior years rate	2,154,000	0.05	1,077	-	1,077
Green Hill Fire					
Property taxed at current years rate	211,454,286	0.07	148,018	137,418	10,600
Motor vehicles taxed at prior years rate	3,125,714	0.07	2,188	-	2,188
Hollis Fire					
Property taxed at current years rate	28,486,667	0.03	8,546	7,951	595
Motor vehicles taxed at prior years rate	520,000	0.03	156	-	156
Contracted Fire					
Property taxed at current years rate	902,765,000	0.02	180,553	169,495	11,058
Motor vehicles taxed at prior years rate	11,506,667	0.03	3,452	-	3,452
Total			1,820,398	1,654,338	166,060
Penalties			2,431	2,431	-
Discoveries			5,599	5,599	-
Gross tax levy			1,828,428	1,662,368	166,060
Releases			(10,425)	(6,329)	(4,096)
Net levy			1,818,003	1,656,039	161,964
Less: uncollected taxes at June 30, 2008			(80,206)	(53,968)	(26,238)
Current year taxes collected			\$1,737,797	\$ 1,602,071	\$ 135,726
Percent current year collected			95.59%	96.74%	83.80%

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	1 – 4
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	5 – 8
These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.	
Debt Capacity	7 – 12
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	13 – 14
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	15 – 17
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)

Table 1

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Governmental activities						
Invested in capital assets, net of related debt	\$ 14,236,085	\$ 7,126,314	\$ 8,155,717	\$ 5,031,401	\$ 2,667,572	\$ 4,204,392
Restricted	9,527,682	3,899,057	4,515,334	3,342,114	6,325,190	23,924,954
Unrestricted	(15,304,122)	(8,665,225)	(11,690,321)	(14,451,333)	(19,208,792)	(31,672,266)
Total Governmental activities net assets	\$ 8,459,645	\$ 2,360,146	\$ 980,730	\$ (6,077,818)	\$ (10,216,030)	\$ (3,542,920)
Business-type activities						
Invested in capital assets, net of related debt	\$ 1,960,924	\$ 2,123,105	\$ 2,157,762	\$ 1,781,898	\$ 1,728,497	\$ 1,830,412
Restricted	-	-	-	-	-	-
Unrestricted	387,488	282,208	131,008	275,914	1,883,020	1,585,325
Total business-type activities net assets	\$ 2,348,412	\$ 2,405,313	\$ 2,288,770	\$ 2,057,812	\$ 3,611,517	\$ 3,415,737
Primary government						
Invested in capital assets, net of related debt	\$ 16,197,009	\$ 9,249,419	\$ 10,313,479	\$ 6,813,299	\$ 4,396,069	\$ 6,034,804
Restricted	9,527,682	3,899,057	4,515,334	3,342,114	6,325,190	23,924,954
Unrestricted	(14,916,634)	(8,383,017)	(11,559,313)	(14,175,419)	(17,325,772)	(30,086,941)
Total primary government net assets	\$ 10,808,057	\$ 4,765,459	\$ 3,269,500	\$ (4,020,008)	\$ (6,604,513)	\$ (127,183)

(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 years 1999 through 2002.

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

Table 2

Expenses	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Governmental activities:						
General government	\$ 6,765,566	\$ 6,350,808	\$ 5,986,407	\$ 5,467,270	\$ 4,544,885	\$ 4,656,686
Public safety	14,150,480	12,888,356	11,805,593	11,402,836	10,821,652	9,856,540
Environmental protection	123,385	127,640	133,673	124,741	98,217	102,089
Economic & Physical Development	4,237,268	4,193,841	3,491,223	2,512,395	3,134,384	1,090,193
Human Services	17,038,627	16,684,710	15,666,923	14,979,133	13,865,856	13,354,244
Cultural & Recreational	848,479	696,619	496,255	468,023	440,354	415,717
Education	15,161,837	16,610,237	14,909,359	13,355,725	23,473,409	18,562,891
Interest on long-term debt	2,712,352	2,414,789	2,503,590	2,286,910	2,322,059	1,938,582
<i>Total governmental activities expenses</i>	<u>61,037,994</u>	<u>59,967,000</u>	<u>54,993,023</u>	<u>50,597,033</u>	<u>58,700,816</u>	<u>49,976,942</u>
Business-type activities:						
Solid Waste Disposal	3,539,647	3,384,899	3,219,636	3,438,732	3,235,872	3,126,418
<i>Total business-type activities</i>	<u>3,539,647</u>	<u>3,384,899</u>	<u>3,219,636</u>	<u>3,438,732</u>	<u>3,235,872</u>	<u>3,126,418</u>
<i>Total primary governmental expenses</i>	<u>\$ 64,577,641</u>	<u>\$ 63,351,899</u>	<u>\$ 58,212,659</u>	<u>\$ 54,035,765</u>	<u>\$ 61,936,688</u>	<u>\$ 53,103,360</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 613,421	\$ 612,210	\$ 546,488	\$ 568,640	\$ 652,769	\$ 599,353
Public Safety	3,940,854	3,697,528	3,022,527	3,112,715	2,952,281	2,342,527
Environmental protection	-	-	-	-	-	26,271
Economic & Physical Development	100,750	31,250	32,000	-	-	-
Human Services	88,608	82,754	90,516	82,698	80,063	63,148
Operating grants and contributions	10,287,537	10,404,592	9,480,758	8,864,479	7,962,549	8,152,455
Capital grants and contributions	3,262,444	1,833,975	1,522,561	1,709,923	944,225	772,701
<i>Total governmental activities program revenues</i>	<u>18,293,614</u>	<u>16,662,309</u>	<u>14,694,850</u>	<u>14,338,455</u>	<u>12,591,887</u>	<u>11,956,455</u>
Business-type activities:						
Charges for services:						
Solid Waste Disposal	3,139,076	3,154,068	3,208,508	3,377,143	3,227,006	3,330,561
Operating grants and contributions	136,512	182,374	129,721	117,345	213,493	-
<i>Total business-type activities program revenues</i>	<u>3,275,588</u>	<u>3,336,442</u>	<u>3,338,229</u>	<u>3,494,488</u>	<u>3,440,499</u>	<u>3,330,561</u>
<i>Total primary governmental program revenues</i>	<u>\$ 21,569,202</u>	<u>\$ 19,998,751</u>	<u>\$ 18,033,079</u>	<u>\$ 17,832,943</u>	<u>\$ 16,032,386</u>	<u>\$ 15,287,016</u>
Net (expense)/revenue						
Governmental activities	\$ (42,744,380)	\$ (43,304,691)	\$ (40,298,173)	\$ (36,258,578)	\$ (46,108,929)	\$ (38,020,487)
Business-type activities	(264,059)	(48,457)	118,593	55,756	204,627	204,143
<i>Total primary governmental net expense</i>	<u>\$ (43,008,439)</u>	<u>\$ (43,353,148)</u>	<u>\$ (40,179,580)</u>	<u>\$ (36,202,822)</u>	<u>\$ (45,904,302)</u>	<u>\$ (37,816,344)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 32,293,717	\$ 27,438,875	\$ 26,822,856	\$ 25,428,291	\$ 25,192,052	\$ 25,454,307
Local Option Sales Tax	13,495,288	13,357,581	12,492,114	11,743,695	11,278,753	9,107,457
Other Taxes and Licenses	935,485	1,118,992	952,574	634,370	1,588,027	1,392,173
Investment earnings, unrestricted	1,078,129	1,286,059	1,020,453	518,211	443,135	664,437
Donated real estate	1,006,204	1,658,309	5,700,000	-	-	-
Loss on disposal of capital assets	-	(577,585)	-	-	-	-
Miscellaneous, unrestricted	160,056	526,876	449,090	429,586	889,217	161,498
Transfers	(125,000)	(125,000)	(80,365)	(80,365)	44,635	30,000
<i>Total governmental activities</i>	<u>48,843,879</u>	<u>44,684,107</u>	<u>47,356,722</u>	<u>38,671,788</u>	<u>39,435,819</u>	<u>36,809,872</u>
Business-type activities:						
Investment earnings	82,158	40,000	32,000	35,174	35,788	8,344
Miscellaneous, unrestricted	-	-	-	-	-	(55,490)
Transfers	125,000	125,000	80,365	80,365	(44,635)	(30,000)
<i>Total business-type activities</i>	<u>207,158</u>	<u>165,000</u>	<u>112,365</u>	<u>115,539</u>	<u>(8,847)</u>	<u>(77,146)</u>
<i>Total primary government</i>	<u>\$ 49,051,037</u>	<u>\$ 44,849,107</u>	<u>\$ 47,469,087</u>	<u>\$ 38,787,327</u>	<u>\$ 39,426,972</u>	<u>\$ 36,732,726</u>
Change in Net Assets						
Governmental activities	\$ 6,099,499	\$ 1,379,416	\$ 7,058,549	\$ 2,413,210	\$ (6,673,110)	\$ (1,210,615)
Business-type activities	(56,901)	116,543	230,958	171,295	195,780	126,997
<i>Total primary government</i>	<u>\$ 6,042,598</u>	<u>\$ 1,495,959</u>	<u>\$ 7,289,507</u>	<u>\$ 2,584,505</u>	<u>\$ (6,477,330)</u>	<u>\$ (1,083,618)</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 years 1999 through 2002.

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund			
Reserved	\$ 4,074,203	\$ 4,126,704	\$ 3,920,463
Unreserved	12,751,211	10,891,729	10,519,641
Total General Fund	<u>\$ 16,825,414</u>	<u>\$ 15,018,433</u>	<u>\$ 14,440,104</u>
All other governmental funds			
Reserved	\$ 556,972	\$ 1,805,359	\$ 1,324,037
Unreserved, reported in:			
Debt service fund	-	-	-
Special revenue funds	8,080,868	4,246,534	3,959,633
Capital projects funds	9,117,150	2,883,906	3,375,401
Total all other governmental funds	<u>\$ 17,754,990</u>	<u>\$ 8,935,799</u>	<u>\$ 8,659,071</u>

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	
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
2000	1,718,385	330,002	340,065	490,945	207,819
1999	1,677,703	320,808	324,070	485,973	208,010

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

Table 3

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 3,915,909	\$ 3,780,885	\$ 3,415,837	\$ 2,841,403	\$ 3,373,943	\$ 2,774,965	\$ 2,697,143
9,010,221	8,931,431	7,011,749	5,245,650	4,949,487	5,654,443	5,287,985
<u>\$ 12,926,130</u>	<u>\$ 12,712,316</u>	<u>\$ 10,427,586</u>	<u>\$ 8,087,053</u>	<u>\$ 8,323,430</u>	<u>\$ 8,429,408</u>	<u>\$ 7,985,128</u>
\$ 1,429,110	\$ 1,487,151	\$ 983,201	\$ 91,224	\$ 244,615	\$ 169,285	\$ 78,752
-	10,518	-	737,739	753,735	747,559	768,177
3,701,003	4,021,431	4,944,120	2,711,221	2,876,433	3,543,731	8,457,828
2,202,181	4,855,762	23,068,333	1,182,914	3,724,389	-	-
<u>\$ 7,332,294</u>	<u>\$ 10,374,862</u>	<u>\$ 28,995,654</u>	<u>\$ 4,723,098</u>	<u>\$ 7,599,172</u>	<u>\$ 4,460,575</u>	<u>\$ 9,304,757</u>

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

Revenues	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Ad Valorem Taxes	\$ 32,258,449	\$ 27,326,881	\$ 26,792,167	\$ 25,585,444
Local Option Sales Taxes	13,369,301	13,240,333	12,262,177	11,743,695
Other Taxes and Licenses	707,252	683,615	623,110	255,577
Unrestricted Intergovernmental				
Restricted Intergovernmental	13,698,050	12,480,558	11,213,535	10,834,718
Permits and Fees	1,177,290	1,435,366	1,439,013	1,151,302
Sales and Services	3,801,501	3,674,300	2,882,979	2,700,089
Investment Earnings	1,084,487	1,243,368	1,012,369	473,461
Miscellaneous	729,808	590,273	415,034	412,112
<i>Total revenues</i>	<u>66,826,138</u>	<u>60,674,694</u>	<u>56,640,384</u>	<u>53,156,398</u>
Expenditures				
Current:				
General government	11,334,882	6,609,488	5,641,902	5,703,555
Public safety	14,220,359	12,897,402	11,541,916	11,476,343
Environmental Protection	127,250	125,124	130,655	122,584
Economic and Physical Development	4,856,946	3,849,835	3,913,258	2,443,409
Human Services	16,521,713	16,037,237	15,521,178	14,791,299
Cultural and Recreational	757,187	647,449	444,650	424,877
Intergovernmental:				
Education	13,967,220	13,053,968	12,513,922	12,081,683
Capital Outlay	5,249,596	6,372,376	3,856,087	3,281,177
Debt service				
Principal	6,294,364	5,644,457	5,031,194	4,290,159
Interest	2,754,717	2,363,101	2,282,307	2,428,712
<i>Total expenditures</i>	<u>76,084,234</u>	<u>67,600,437</u>	<u>60,877,069</u>	<u>57,043,798</u>
Excess of revenues over (under) expenditures	(9,258,096)	(6,925,743)	(4,236,685)	(3,887,400)
Other financing sources (uses)				
Transfers From Other Funds	18,941,579	14,482,382	14,356,170	12,292,044
Transfers To Other Funds	(19,066,579)	(14,607,382)	(14,436,533)	(12,372,409)
Transfers From Component Units	-	-	-	-
Transfers To Component Units				
Installment Purchase Obligations Issued	20,009,270	7,905,800	5,637,800	1,139,009
General Obligation Debt Issued	-	-	1,520,000	-
Refunding Bonds Issued	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>19,884,270</u>	<u>7,780,800</u>	<u>7,077,437</u>	<u>1,058,644</u>
Net change in fund balances	<u>\$ 10,626,174</u>	<u>\$ 855,057</u>	<u>\$ 2,840,752</u>	<u>\$ (2,828,756)</u>
Debt services as a percentage of noncapital expenditures	13.75%	12.51%	12.70%	12.51%

* Capital asset information not available from 1998 through 2002, due to implementation of GASB34.

Table 4

Fiscal Year						
	2004	2003	2002	2001	2000	1999
\$	24,992,262	\$ 25,272,124	\$ 21,839,759	\$ 20,370,817	\$ 18,373,139	\$ 17,122,048
	11,837,956	9,532,653	8,763,472	8,778,747	8,422,527	7,961,772
	251,735	261,408	307,056	282,709	270,027	246,812
			1,221,268	1,820,061	1,818,825	1,847,778
	9,109,617	9,031,207	6,729,260	12,469,970	13,678,284	13,996,673
	1,012,848	1,092,816	852,716	734,623	680,697	675,287
	2,978,520	2,687,527	2,103,194	1,877,079	2,487,025	1,739,436
	443,136	664,437	610,534	1,095,420	1,221,417	1,182,919
	228,642	116,888	199,176	136,076	181,153	93,026
	<u>50,854,716</u>	<u>48,659,060</u>	<u>42,626,435</u>	<u>47,565,502</u>	<u>47,133,094</u>	<u>44,865,751</u>
	4,800,673	4,560,320	4,356,056	4,244,612	5,162,891	4,171,871
	10,421,427	9,852,175	9,020,892	9,089,757	8,571,300	8,101,733
	118,839	100,813	107,310	110,388	108,555	107,880
	2,101,815	1,055,040	564,103	2,849,302	478,063	245,560
	13,754,017	13,119,093	12,220,518	11,828,810	11,068,478	9,618,938
	398,368	361,562	343,050	377,697	415,102	369,971
	11,311,729	10,830,042	11,009,323	10,210,333	9,741,755	9,134,974
	18,381,582	10,503,729	3,562,597	7,325,546	8,957,508	10,541,447
	4,828,539	3,068,213	3,212,748	3,116,752	3,028,939	2,954,821
	1,885,760	3,295,329	1,765,405	1,827,945	1,939,956	2,054,206
	<u>68,002,749</u>	<u>56,746,316</u>	<u>46,162,002</u>	<u>50,981,142</u>	<u>49,472,547</u>	<u>47,301,401</u>
	(17,148,033)	(8,087,256)	(3,535,567)	(3,415,640)	(2,339,453)	(2,435,650)
	(5,642,601)	14,932,692	10,964,208	11,257,197	15,988,069	14,042,033
	5,687,236	(13,052,692)	(10,934,208)	(11,227,197)	(15,958,069)	(14,012,033)
	-	5,000	31,150	28,455	24,704	36,123
	767,336	40,243,372	3,753,000	536,658	1,198,115	1,099,000
	-	-	-	-	-	-
	-	18,420,000	-	-	-	-
	-	(25,848,027)	-	-	-	-
	<u>811,971</u>	<u>34,700,345</u>	<u>3,455,735</u>	<u>383,021</u>	<u>972,170</u>	<u>1,036,453</u>
\$	(16,336,062)	\$ 26,613,089	\$ (79,832)	\$ (3,032,619)	\$ (1,367,283)	\$ (1,399,197)

10.87%

11.96% *

*

*

*

Table 5

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate per \$100</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 5,763,453	\$ 0.53	\$ 6,181,310	93.24
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
3,087,216	0.57	3,886,713	79.43
3,016,564	0.55	3,694,506	81.65



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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
County Direct Rate	\$ 0.530	\$ 0.610	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.660	\$ 0.630	\$ 0.570	\$ 0.550
Town Rates										
Alexander Mills(1)	-	-	-	-	-	-	-	-	-	0.300
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	0.115	0.115	0.115	0.115	0.125	0.140	0.140	0.140	0.140
Ellenboro	0.220	0.250	0.250	0.250	0.250	0.250	0.280	0.280	0.280	0.280
Forest City	0.290	0.300	0.300	0.280	0.260	0.240	0.240	0.240	0.240	0.240
Lake Lure	0.210	0.280	0.280	0.280	0.280	0.270	0.320	0.320	0.320	0.310
Ruth	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260
Rutherfordton	0.520	0.540	0.540	0.490	0.490	0.490	0.490	0.490	0.490	0.490
Spindale	0.510	0.510	0.510	0.510	0.450	0.450	0.450	0.420	0.420	0.420
Special Districts										
Bill's Creek Fire	0.080	0.080	0.080	0.070	0.070	0.070	0.070	0.070	0.070	0.060
Bostic Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.060	0.060	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	0.040	0.060	0.060	0.060	0.060	0.060	0.080	0.080	0.080	0.080
Cliffside Fire	0.070	0.055	0.055	0.045	0.045	0.040	0.040	0.040	0.040	0.040
Cliffside Sanitary	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.020	0.030	0.030	0.030	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	0.050
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	0.070	0.070	0.070	0.070	0.070	0.070	0.060
Sandy Mush Fire	0.040	0.040	0.040	0.040	0.040	0.030	0.030	0.030	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	0.030
Shingle Hollow Fire	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.090	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.

(1) Alexander Mills merged with Forest City in 2000.

**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 2008</u>		
		<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Duke Energy	Public Utility	\$ 186,123	1	3.23
LR Buffalo Creek LLC	Land Development	90,757	2	1.57
Queens Gap Mountain LLC	Land Development	78,542	3	1.36
Fairfield Communities	Resort Property	32,606	4	0.57
BellSouth	Public Utility	29,361	5	0.51
RCM Management Service LLP (Cogen)	Airplane	24,000	6	0.42
Rutherford Electric Membership Corp	Electric Membership	23,144	7	0.40
CSX Transportation	Public Utility	20,181	8	0.35
Fox Run POA	TimeShares	19,348	9	0.34
Gimken US Corp (formerly Torrington Company)	Manufacturing	18,841	10	0.33
Cone Mills Corporation	Textiles			
Stonecutter Mills	Textiles			
MC Acquisition Group	Textiles			
Dan River, Inc.	Textiles			
National Textiles Inc	Textiles			
Milliken and Company	Textiles			
Total		<u><u>\$ 522,903</u></u>		<u><u>9.08</u></u>

Source: Rutherford County Tax Department

Table 7

Fiscal Year 1999		
<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
\$ 139,603	1	4.62
53,563	3	1.78
31,307	5	1.04
20,000	10	0.66
85,404	2	2.83
34,113	4	1.13
31,105	6	1.03
29,807	7	0.99
27,605	8	0.92
20,518	9	0.68
<u>\$ 473,025</u>		<u>15.68</u>



**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
2008	\$ 32,461,482	\$ 31,280,218	96.4	\$ -	31,280,218	96.4
2007	27,557,905	26,491,335	96.1	723,128	27,214,463	98.8
2006	26,864,829	25,786,091	96.0	858,751	26,644,842	99.2
2005	25,833,919	24,843,268	96.2	826,185	25,669,453	99.4
2004	25,510,187	24,333,704	95.4	1,050,817	25,384,521	99.5
2003	25,696,721	24,565,452	95.6	994,468	25,559,920	99.5
2002	22,245,921	21,218,393	95.4	928,912	22,147,305	99.6
2001	20,680,487	19,787,900	95.7	819,353	20,607,253	99.6
2000	18,567,515	17,774,198	95.7	737,168	18,511,366	99.7
1999	17,361,813	16,550,333	95.3	763,163	17,313,496	99.7

(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**

Fiscal Year	Population in thousands (Estimated)	Governmental Activities		
		General Obligation Bonds	Installment Purchase (1)	Capital Leases
1999	60	\$ 25,820,000	\$ 9,045,000	\$ 1,404,549
2000	60	23,950,000	8,860,000	1,988,725
2001	63	21,365,000	8,670,000	1,823,631
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		9,975,000	57,668,467	3,963,343

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 Fund - DENR</u>		<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
\$	-	\$ 1,323,519	\$ 37,593,068	3.04%	\$ 626.55
	-	1,246,270	36,044,995	2.83%	600.75
	-	1,079,228	32,937,859	2.45%	522.82
	-	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	3.74%	885.61
	331,400	577,397	58,811,685	3.66%	918.93
	314,830	667,632	72,589,272	not available	

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

Table 10

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
1999	\$ 25,820,000	-	\$ 25,820,000	0.60%	\$ 429.62
2000	23,950,000	-	23,950,000	0.56%	398.24
2001	21,365,000	-	21,365,000	0.50%	339.67
2002	19,145,000	-	19,145,000	0.45%	301.99
2003	18,420,000	-	18,420,000	0.43%	290.39
2004	16,050,000	-	16,050,000	0.38%	251.33
2005	13,765,000	-	13,765,000	0.32%	217.12
2006	13,010,000	-	13,010,000	0.30%	204.01
2007	10,675,000	-	10,675,000	0.25%	167.14
2008	9,975,000	-	9,975,000	0.23%	158.30

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 97 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, 2008**

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Ellenboro	\$ 180,500	100.00	\$ 180,500
Spindale	200,000	100.00	<u>200,000</u>
Subtotal, overlapping debt			380,500
Rutherford County direct debt - general obligation	9,975,000	100.00	9,975,000
Rutherford County direct debt - other outstanding (1)	61,946,640	100.00	<u>61,946,640</u>
Total direct and overlapping debt			<u>\$ 72,302,140</u>

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**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Assessed value of property	\$ 3,016,564,563	\$ 3,087,216,060	\$ 3,134,189,340	\$ 3,211,673,362
Debt limit	241,325,165	246,977,285	250,735,147	256,933,869
Total net debt applicable to limit	25,820,000	23,590,000	21,365,000	19,145,000
Legal debt margin	<u>\$ 215,505,165</u>	<u>\$ 223,387,285</u>	<u>\$ 229,370,147</u>	<u>\$ 237,788,869</u>
Total net debt applicable to the limit as a percentage of debt limit	10.70%	9.55%	8.52%	7.45%

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 3,929,689,345	\$ 3,900,697,986	\$ 3,952,493,750	\$ 4,101,537,258	\$ 4,268,223,139	\$ 5,763,453,025
314,375,148	312,055,839	316,199,500	328,122,981	341,457,851	461,076,242
60,556,191	57,140,177	53,864,028	55,990,633	58,234,288	71,921,640
\$ 253,818,957	\$ 254,915,662	\$ 262,335,472	\$ 272,132,348	\$ 283,223,563	\$ 389,154,602
19.26%	18.31%	17.03%	17.06%	17.05%	15.60%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value - January 1, 2007	<u>\$ 5,763,453,025</u>
Debt Limit (8% of total assessed value)	\$ 461,076,242
Debt applicable to limit:	
General obligation bonds	9,975,000
Other outstanding debt	<u>61,946,640</u>
Net debt applicable to limit	<u>71,921,640</u>
Legal debt margin	<u>\$ 389,154,602</u>

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

Table 13

Fiscal Year	Population (1)	Personal Income (2) (amounts expressed in thousands)	Per Capita Personal Income	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
1999	60,100	\$ 1,235,120	\$ 20,551	37.70	10,135	6.2
2000	60,140	1,275,797	21,214	38.10	10,088	7.5
2001	62,899	1,341,746	21,332	38.50	10,069	7.2
2002	63,397	1,385,954	21,862	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	1,515,604	24,496	38.30	9,898	8.1
2007	63,867	1,607,347	25,167	36.60	9,915	7.9
2008	63,012	<i>not available</i>		40.56	9,533	7.7

(1) 2001 population is from U.S. Census. 1999-2000 and 2002-2007 population projected by the Office of State Planning. 2008 population is from the Population Division, U.S. Census Bureau.

(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

Employer	2008			1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Watts Regulator Co	550	1	1.79%			
Hanesbrands, Inc*	450	2	1.46%			
AGI Schutz - Forest City	260	3	0.84%			
Timken - Shiloh Plant	250	4	0.81%			<i>information not available</i>
Reeves Brothers, Inc - Grace Plant	225	5	0.73%			
Parker Hannifin Corporation	220	6	0.71%			
Eaton	199	7	0.65%			
United Southern Industries, Inc	185	8	0.60%			
First Choice Armor	179	9	0.58%			
Mako Marine Intl - Tracker Marine Group**	150	10	0.49%			
Aallied Die Casting Co of NC	150	10	0.49%			
Total	2,818		9.15%			

NON-MANUFACTURING

Employer	2008			1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rutherford County Schools (1)	1,426	1	4.63%			
Rutherford Hospital	850	2	2.76%			
State of North Carolina	657	3	2.13%			<i>information not available</i>
Rutherford County - Local Government	495	4	1.61%			
Walmart	380	5	1.23%			
Total	3,808		12.37%			

Source: Economic Development Commission October 2008

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

* Hanesbrands, Inc closed effective September 23, 2008.

** Mako Marine Intl - Tracker Marine Group announced closing effective December 26, 2008.

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

Full-time Equivalent Employees

Function	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	66.00	65.00	65.00	63.00	61.00
Public safety	174.00	170.00	142.00	141.00	138.00
Environmental Protection	3.00	3.00	3.00	3.00	2.00
Economic and Physical Development	11.00	10.00	11.00	11.00	11.00
Human Services	118.00	115.00	115.50	109.50	106.50
Cultural and Recreational	9.00	8.00	6.00	5.00	5.00
Enterprise Fund - Transit	8.00	8.00	8.00	8.00	7.00
Enterprise Fund - Solid Waste	17.00	17.00	17.00	17.00	18.00
Total	<u>406.00</u>	<u>396.00</u>	<u>367.50</u>	<u>357.50</u>	<u>348.50</u>

Source: Rutherford County Finance Office

Table 15

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
61.00	63.00	62.00	61.00	57.00
136.00	136.00	132.00	134.00	135.00
2.00	2.00	2.00	2.00	2.00
11.00	10.00	10.00	10.00	10.00
104.50	104.50	99.00	98.38	90.50
5.00	5.00	6.00	6.00	5.00
7.00	7.00	6.00	6.00	2.00
18.00	18.00	17.00	17.00	17.00
<u>344.50</u>	<u>345.50</u>	<u>334.00</u>	<u>334.38</u>	<u>318.50</u>

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

Table 16

Function	Fiscal Year	
	<u>2008</u>	<u>2007</u>
General Government		
# Deeds/Deeds of Trusts Processed	8,717	10,177
Parcel Count	53,590	52,598
Public Safety		
# Inmates Processed	5,971	5,576
# Arrests	3,627	3,093
# Building Permits Issued	786	797
Economic and Physical Development		
# of Subdivision Plan Reviews*	23	50
Human Services		
# Senior Center Meals Served	89,453	93,499
# of Medicaid Recipients	15,454	11,430
Culture		
Library Book Circulation	330,125	307,922
Enterprise Fund - Transit		
# Trips	56,317	53,354
Enterprise Fund - Landfill		
Total Tonnage	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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Government										
County Buildings	32	31	31	31	28	28	28	26	26	26
County Vehicles	219	226	235	235	221	226	187	181	172	166
Public Safety										
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
Cultural and Recreation										
Park Acreage	48	48	48	48	36	36	36	36	36	36
Public Libraries	3	3	3	3	3	3	3	3	3	3
Education (Not included in the Reporting Entity)										
Elementary Schools	11	11	12	12	12	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
Airport										
Acreage	250	250	250	250	250	250	250	250	250	250
Solid Waste										
Convenience Centers	9	9	9	9	9	9	8	7	7	7
Manned Green Box Sites	1	1	1	1	1	1	2	2	2	2



Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2008, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated November 20, 2008. 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.

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, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford County's internal control over financial reporting in order to determine 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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.

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.

Douglas Killian CPA Group, P.A.

Asheville, North Carolina
November 20, 2008

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 are applicable to each of its major federal programs for the year ended June 30, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as we discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 it.

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.

Gould Killian CPA Group, P.A.

Asheville, North Carolina
November 20, 2008

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* 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 requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as we discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the County's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 it.

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.

Gould Killian CPA Group, P. A.

Asheville, North Carolina

November 20, 2008

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<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>Food Stamp Cluster:</u> ²					
Food Stamp Program - Direct Benefit Payment	10.551		\$ 9,142,543	\$ -	\$ -
State Administrative Matching Grants for the Food Stamp Program	10.561		330,252	-	330,252
Total Food Stamp Cluster			9,472,795	-	330,252
Passed-through Isothermal Planning and Development Commission:					
USDA Supplement	10.570		49,894	-	-
Total U.S. Dept. of Agriculture			9,522,689	-	330,252
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Housing Finance Agency					
HOME Investment Partnerships Program	14.239		137,200	-	-
Total U.S. Dept. of Housing and Urban Development			137,200	-	-
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Juvenile Accountability Block Grants	16.523		104,681	-	-
Crime Victim Assistance	16.575		70,110	-	-
Total U.S. Dept. of Justice			174,791	-	-
<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		179,694	-	-
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction	20.205		37,532	-	-
Formula Grants for Other Than Urbanized Areas	20.509		197,295	16,034	-
Job Access Reverse Commute	20.516		-	596	-
Total U.S. Dept. of Transportation			414,521	16,630	-
<u>Institute of Museum and Library Services</u>					
Passed-through the N.C. Department of Cultural Resources					
Planning Grant	45.310		21,200	-	-
Total Institute of Museum and Library Services			21,200	-	-

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
Emergency Management Performance Grants	97.042		-	22,913	-
Total U. S. Department of Homeland Security			-	22,913	-
<u>U.S. Dept. of Health & Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Isothermal Planning and Development Commission:					
<u>Aging Cluster:</u> ²					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		145,196	8,539	17,083
Special Programs for the Aging - Title III C					
Nutrition Services	93.045		228,034	13,412	26,829
Total Aging Cluster			373,230	21,951	43,912
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption</u> ²					
Title IV-E Foster Care - Administration	93.658		348,450	91,490	254,119
Foster Care - Direct Benefit Payments	93.658		172,501	41,554	54,540
Foster Care - Adoption	93.658		481,825	60,700	1
Title IV-E Adoption Assistance - Administration	93.659		84,443	-	83,344
Adoption Assistance - Direct Benefit Payments	93.659		302,678	84,526	84,526
Total Foster Care and Adoption			1,389,897	278,270	476,531
Work First /Temporary Assistance for Needy Families (TANF)					
Work First/TANF-Direct Benefit Payments	93.558		89,522	-	57,033
Work First/TANF-Direct Benefit Payments	93.558		634,090	461	360,794
AFDC - Direct Benefit Payments	93.560		(1,351)	(168)	(370)
IV-D Administration	93.563		386,329	-	199,018
Low-Income Home Energy Assistance Block Grant:					
Administration					
Crisis Intervention Program	93.568		21,320	-	-
Crisis Intervention Program	93.568		236,113	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Direct Benefit Payments	93.645		-	136,975	45,658
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645		20,073	4,919	1,772
SSBG - Other Service and Training	93.667		231,521	23,770	85,080
Independent Living Grant	93.674		23,800	4,273	-
Family Preservation	93.556		12,192	-	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667		49,524	-	7,075
SSBG - State Adult Day Care	93.667		15,758	11,148	3,844

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Child Development: Subsidized Child Care <u>Child Care Development Fund Cluster:</u> ²					
Division of Social Services: Child Care Development Fund-Administration	93.596		104,990	-	-
Division of Child Development: Child Care and Development Block Grant	93.575		562,620	-	-
Child Care and Development Fund -- Mandatory	93.596		318,411	-	-
Child Care and Development Fund -- Match	93.596		396,159	336,839	-
Total Child Care Development Fund Cluster			1,382,180	336,839	-
Social Services Block Grant	93.667		22,460	-	-
TANF	93.558		1,299,181	289,105	48
Smart Start			-	379,303	-
Total Subsidized Child Care			2,703,821	1,005,246	48
<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		53,963,814	27,864,925	3,733,726
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		868,147	72,093	793,951
State Children's Insurance Program - N.C. Health Choice	93.767		22,625	501	7,068
Total U.S. Dept. of Health and Human Services			61,040,425	29,424,363	5,815,139
Total Federal Awards			71,310,826	29,463,907	6,145,391
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
State Aid to Public Libraries			-	140,940	-
N.C. Arts Council					
Grassroots Arts Program			-	21,081	-
Total N.C. Dept. of Cultural Resources			-	162,021	-
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
Scrap Tire Program			-	45,190	-
Clean Water Management Trust Fund			-	85,780	-
Total N.C. Dept. of Environmental and Natural Resources			-	130,970	-

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Dept. of Health and Human Services</u>					
Passed-through Isothermal Planning and Development Commission:					
Division of Aging and Adult Services					
Senior Center Outreach			-	1,173	-
Senior Center General Fund			-	5,467	-
Total Division of Aging and Adult Services			-	6,640	-
Division of Social Services:					
State Foster Care Benefits Program			-	90,091	84,295
State/County Special Assistance - Administration			-	-	34,171
State/County Special Assistance - Direct Benefit Payments			-	1,089,860	1,089,860
CPS Expansion State			-	229,347	-
DCD Smart Start			-	50,000	-
State Adult Protective Service			-	37,890	-
State Aid to Counties			-	38,482	-
Other County Funded Programs			-	-	337,743
Total Division of Social Service			-	1,535,670	1,546,068
Total N. C. Department of Health and Human Services			-	1,542,310	1,546,068
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs			-	197,482	-
Total N.C. Dept. of Juvenile Justice and Delinquency Prev.			-	197,482	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund			-	1,000,000	-
Total N.C. Dept. of Public Instruction			-	1,000,000	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	91,185	-
ROAP Rural General Public Program		DOT-16CL	-	79,725	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	17,514	-
State Aid to Airports		DOT-8	-	200,000	-
74 Corp. Center Access Road		DOT-18	-	284,337	-
Cherry Mtn. Vol. Firestation Road Access		DOT-18	-	32,000	-
Total N.C. Dept. of Transportation			-	704,761	-
<u>N.C. Dept. of Commerce</u>					
One N.C. Program			-	37,500	-
Total N.C. Dept. of Commerce			-	37,500	-
<u>N.C. Dept. of Administration</u>					
Sexual Assault Program			-	20,347	-
Domestic Violence Program			-	49,338	-
County Veterans Program			-	2,000	-
Total N.C. Dept. of Administration			-	71,685	-
Total State Awards			-	3,809,229	1,546,068
Total Federal and State Awards			\$ 71,310,826	\$ 33,273,136	\$ 7,691,459

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Carolina 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.

2. 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, 2008

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? X yes _____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, 2008 are:

<u>Program Name</u>	<u>CFDA #</u>
Foster Care and Adoption	93.658, 93.659
Title XIX Medicaid	93.778

The threshold for determining Federal Type A programs for Rutherford County is \$2,139,325.

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, 2008

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes X no

- Significant Deficiency(s) identified
that are not considered to be
material weaknesses X yes none reported

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

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act X yes no

Major State programs (over \$300,000) for Rutherford County for the fiscal year ended June 30, 2008 are:

Program Name

Smart Start
Public School Building Capital Fund
Title XIX Medicaid

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2008

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

Finding 08-1

Centers for Medicare and Medicaid Services

Passed through the North Carolina Department of Health and Human Services
Program name: Medical Assistance Program – Direct Benefit Payments

Criteria: Form DMA-5046, Notice of Rights to Transportation, is required to notify Medicaid applicants of their rights concerning transportation options.

Condition: Seventeen files out of our sample did not contain the required Form DMA-5046 or documentation that it was sent to the applicant.

Questioned Costs: None

Recommendation: Additional staff training and possibly additional file reviews are needed to insure required documentation is present in all files.

Name of Contact Person: Brenda Conner, Income Maintenance Program Manager

Corrective Action plan: The County agrees with this finding. Additional staff training will occur to insure all staff members are aware of documentation requirements.

Proposed Completion Date: Immediately

IV. State Award Findings and Questioned Costs

Finding 08-1 described above.

RUTHERFORD COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2008

None reported.

