

Rutherford County, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

Prepared By
Rutherford County Finance Department



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BRENT WASHBURN
Chairman
MARGARET HELTON
Vice Chairman
SUSAN CROWE
Commissioner
EDDIE HOLLAND
Commissioner
PAUL MCINTOSH
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

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October 15, 2010

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, 2010. 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

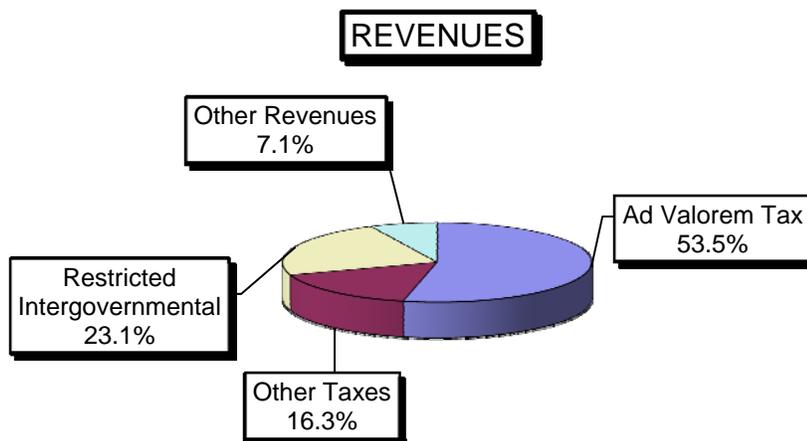
assets and provide reasonable assurance of proper recording of financial transactions.

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, 2010. The county's budget ordinance is prepared on a modified accrual basis for all governmental fund types. The budgets for the General Fund, Special Revenue Funds with the exception of the Grant Fund and the CDBG Grant Fund, Debt Service Fund, and Enterprise Funds are prepared on an annual basis, and the budgets for the Grant Fund, CDBG Grant Fund and Capital Project Funds are authorized for the life of the grant/project.

GENERAL GOVERNMENTAL FUNCTIONS

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

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



Rutherford County's general governmental sources of revenue decreased by approximately two percent, or \$1.2 million, mainly due to decreases in other taxes and licenses and investment earnings.

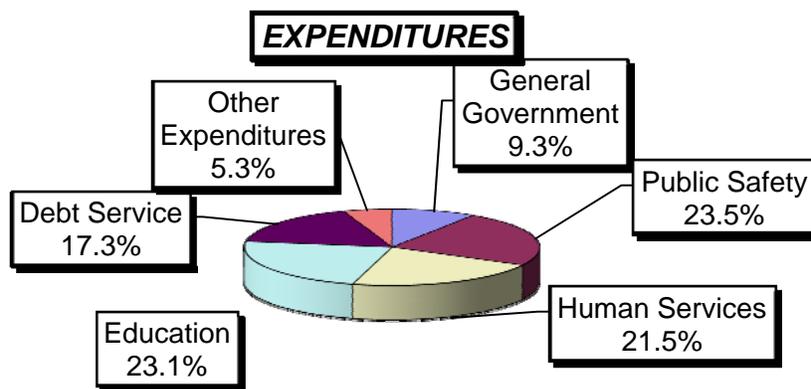
Ad valorem and other tax revenues continue to be the largest source of revenue for the County accounting for 70% of total revenues. Ad valorem taxes account for 53.5% of revenues and increased slightly by \$292,419 or .91%. The fiscal year 2009-2010 budget was adopted based on a tax rate of 53 cents per \$100 of value which was the same as the FY 2008-2009 tax rate.

While overall property values in the County increased approximately .065%, a decrease in the property tax collection rate of 0.62% from 94.42% to 93.80% led to relatively flat property tax revenues. The property tax collection rate declined in the past two years mainly due to the bankruptcy of Land Resources, LLC, the developer of Grey Rock at Lake Lure, the County's second largest taxpayer. Two and one-tenth (2.1) of the 53 cents tax rate, equivalent to \$1.15 million, was appropriated to be placed in a reserve fund to continue accumulating funds for future County facilities needs.

Other taxes decreased by 16% or approximately \$1.9 million. This reduction was largely a result of a decrease in sales tax due to two reasons – the Medicaid swap with the State and the downturn in the economy. The State took the remainder of the Article 44 tax beginning in October 2009 as part of the Medicaid swap. In addition, the County was required to hold the towns harmless from Article 44 losses. This resulted in an approximate loss of \$974,000 in FY 2009-10. Losses occurred in all articles of sales tax due to the downturn of the economy resulting in an additional loss of approximately \$930,000. Losses in occupancy tax have begun to stabilize.

The County continued to experience decreases in the areas of permits and fees and investment earnings during FY 2009-10. Permits and fees decreased seven percent, or \$62,158, due largely to a \$12,000 decrease in building permit fees and a \$34,000 decrease in excise stamp revenue from the Register of Deeds office. These decreases are the result of a slowing economy that the County, as well as the nation, began experiencing since late FY 2007-08. In addition, interest earnings decreased by fifty-eight percent, or \$182,615, due to declining interest rates.

Management recognizes that local sources of revenue must be used to provide basic services instead of relying on the uncertainty of federal and state funding. Education, human services, and public safety continue to be the largest of county government expenditures representing 68% 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 decreased 4.5% as compared to FY 2008-09. Increased expenditures in debt service of approximately \$778,000, or 8%, were offset mainly by a \$1.4 million decrease in

human services. Debt service increased mainly due to principal and/or interest payments related to the Rutherfordton Elementary COP issued in December 2007, a privately placed financing for County facilities in 2009, economic development grant repayments, and increased general fund lease purchase debt payments related to school technology. The decrease in human services was substantially due to the State taking over the remaining Medicaid costs which decreased expenditures approximately \$2.2 million.

In response to the continuance of the economic recession which began in 2008, the County's fund balance decrease in FY 2009-10 was a planned expenditure. In order to provide the necessary functions of County government while facing declining revenues, during fiscal year 2008-2009 management recommended and the Board approved a goal of spending no more than approximately \$1.8 million of fund balance over the two year period of fiscal year 2008-2009 through fiscal year 2009-2010 to balance the two years' budgets. This not to exceed \$1.8 million planned expenditure was based on the amount that was added to the total (as opposed to available for appropriation) fund balance in fiscal year 2007-2008. The County's fund balance available for appropriation as of June 30, 2010 of approximately \$ 11.9 million or 21.46% of general fund expenditures remains comparable to the State-wide average and that of other North Carolina counties in our population group. One of the many reasons that governments' retain fund balances is for unforeseen events. The current recession, being described by many as the worst recession since the Great Depression, is one instance where a healthy fund balance for a government can be useful in weathering the economy while still providing the services to its citizens that they have come to expect.

CASH MANAGEMENT

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

The County's investments for fiscal year 2009-2010 earned \$281,393. The balance of cash and investments was \$24,022,106 as of June 30, 2010 as compared to \$26,204,676 as of June 30, 2009. The main reason for this decrease is the drawing down of funds to construct Rutherfordton Elementary. The county's undesignated fund balance as of June 30, 2010 was \$11,183,597 in the General Fund.

DEBT ADMINISTRATION

Rutherford County has efficiently managed its debt and has planned for future debt payment. The Governmental Funds Long-Term Debt outstanding as of June 30, 2010 is comprised of the following:

- 2003 Certificates of Participation issued for school construction - \$5,465,000
- General Obligation Bonds issued for school construction - \$2,910,000
- General Obligation Bonds issued for water and sewer construction - \$4,125,000
- 2001 Private Placement for county building projects - \$1,625,000
- 2002 Refunding of 1994 Certificates of Participation issued for county facilities – \$5,995,000
- 2002 Certificates of Participation issued for school construction - \$14,495,000
- 2002 Certificates of Participation industrial development - \$620,000
- 2005 Private Placement for school construction - \$3,747,758
- 2006 Private Placement for school construction - \$3,841,466
- 2007 Private Placement for industrial development - \$1,040,000
- 2007 DENR loan for water and sewer construction - \$281,690
- 2007 Certificates of Participation issued for school construction - \$15,048,713
- 2009 Private Placement for county facilities - \$3,033,334
- Other Capitalized Leases - \$3,240,000
- Economic Development Grant Repayments - \$678,234
- Other commitments (accrued vacation, pension) - \$1,488,324

The general obligation bonds, certificates of participation, and private placement debt service are being funded with sales tax revenue (which is set aside in reserve funds). Ninety-four percent of the Article 40 one-half cent sales tax adopted in 1983 and sixty percent of the Article 42 one-half cent sales tax adopted in 1986 have been designated for school construction. These funds are being set aside to pay for construction of schools and the debt service on borrowed funds used to construct schools. The remaining forty percent of the Article 42 one-half cent sales tax adopted in 1986 and two and one-tenths cents (2.1 cents) of property tax have been designated for county building construction. Seven percent of the Article 39 one cent sales tax has been designated for the water and sewer construction. The capitalized lease payments and other commitments are being funded by general and special revenue fund revenues as the commitments come due.

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

The General Statutes control general long-term debts that local governments in North Carolina can issue. Long-term debt cannot exceed 8% of the assessed valuation of the County which was \$5,898,920,189 as of January 1, 2009. Thus, the legal debt limit of the County as of June 30, 2010 is \$471,913,615 with a legal debt margin of \$406,445,654 considering the outstanding bond debt of \$7,035,000 and other debt of \$58,467,961.

RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect itself in these cases, the County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these two pools, the County obtains property, general, auto, professional liability, crime and worker's compensation coverage.

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

THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 63,835 with a work force of 27,698. The population has grown by 0.5% 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 40.8 as compared to 38.1 a decade ago. The county trend in jobs and population seems to be following the national trends in rural America.

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

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

The County and private developers have also developed industrial/business sites and buildings to sell. Riverstone Industrial Park contains 1,150 acres and is one of the largest industrial parks in the Southeast. There are over thirty building sites proposed for this property plus an existing

100,000 square foot shell building. Over twelve million dollars of private funds have been invested and the Town of Forest City is providing water and sewer.

With grant assistance, the County has developed a 95 acre industrial park with "shovel ready lots"- Rutherford 74 Corporate Center. 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.

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

The outlook, however, remains optimistic. Within the past 12 months, two announcements have been made with 50 new jobs each. Both of these are currently in the construction phase of getting their respective plants open with hiring to begin in the fall of 2010. In addition to current targets of recruitment that have been previously mentioned, a strong Existing Industry team, through a liaison with the NC Department of Commerce, the NC Community College System, the Rutherford County School system, and Rutherford County government, has been assembled to address current manufacturing issues on a local level. Efforts to seek new commercial growth opportunities are ongoing. A commercial development team comprised of strategic municipal and county personnel is working on several programs to strengthen and grow existing downtown and commercially viable areas in the county. Several projects have looked at Rutherford County during the past 12 months; however, most are indicating wanting to see the overall national economy improve before taking the next step of announcing and committing to spending significant sums of money and job creation.

Another significant industry in the County is travel and tourism. The county tourism industry employs 1,080 people and generates over \$119 million in revenues. Over 1,200 rentable units are available to visitors for overnight stays. In addition to traditional hotels, cabins, cottages and houses are for rent –B&Bs are here, as well. Utilizing the 5% occupancy tax revenue to promote the area as a travel, tourism, retirement and convention destination, the Rutherford County Tourism Development Authority (TDA) is the destination management organization for Rutherford County. The TDA invites visitors who are longing to live more simply to come “revisit their senses” here, where “remembered pleasures thrive in abundance.” From the peaks surrounding Chimney Rock, Lake Lure and Golden Valley to the charms of Rutherfordton, Forest City and Spindale, visitors come and stay for a wide variety of attractions and events. As the TDA says in its advertising, “With great food, great things to do, and great things to see, the lake may lure you – the rest will keep you.”

The County has become an increasingly popular choice for retirees and second home buyers.

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

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 through local organizations. Currently, the County is gathering information to update the strategic plan developed by Realize Rutherford to define actionable goals. The information is being gathered through group of volunteer business and citizens of the County. The updated plan will target specific action oriented goals to improve the create jobs, education through the one to one program, housing, land use planning and recreation of the county over the next 2 to 5 years.

One challenge facing the County is retraining the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with customized training programs to help new and existing industry to keep pace with their changing needs. The college offers 87 programs of study and provides training for area business and industry, personal enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities. Many of the county's unemployed have embraced this downturn in the economy as an opportunity to further their education. The college's preliminary enrollment numbers for Fall 2010 indicate a record headcount of 2,507, up 6 percent from 2,366 in Fall 2009 and up 23.5 percent from 2,029 in Fall 2008. Isothermal's Full-Time Equivalency (FTE) is trending the same: 1,143 this fall, up 4.76 percent from 1,091 in 2009 and up 35.5 percent from 843 in 2008. The enrollment is strong due to increases in job layoffs and the availability of federal Pell grants as well as state and institutional scholarships. The college is offering distance learning classes that are allowing more sections of classes to be offered. The college also attributes some growth to first-time college students from the local high schools who are choosing to take advantage of the community college in preparation for four-year college or university programs.

In cooperation with the County and the School Board, the College has constructed a Lifelong Learning Center on its campus. This building houses the REACH high school program and

serves as campus to several university satellite programs, enabling our residents to achieve a bachelor's degree while attending our local campus. The REACH program allows high school students to potentially graduate with a high school diploma and an associate degree within a four- to five-year time frame.

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

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

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twenty-first 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

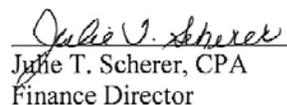
A copy of this report will be made available to various departments of the county, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

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

Respectfully submitted,



John W. Condrey
County Manager



Julie T. Scherer, CPA
Finance Director

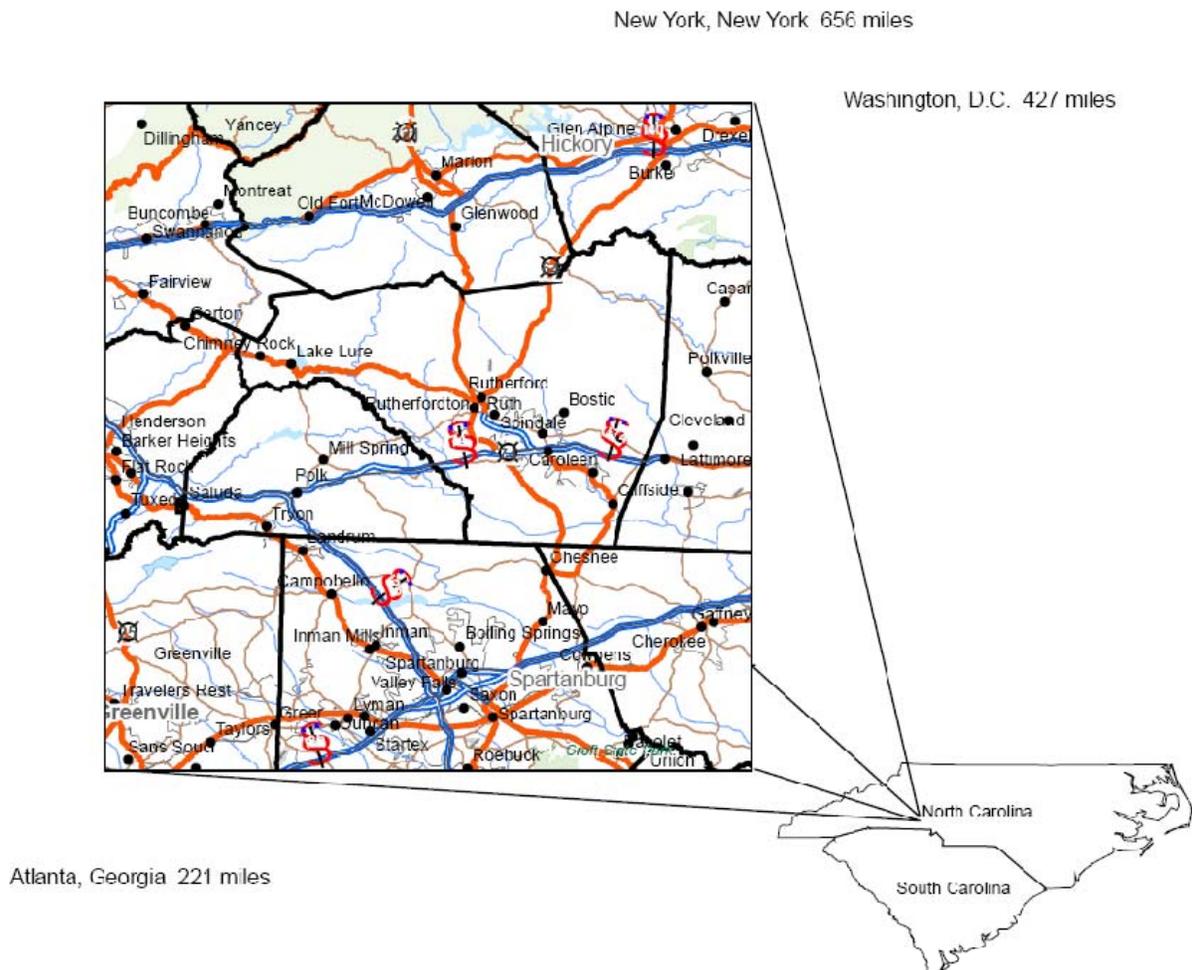
THE COUNTY

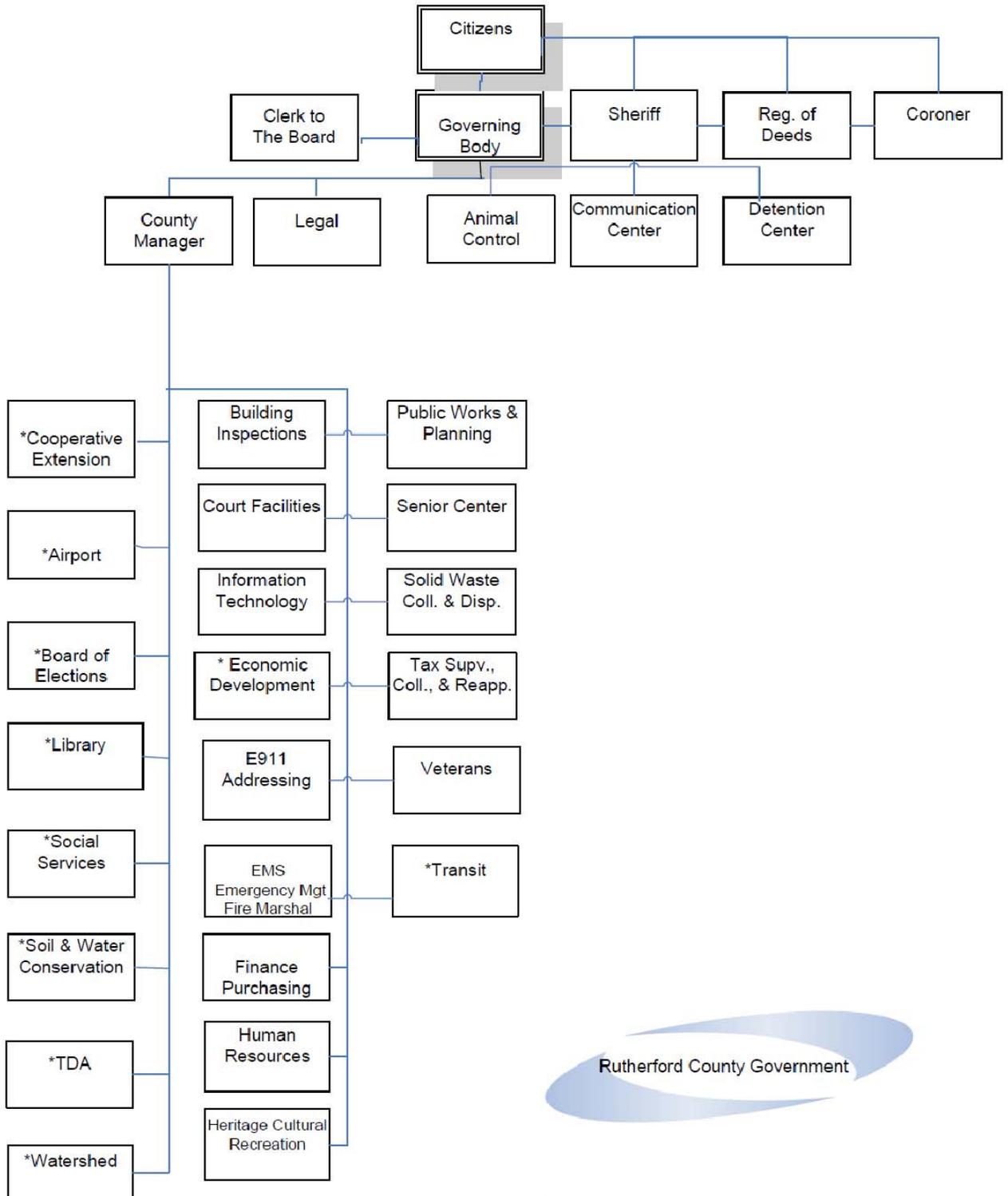
General Description

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

* Appointed in whole or in part by others

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Rutherford
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



A stylized, handwritten signature in black ink, appearing to be "J. H. H.", written over a white background.

President

A handwritten signature in black ink that reads "Jeffrey R. Emen".

Executive Director

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2010

Board of County Commissioners

Brent Washburn, Chairman

Margaret Helton, Vice Chairman

Susan Crowe

Eddie Holland

Paul McIntosh

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 on our consideration of Rutherford County, North Carolina's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2010

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, 2010. 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

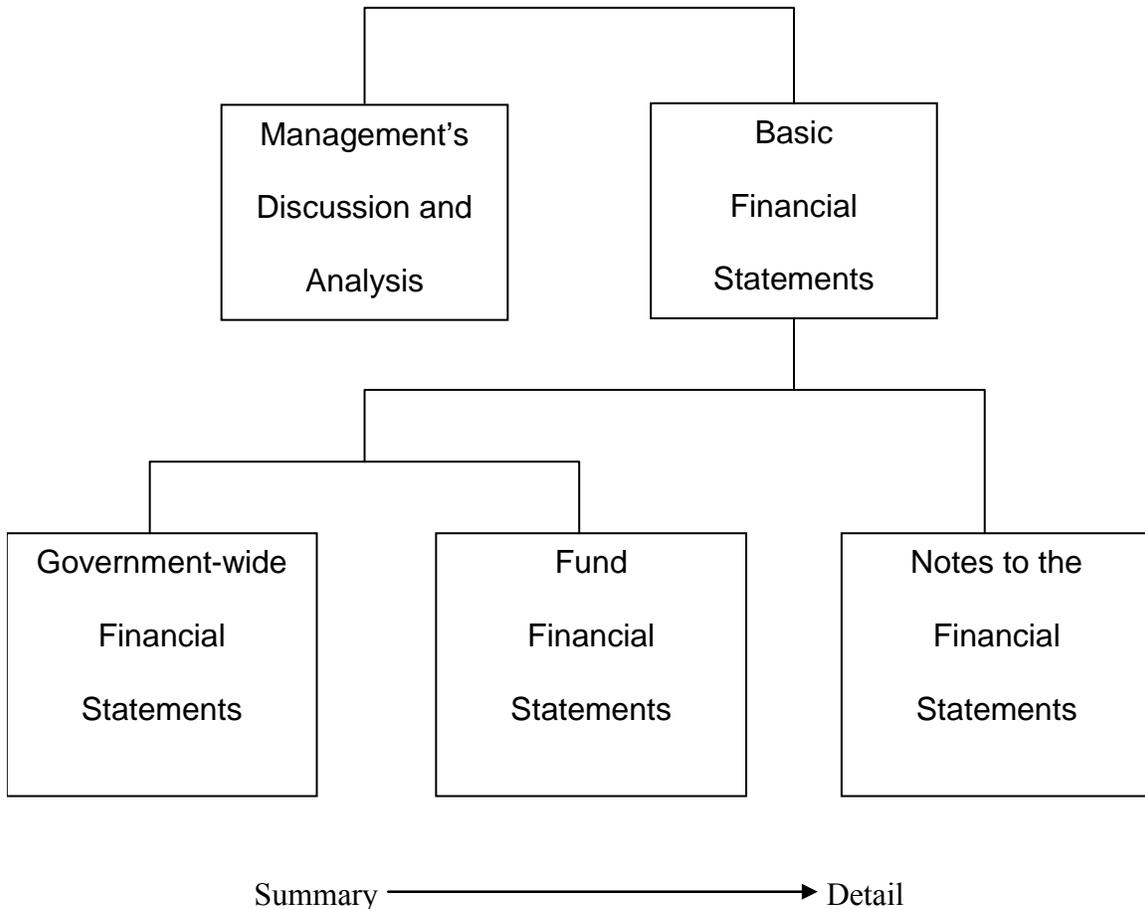
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$25,068,578, a decrease of \$1,976,810 in comparison with the prior year. The combined fund balance consisted of: general fund - \$15,677,959 compared to \$16,876,923 (2009); non-major special revenue funds \$9,390,619 compared to \$10,168,465 (2009). Approximately 83 percent of this total amount, or \$20,886,758, or 32 percent of expenditures, is available for spending at the government's discretion (unreserved fund balance). In 2009, the unreserved fund balance was \$22,678,072 or 30 percent of expenditures.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$11,916,835, or 24.6% of total general fund expenditures. In 2009, unreserved fund balance in the General Fund was \$13,196,079, or 26.2% 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 \$15,685,815 (*net assets*). This compares to a June 30, 2009 surplus of \$10,352,167. In accordance with North Carolina law, liabilities of the County include \$17,533,966 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County has reported a net deficit in unrestricted net assets in prior years.
- The government's long-term debt, excluding pension liability, compensated absences, landfill post-closure accrual, and grant repayments decreased by \$5,602,661.
- The government's total net assets increased by \$4,364,623.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

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

Governmental activities – These activities of the County include general government, public safety, human services, environmental protection, economic and physical development, education, cultural and recreation, and debt service. Property taxes, the local option sales taxes and state and federal grant funds finance most of these activities.

Business-type activities – The County charges fees to recover the costs associated with providing certain services. These activities include solid waste collection and disposal.

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

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Rutherford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Rutherford County can be divided into three categories: governmental, proprietary and fiduciary funds.

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund

financial statements. The notes to the financial statements are on pages 29 through 57 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 58 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 \$17,266,642 as of June 30, 2010. As of June 30, 2009, the net assets of Rutherford County stood at \$12,902,019 (as restated). The County’s net assets increased by \$4,364,623 for the fiscal year ended June 30, 2010, compared to an increase of \$1,255,961 in 2009. The largest portions of this increase relates to the County’s retirement of debt and the investment in capital assets (e.g. land, buildings, intangible assets, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County’s net assets represents resources that are subject to external restrictions on how they may be used. At June 30, 2010, total unrestricted net assets in the amount of \$4,824,480 is primarily attributable to the governmental activities unrestricted balance of \$2,922,565. In 2009, the amount of net assets invested in capital assets net of related debt (as restated) was \$11,243,884, with restricted assets standing at \$3,300,045. The remaining deficit balance (\$1,641,911) was unrestricted.

Figure 2

RUTHERFORD COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009 Restated	2010	2009	2010	2009 Restated
Current and other assets	\$ 30,715,480	\$ 31,932,617	\$ 2,165,223	\$ 2,242,420	\$ 32,880,703	\$ 34,175,037
Capital assets	54,191,417	54,344,264	2,323,407	2,529,436	56,514,824	56,873,700
Total assets	\$ 84,906,897	\$ 86,276,881	\$ 4,488,630	\$ 4,771,856	\$ 89,395,527	\$ 91,048,737
Long-term liabilities outstanding	\$ 67,634,519	\$ 73,277,884	\$ 2,701,502	\$ 2,826,337	\$ 70,336,021	\$ 76,104,221
Other liabilities	1,586,563	1,808,830	206,301	233,668	1,792,864	2,042,498
Total liabilities	\$ 69,221,082	\$ 75,086,714	\$ 2,907,803	\$ 3,060,005	\$ 72,128,885	\$ 78,146,719
Net assets:						
Invested in capital assets, net of related debt	\$ 9,844,642	\$ 9,335,747	\$ 1,921,077	\$ 1,908,137	\$ 11,765,719	\$ 11,243,884
Restricted	3,599,008	3,300,045	-	-	3,599,008	3,300,045
Unrestricted (deficit)	2,242,165	(1,445,625)	(340,250)	(196,286)	1,901,915	(1,641,911)
Total net assets	\$ 15,685,815	\$ 11,190,167	\$ 1,580,827	\$ 1,711,851	\$ 17,266,642	\$ 12,902,018

The County's unrestricted net assets reflects the portion of the county's outstanding debt incurred for the County Board of Education (the "School System"). Under North Carolina law, the County is responsible for providing capital funding for the School System. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets funded by the County, however, are owned and utilized by the School System. When the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in assets. Sunshine Elementary, Dunbar Elementary, the Isothermal Community College Lifelong Learning Center, and Rutherfordton Elementary are exceptions where the County owns the building. At the end of the fiscal year, \$17,533,966 of the outstanding debt on the County's financial statements was related to assets included in the School System's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The impact of the inclusion of the School System debt without the corresponding assets was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 93.8% despite a declining economy. This represents a .62% decrease from fiscal year 2009 when the tax collection percentage for the county was 94.42%. The main factor affecting our collection rate at this time is the bankruptcy of our second largest taxpayer, LR Buffalo Creek LLC (Greyrock), which accounts for 1.5% of collections.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.

Figure 3

RUTHERFORD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 4,313,756	\$ 4,292,582	\$ 3,018,858	\$ 3,047,944	\$ 7,332,614	\$ 7,340,526
Operating grants and contributions	10,657,325	10,453,271	172,970	150,950	10,830,295	10,604,221
Capital grants and contributions	2,632,656	1,895,968	-	-	2,632,656	1,895,968
General revenues:						
Property taxes	33,187,061	32,982,004	-	-	33,187,061	32,982,004
Other taxes	10,106,514	12,054,504	-	-	10,106,514	12,054,504
Other	582,494	1,744,217	26,215	41,445	608,709	1,785,662
Total revenues	61,479,806	63,422,546	3,218,043	3,240,339	64,697,849	66,662,885
Expenses:						
General government	6,501,588	7,047,611	-	-	6,501,588	7,047,611
Public safety	14,639,570	14,914,757	-	-	14,639,570	14,914,757
Environmental protection	187,376	169,467	-	-	187,376	169,467
Economic and physical development	1,861,686	4,195,793	-	-	1,861,686	4,195,793
Human services	13,605,280	15,091,631	-	-	13,605,280	15,091,631
Cultural and recreation	995,584	898,237	-	-	995,584	898,237
Education	16,129,157	16,164,309	-	-	16,129,157	16,164,309
Interest on long-term debt	2,938,919	2,923,219	-	-	2,938,919	2,923,219
Landfill	-	-	3,474,066	4,001,900	3,474,066	4,001,900
Total expenses	56,859,160	61,405,024	3,474,066	4,001,900	60,333,226	65,406,924
Increase (decrease) in net assets before transfers and special items	4,620,646	2,017,522	(256,023)	(761,561)	4,364,623	1,255,961
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase (decrease) in net assets	4,495,646	1,892,522	(131,023)	(636,561)	4,364,623	1,255,961
Net assets, July 1	10,352,169	8,459,647	1,711,850	2,348,411	12,064,019	10,808,058
Prior period adjustment (see note 12)	838,000	-	-	-	838,000	-
Net assets, June 30	\$ 15,685,815	\$ 10,352,169	\$ 1,580,827	\$ 1,711,850	\$ 17,266,642	\$ 12,064,019

Governmental activities. Governmental activities increased the County's net assets by \$4,495,646. This compares to an increase of \$1,892,522 in 2009. The key element of this increase is in Long Term Debt. The government's long-term debt, excluding pension liability, compensated absences, landfill post-closure accrual, and grant repayments decreased by \$5,602,661.

Business-type activities. Business-type activities decreased Rutherford County's net assets by \$131,023. The key elements of this decrease in net assets were an increase in the accrued landfill closure and postclosure care costs due to a the continuation of post closure costs on the MSW closed landfill and the closure and post closure costs that are being accrued for the active Construction and Demolition landfill and a continued decrease in tipping fee revenues due to the closing of industry.

The County established an Enterprise Fund on July 1, 1992 to account for solid waste collection and disposal operations that are financed through solid waste fees. Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. In order to meet this requirement, the County constructed a transfer station and began transporting MSW to a lined landfill outside the County. Studies are currently being conducted on the feasibility of constructing a lined landfill

adjacent to our Central Landfill. The County has obtained a site suitability determination (the initial stage of obtaining a permit) from the North Carolina Department of Environment and Natural Resources for this construction. The current contract for MSW transportation out of County expires December 2010.

The County operates a Construction and Demolition (C&D) landfill. As of June 30, 2010 it is estimated that the County has used 9.8 percent of the total estimated capacity of the current phase of this landfill. The County expects to operate this landfill until the year 2014.

The County has established a two-tiered tipping fee system. The tipping fee for C&D is \$25 per ton and the tipping fee for all other municipal solid waste is \$37 per ton. In addition, the State established a fee of \$2 per ton on municipal solid waste and construction and demolition debris as a result of the North Carolina General Assembly passing the Solid Waste Act of 2007. The statewide solid waste disposal tax must be collected at the Landfill and submitted to the State. The County's household fee is \$100 per household per year with a reduced homestead exemption fee of \$25 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 \$11,183,597, while total fund balance was \$15,677,959. 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 23.1 percent of total General Fund expenditures, while total fund balance represents 32.4 percent of that same amount.

At June 30, 2010, the governmental funds of Rutherford County reported a combined fund balance of \$25,068,578, a 7.3 percent decrease as compared to last year. The primary reason for this decrease is due to a \$1.2 million decline in General Fund fund balance. The County's fund balance decrease in fiscal year 2009-2010 was a planned expenditure of fund balance in response to the continuance of the economic recession which began in 2008. In order to provide the necessary functions of County government while facing declining revenues, during fiscal year 2008-2009 management recommended and the Board approved a goal of spending no more than approximately

\$1.8 million of fund balance over the two year period of fiscal year 2008-2009 through fiscal year 2009-2010 to balance the two years' budgets. This not to exceed \$1.8 million planned expenditure was based on the amount that was added to the total fund balance in fiscal year 2007-2008. The County's fund balance as of June 30, 2010 remains comparable to the State-wide average and that of other North Carolina counties in our population group.

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 \$1,199,982 which represents 2.2% of the original revenue budget.

The main amended increases in the budget were in general government, public safety and human services. These amendments totaled \$1.85 million. Amendments in the areas of general government and public safety were primarily due to capital expenditures that had been appropriated in the previous year but were unexpended in FY 2008-2009 and were therefore carried "re-budgeted" into FY 2009-2010 after the Budget Ordinance was adopted. The increases in Human Services largely relates to stimulus programs that were funded through the Department of Social Services. Expenditures in some functional areas experienced notable positive variances as compared to the budget due to expenditures being curtailed due to the economy. The positive variance in Human Services expenditures correlates with the negative variance in Restricted Intergovernmental Revenue due to lower than anticipated expenditures and therefore, reduced revenues from Federal and State funds in that area.

Proprietary Funds. Rutherford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to a \$340,250 deficit. The total decrease in net assets was \$131,024. 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, 2010, totals \$56,514,824 (net of accumulated depreciation). These assets include buildings, land, intangible assets, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchase of new Sheriff vehicles, had two ambulances remounted for Public Safety and Mobile Data Terminals placed in patrol cars and ambulances;
- Completion of Rutherfordton Elementary School and the Health Department Expansion;
- Capitalization of fiber optic rights as an intangible asset.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009 Restated	2010	2009	2010	2009 Restated
Land	\$ 6,552,237	\$ 6,552,237	\$ 703,069	\$ 703,069	\$ 7,255,306	\$ 7,255,306
Buildings and system	43,086,884	29,890,913	1,165,857	1,293,383	44,252,741	31,184,296
Improvements other than buildings	1,390,792	1,444,541	-	-	1,390,792	1,444,541
Machinery and equipment	537,056	802,401	286,669	359,219	823,725	1,161,620
Intangibles	1,052,001	-	-	-	1,052,001	-
Vehicles and motorized equipment	1,572,447	1,651,983	167,812	173,766	1,740,259	1,825,749
Construction in progress	-	14,002,189	-	-	-	14,002,189
Total	\$ 54,191,417	\$ 54,344,264	\$ 2,323,407	\$ 2,529,437	\$ 56,514,824	\$ 56,873,701

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

Long-term Debt. As of June 30, 2010, Rutherford County had total bonded debt outstanding of \$7,035,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation bonds, capital leases, installment purchase and revolving fund debt outstanding is as follows:

Figure 5
RUTHERFORD COUNTY'S OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 7,035,000	\$ 7,720,000	\$ -	\$ -	\$ 7,035,000	\$ 7,720,000
Capital leases	3,240,000	4,758,537	402,330	621,299	3,642,330	5,379,836
Installment purchase	54,911,271	58,074,856	-	-	54,911,271	58,074,856
Revolving fund - NCDENR	281,690	298,260	-	-	281,690	298,260
Total	\$ 65,467,961	\$ 70,851,653	\$ 402,330	\$ 621,299	\$ 65,870,291	\$ 71,472,952

Rutherford County's total debt (excluding pension liability, vacation and compensatory pay, landfill postclosure accruals and grant repayments) decreased \$5,602,661 during the past fiscal year.

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Rutherford County is \$406,445,654. The County has no un-issued authorized bonds at June 30, 2010.

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

Economic Factors and Next Year's Budgets and Rates

For the past decade, the labor force in Rutherford County has ranged from 29,000 to 32,000 persons. Many communities in this manufacturing region of the State are seeing significant declines in their labor force numbers as unemployment benefits are being exhausted and individuals are "falling out" of the system. In Rutherford County since the year 2000, the total labor force number has remained relatively unchanged. One theory for this is that in late 2007 and the first half of 2008, Rutherford County had much success in locating new facilities and experienced existing company job growth. Rutherford's current labor force number is approximately 31,000. Also similar to other communities in this region of the state, Rutherford County's unemployment rate has stabilized over the past year from a rate of 15.9% as of June 2009 to 14.8% as of June 2010. The unemployment rate peaked at 17.9% in January 2010 and has been in decline since that time. Many of the county's unemployed have embraced this as an opportunity to further their education. Our community college's preliminary enrollment numbers for Fall 2010 indicate a record headcount of 2,507, up 6 percent from 2,366 in Fall 2009 and up 23.5 percent from 2,029 in Fall 2008. Growth is slowing but still on the rise.

Several projects have looked at Rutherford County during the past twelve months and some are indicating wanting to see the overall national economy improve before taking the next step of announcing and committing to spending significant sums of money and job creation. Two projects that have announced during the past twelve months include River Textiles, a commercial laundry facility specializing in the medical industry and CMI from Miami, Florida who operates a flame lamination process for certain interior materials for automobiles, trucks, boats and RVs. These companies have announced plans to create 50 new jobs each in the County.

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

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities: The tax rate adopted for fiscal year 2010-2011 remained the same (53 cents) as compared to FY 2009-2010. A portion of the 53 cents tax rate (1.6 cents) was appropriated to be placed in a reserve fund to continue accumulating funds for future County facilities needs.

The FY 2010-11 General Fund budget anticipates relatively flat property values reflecting a .51% decrease in overall values and a collection rate of 93.9% which is comparable to the Fiscal Year 2009-10 actual collection rate of 93.8%. The budget also anticipates flat sales tax revenues as we have seen some stabilization in this area. Budgeted expenditures and transfers in the General Fund are expected to decrease by approximately thirteen percent to \$49,608,697. This decrease in the General Fund budget is due to several factors including an accounting change regarding the treatment of sales tax funds which were previously receipted into the General Fund and then transferred to various Capital Reserve Funds. The Governmental Accounting Standards Board will no longer allow for the reporting of Capital Reserve Funds beginning in FY 2010-11. Therefore, these sales tax funds will now be directly deposited into either the Debt Service Fund or a Capital Projects Fund depending upon how the funds will be used. This change accounts for approximately \$4.5 million of the decrease or approximately 8%. In addition, the Medicaid swap which began its final phase in Fiscal Year 2009-10 will result in a reduction in sales tax revenue of approximately \$350,000. Other factors contributing to the overall decrease in the budget include general reductions in various areas of the budget due to the economy.

The County expects to maintain its fund balance in the fiscal year ending June 30, 2011 due to conservative revenue estimates, the stabilization of the local economy and the assumption that the \$733,238 in appropriated fund balance will not be spent based on

recent spending trends as compared to the budget appropriations. As of the fiscal year ended June 30, 2010, Rutherford County has fund balance available for appropriation of approximately \$11.9 million or 21.45% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 24.31% of FY 2008-2009 general fund expenditures and, on average state-wide, other North Carolina counties were at 20.62%.

Business – type Activities: The County rates for landfill services remain the same for tipping fees and annual household user fees in the approved FY 2010-11 budget. The tipping fee structure will be analyzed and adjusted in conjunction with the upcoming expiration of the contract for MSW transportation out of County which expires December 2010.

As mentioned previously, the State established a fee of \$2 per ton on municipal solid waste and construction and demolition debris in FY 2008-2009 as a result of the North Carolina General Assembly passing the Solid Waste Act of 2007. The statewide solid waste disposal tax must be collected at the Landfill and submitted to the State. Once the State's costs of administration have been taken, the funds will be used for inactive hazardous sites cleanup and to fund grants to State agencies and units of local government to initiate or enhance local recycling programs to provide for the management of difficult to manage solid waste, including abandoned mobile homes and household hazardous waste. In the FY 2010-11 budget the County appropriated some of these funds to continue an extensive recycling program in the County public school system. This includes retaining a part-time recycling coordinator in addition to using these funds as a match to a grant which will be used to purchase a box truck. The truck will be used to transport recyclables from the schools to the recycling facility.

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, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,688,624	\$ 1,854,114	\$ 21,542,738
Receivables (net)	4,971,575	311,109	5,282,684
Due from other governments	3,277,935	-	3,277,935
Inventories	38,277	-	38,277
Prepaid items	221,552	-	221,552
Cash and cash equivalents - restricted	2,242,165	-	2,242,165
Deferred charge - issuance costs	275,352	-	275,352
Capital assets:			
Land and			
construction in progress	6,552,237	703,069	7,255,306
Other capital assets, net of depreciation	47,639,180	1,620,338	49,259,518
Total capital assets	54,191,417	2,323,407	56,514,824
Total assets	84,906,897	4,488,630	89,395,527
LIABILITIES			
Accounts payable and accrued expenses	819,981	206,301	1,026,282
Accrued interest payable	565,365	-	565,365
Unearned revenue	201,217	-	201,217
Long-term liabilities:			
Due within one year	8,579,565	330,946	8,910,511
Due in more than one year	59,054,954	2,370,556	61,425,510
Total long-term debt	67,634,519	2,701,502	70,336,021
Total liabilities	69,221,082	2,907,803	72,128,885
NET ASSETS			
Invested in capital assets, net of related debt	9,844,642	1,921,077	11,765,719
Restricted for:			
Register of Deeds	174,893	-	174,893
Emergency telephone system fund	501,550	-	501,550
Capital projects	2,242,165	-	2,242,165
Unrestricted (deficit)	2,922,565	(340,250)	2,582,315
Total net assets	\$ 15,685,815	\$ 1,580,827	\$ 17,266,642

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>
\$ -	\$ -	\$ 16,736
-	-	-
-	-	214,305
-	-	-
-	-	-
-	-	-
-	646,548	-
-	2,446,736	416,563
<u>-</u>	<u>3,093,284</u>	<u>416,563</u>
<u>-</u>	<u>3,093,284</u>	<u>647,604</u>
-	-	184,394
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>184,394</u>
-	3,093,284	416,563
-	-	-
-	-	-
-	-	-
-	-	46,647
<u>\$ -</u>	<u>\$ 3,093,284</u>	<u>\$ 463,210</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, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental Activities				
General government	\$ 6,501,588	\$ 499,229	\$ -	\$ 8,683
Public safety	14,639,570	3,726,640	183,156	98,659
Environmental protection	187,376	-	31,666	-
Economic and physical development	1,861,686	7,000	265,476	439,365
Human services	13,605,280	80,887	9,844,191	-
Cultural and recreation	995,584	-	332,836	-
Education	16,129,157	-	-	2,085,949
Interest on long-term debt	2,938,919	-	-	-
Total governmental activities	<u>56,859,160</u>	<u>4,313,756</u>	<u>10,657,325</u>	<u>2,632,656</u>
Business-type activities				
Solid Waste Disposal	3,474,066	3,018,858	172,970	-
Total business-type activities	<u>3,474,066</u>	<u>3,018,858</u>	<u>172,970</u>	<u>-</u>
	<u>\$ 60,333,226</u>	<u>\$ 7,332,614</u>	<u>\$ 10,830,295</u>	<u>\$ 2,632,656</u>
Component units:				
Economic Development Commission	\$ 408,974	\$ -	\$ 408,974	\$ -
Rutherford County Airport Authority	331,659	140,169	79,499	222,569
Transit Administration	977,359	477,997	343,291	153,692
Total component units	<u>\$ 1,717,992</u>	<u>\$ 618,166</u>	<u>\$ 831,764</u>	<u>\$ 376,261</u>

General revenues

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Gain on sale of capital assets

Miscellaneous, unrestricted

Total general revenues excluding transfers

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

As previously reported

Prior period adjustment

As restated

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
\$ (5,993,676)	\$ -	\$ (5,993,676)			
(10,631,115)	-	(10,631,115)			
(155,710)	-	(155,710)			
(1,149,845)	-	(1,149,845)			
(3,680,202)	-	(3,680,202)			
(662,748)	-	(662,748)			
(14,043,208)	-	(14,043,208)			
(2,938,919)	-	(2,938,919)			
<u>(39,255,423)</u>	<u>-</u>	<u>(39,255,423)</u>			
-	(282,238)	(282,238)			
-	(282,238)	(282,238)			
<u>(39,255,423)</u>	<u>(282,238)</u>	<u>(39,537,661)</u>			
			\$ -	\$ -	\$ -
			-	110,578	-
			-	-	(2,379)
			<u>-</u>	<u>110,578</u>	<u>(2,379)</u>
33,187,061	-	33,187,061	-	-	-
9,371,129	-	9,371,129	-	-	-
735,385	-	735,385	-	-	-
255,178	26,215	281,393	-	-	-
58,532	-	58,532	-	-	-
268,784	-	268,784	-	-	-
<u>43,876,069</u>	<u>26,215</u>	<u>43,902,284</u>	<u>-</u>	<u>-</u>	<u>-</u>
(125,000)	125,000	-	-	-	-
<u>43,751,069</u>	<u>151,215</u>	<u>43,902,284</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,495,646</u>	<u>(131,023)</u>	<u>4,364,623</u>	<u>-</u>	<u>110,578</u>	<u>(2,379)</u>
10,352,169	1,711,850	12,064,019	-	2,982,706	465,589
838,000	-	838,000	-	-	-
<u>11,190,169</u>	<u>1,711,850</u>	<u>12,902,019</u>	<u>-</u>	<u>2,982,706</u>	<u>465,589</u>
<u>\$ 15,685,815</u>	<u>\$ 1,580,827</u>	<u>\$ 17,266,642</u>	<u>\$ -</u>	<u>\$ 3,093,284</u>	<u>\$ 463,210</u>

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

Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2010

	Major		Non-major	Total
	General	Debt Service	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 12,633,526	\$ -	\$ 7,055,098	\$ 19,688,624
Receivables, net	4,299,185	-	233,790	4,532,975
Due from other governments	2,862,239	-	415,701	3,277,940
Due from other funds	-	-	29,332	29,332
Prepaid items	220,057	-	1,495	221,552
Inventories	38,277	-	-	38,277
Cash and cash equivalents - restricted	-	-	2,242,165	2,242,165
Total assets	\$ 20,053,284	\$ -	\$ 9,977,581	\$ 30,030,865
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 496,072	\$ -	\$ 323,910	819,982
Due to other funds	-	-	29,332	29,332
Unearned revenue	197,787	-	3,430	201,217
Deferred revenue	3,681,466	-	230,290	3,911,756
Total liabilities	4,375,325	-	586,962	4,962,287
Fund balances:				
Reserved for:				
Inventories and prepaid items	258,334	-	-	258,334
State statute	3,479,958	-	391,364	3,871,322
Court facilities	22,832	-	-	22,832
Unreserved, undesignated	11,183,597	-	-	11,183,597
Unreserved, designated for subsequent year's expenditures	733,238	-	-	733,238
Unreserved, reported in:				
Capital projects fund	-	-	2,358,646	2,358,646
Special revenue funds	-	-	6,640,609	6,640,609
Total fund balances	15,677,959	-	9,390,619	25,068,578
Total liabilities and fund balances	\$ 20,053,284	\$ -	\$ 9,977,581	

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	54,191,417
Deferred charges related to bond debt issuance	275,352
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	438,596
Liabilities for earned but deferred revenues in fund statements	3,911,756
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1).	(68,199,884)
Net assets of governmental activities	\$ 15,685,815

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

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major		Non-major	Total Governmental Funds
	General	Debt Service	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 30,489,240	\$ -	\$ 1,922,173	\$ 32,411,413
Local option sales taxes	8,805,145	-	565,983	9,371,128
Other taxes and licenses	-	-	526,461	526,461
Restricted intergovernmental	10,044,918	-	3,915,244	13,960,162
Permits and fees	799,562	-	-	799,562
Sales and services	3,065,506	-	15,367	3,080,873
Investment earnings	124,866	-	9,458	134,324
Miscellaneous	287,325	-	-	287,325
Total revenues	53,616,562	-	6,954,686	60,571,248
EXPENDITURES				
Current:				
General government	5,292,931	-	512,523	5,805,454
Public safety	11,612,042	-	2,914,517	14,526,559
Environmental protection	116,677	-	67,353	184,030
Economic and physical development	871,787	-	1,513,099	2,384,886
Human services	13,275,416	-	166,744	13,442,160
Cultural and recreational	643,010	-	300,000	943,010
Intergovernmental:				
Education	14,059,565	-	-	14,059,565
Capital outlay:				
Education	149,158	-	2,339,230	2,488,388
Debt service:				
Principal	2,280,300	5,303,179	77,353	7,660,832
Interest and other charges	107,816	2,861,812	17,078	2,986,706
Total expenditures	48,408,702	8,164,991	7,907,897	64,481,590
Revenues over (under) expenditures	5,207,860	(8,164,991)	(953,211)	(3,910,342)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	765,220	8,164,991	7,970,694	16,900,905
Transfers to other funds	(7,230,576)	-	(9,795,329)	(17,025,905)
Debt issued	-	-	2,000,000	2,000,000
Sales of capital assets	58,532	-	-	58,532
Total other financing sources and uses	(6,406,824)	8,164,991	175,365	1,933,532
Net changes in fund balances	(1,198,964)	-	(777,846)	(1,976,810)
Fund balances, beginning	16,876,923	-	10,168,465	27,045,388
Fund balances, ending	\$ 15,677,959	\$ -	\$ 9,390,619	\$ 25,068,578

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

Rutherford County, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

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

Net changes in fund balances - total governmental funds	\$ (1,976,810)
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.	(152,848)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,011,179
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.	5,660,833
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.	(46,708)
Total changes in net assets of governmental activities	\$ <u>4,495,646</u>

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

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2010

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 30,601,072	\$ 30,601,072	\$ 30,489,240	\$ (111,832)
Local option sales taxes	9,287,445	9,087,445	8,805,145	(282,300)
Restricted intergovernmental	10,055,395	11,135,139	10,044,918	(1,090,221)
Permits and fees	915,500	915,500	799,562	(115,938)
Sales and services	2,973,535	3,227,607	3,065,506	(162,101)
Investment earnings	125,000	125,000	124,866	(134)
Miscellaneous	164,368	211,534	287,325	75,791
Total revenues	<u>54,122,315</u>	<u>55,303,297</u>	<u>53,616,562</u>	<u>(1,686,735)</u>
Expenditures:				
Current:				
General government	5,610,700	6,027,015	5,292,931	734,084
Public safety	11,621,482	12,100,592	11,612,042	488,550
Environmental protection	126,079	124,529	116,677	7,852
Economic and physical development	833,943	1,011,629	871,787	139,842
Human services	13,909,659	14,868,979	13,275,416	1,593,563
Cultural and recreational	654,642	662,616	643,010	19,606
Intergovernmental				
Education	14,159,565	14,393,723	14,208,723	185,000
Total current expenditures	<u>46,916,070</u>	<u>49,189,083</u>	<u>46,020,586</u>	<u>3,168,497</u>
Debt service:				
Principal retirement			2,280,300	
Interest and other charges			107,816	
Total debt service	<u>2,396,746</u>	<u>2,389,266</u>	<u>2,388,116</u>	<u>1,150</u>
Total expenditures	<u>49,312,816</u>	<u>51,578,349</u>	<u>48,408,702</u>	<u>3,169,647</u>
Revenues over expenditure:	<u>4,809,499</u>	<u>3,724,948</u>	<u>5,207,860</u>	<u>1,482,912</u>
Other financing sources (uses)				
Transfers from other funds	691,569	1,016,844	765,220	(251,624)
Transfers to other funds	(7,583,549)	(7,574,874)	(7,230,576)	344,298
Debt issued	304,600	-	-	-
Sales of capital assets	15,000	34,000	58,532	24,532
Appropriated fund balances	1,762,881	2,799,082	-	(2,799,082)
Total other financing sources (uses)	<u>(4,809,499)</u>	<u>(3,724,948)</u>	<u>(6,406,824)</u>	<u>(2,681,876)</u>
Revenues and other financing sources over expenditures and other financing use:	<u>\$ -</u>	<u>\$ -</u>	<u>(1,198,964)</u>	<u>\$ (1,198,964)</u>
Fund balances:				
Beginning			<u>16,876,923</u>	
Ending			<u>\$ 15,677,959</u>	

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

Rutherford County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Enterprise Fund</u> Solid Waste Disposal Fund <hr/>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,854,114
Receivables, net	311,109
Total current assets	<hr/> 2,165,223 <hr/>
Capital assets:	
Land, improvements, and construction in progress	703,069
Other capital assets, net of depreciation	1,620,338
Total capital assets	<hr/> 2,323,407 <hr/>
Total noncurrent assets	<hr/> 2,323,407 <hr/>
Total assets	<hr/> 4,488,630 <hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	206,301
Current portion of long-term liabilities	330,946
Total current liabilities	<hr/> 537,247 <hr/>
Noncurrent liabilities:	
Accrued landfill closure and postclosure care costs	2,196,555
Long-term debt	174,001
Total noncurrent liabilities	<hr/> 2,370,556 <hr/>
Total liabilities	<hr/> 2,907,803 <hr/>
NET ASSETS	
Invested in capital assets, net of related debt	1,921,077
Unrestricted	(340,250)
Total net assets	<hr/> \$ 1,580,827 <hr/>

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

Rutherford County, North Carolina
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund
	Solid Waste Disposal Fund
OPERATING REVENUES	
Charges for services	\$ 2,804,274
Miscellaneous	387,554
Total operating revenues	3,191,828
OPERATING EXPENSES	
Salaries, wages, and fringe benefits	1,135,978
Maintenance and repairs	59,615
Other operating expenses	1,869,288
Landfill closure and postclosure care costs	153,878
Depreciation	232,519
Total operating expenses	3,451,278
Operating income (loss)	(259,450)
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	26,215
Interest and other charges	(22,789)
Total nonoperating revenue (expenses)	3,426
Income (loss) before transfers	(256,024)
Transfers from (to) other funds	125,000
Changes in net assets	(131,024)
Total net assets, beginning	1,711,851
Total net assets, ending	\$ 1,580,827

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, 2010

	Enterprise Fund
	Solid Waste Disposal Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,204,367
Cash paid to employees for services	(849,241)
Cash paid for goods and services	(2,302,751)
Net cash provided by operating activities	52,375
Cash flows from noncapital financing activities:	
Transfers in	125,000
Net cash provided by noncapital financing activities	125,000
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(26,490)
Principal paid on long-term debt	(218,969)
Interest paid on long-term debt	(22,789)
Net cash used by capital and related financing activities	(268,248)
Cash flows from investing activities:	
Interest on investments	26,215
Net cash provided by investing activities	26,215
Net decrease in cash and cash equivalents	(64,658)
Cash and cash equivalents, beginning of year	1,918,772
Cash and cash equivalents, end of year	\$ 1,854,114

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

	<u>Enterprise Fund</u>
	<u>Solid Waste Disposal Fund</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income (loss)	\$ (259,450)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	232,519
Landfill closure and postclosure care costs	94,134
Changes in assets and liabilities:	
(Increase) decrease in receivables	12,539
Increase (decrease) in accounts payable and accrued liabilities	(27,367)
Total adjustments	<u>311,825</u>
Net cash provided by operating activities:	<u>\$ 52,375</u>

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

**Rutherford County, North Carolina
Statement of Fiduciary Net Asset:
Fiduciary Funds
June 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 225,389
Accounts receivable	367
	<u>225,756</u>
 LIABILITIES	
Accounts payable	113,962
Due to other taxing units	111,794
	<u>225,756</u>
 NET ASSETS	 <u><u>\$ -</u></u>

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

RUTHERFORD COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS For the year ended June 30, 2010

Note 1 – Summary of Significant Accounting Policies

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

(A) Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the basic financial statements.

Rutherford County Industrial Facility and Pollution Control Financing Authority

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

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

Economic Development Commission and Rutherford County Airport Authority

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

Rutherford County Transit Administration

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise fund:

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

The County also reports the following fund types:

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

districts within the County; 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 1779; the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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, 2009 because they are intended to finance the County's operations during the 2011 fiscal year.

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

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

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

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

(C) **Budgetary Data**

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

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

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

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

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

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

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

(1) **Deposits and Investments**

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

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

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

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

(2) **Cash and Cash Equivalents**

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

(3) **Restricted Assets**

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

Reserved for school construction	\$ 199,584
Reserved for county construction	<u>2,042,581</u>
	<u>\$ 2,242,165</u>

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

Amounts reported at June 30, 2010 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, 2009. As allowed by State law, the

County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts. The STIF securities are reported at cost and maintain a constant share of \$1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the funds.

(6) **Allowances for Doubtful Accounts**

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

(7) **Inventory**

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

(8) **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

(9) **Long-Term Obligations**

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

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

(10) Compensated Absences

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

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

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

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

Fund Balances

In the governmental fund financial statements, 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.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 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 (\$9,382,763) 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)	\$ 75,333,218
Less accumulated depreciation	<u>(21,141,801)</u>
Net capital assets	54,191,417
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.	438,596
Deferred charges related to debt insurance – included on government-wide statement of net-assets but are not current financial resources.	275,352
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	3,911,756
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	(65,467,961)
Grant repayment obligation	(678,233)
Compensated absences and pension	(1,488,325)
Accrued interest payable	<u>(565,365)</u>
Total Adjustment	<u>\$ (9,382,763)</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 \$6,472,456 as follows:

Description

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 2,022,874
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(2,175,722)
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	(2,000,000)

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	7,660,833
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)	(253)
Amortization of debt issuance costs	(28,987)
Amortization of debt premiums	61,975
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(39,361)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(40,082)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Reversal of deferred interest revenue recorded at July 1, 2009	(317,780)
Recording of interest revenue deferred in fund statements at June 30, 2010	438,596
Reversal of deferred tax revenue recorded at July 1, 2009	(2,668,953)
Recording of tax receipts deferred in the fund statements as of June 30, 2010	3,444,602
Reversal of other deferred revenue recorded at July 1, 2009	(352,440)
Recording of other revenues deferred in fund statements as of June 30, 2010	<u>467,154</u>
Total adjustment	<u>\$ 6,472,456</u>

(F) **Comparative Data/Reclassifications**

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

Note 2 – Assets

(A) **Deposits**

All of the County and Transit Administration's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal

depository insurance coverage level are collateralized with securities held by the County and Transit Administration’s agents in those units’ names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and Transit Administration, these deposits are considered to be held by their agents in the entities’ names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Transit Administration, or the escrow agent. Because of the inability to measure, the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2010, the County's deposits had a carrying amount of \$13,574,874 and a bank balance of \$13,587,955. Of the bank balance, \$1,500,000 was covered by federal depository insurance, and \$12,087,955 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2010 of \$1,790.

The Transit Administration’s deposits had a carrying amount and bank balance of \$16,736 all of which was covered by federal depository insurance.

(B) Investments

At June 30, 2010, the County’s investments consisted of \$10,237,826 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 \$195,802 in the North Carolina Short Term Investment Fund of Lottery funds that had been approved and allocated as of June 30, 2010.

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, 2010, the County only invested in North Carolina Capital Cash Management Trust’s Cash Portfolio and North Carolina Short-Term Investment Fund and as of June 30, 2010, 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
2007	\$ 594,321	\$ 141,151	\$ 735,472
2008	603,746	89,053	692,799
2009	618,843	35,583	654,426
2010	638,635	-	638,635
Total	<u>\$ 2,455,545</u>	<u>\$ 265,787</u>	<u>\$ 2,721,332</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	\$ 2,498,701	\$ 4,332,907	\$ 2,862,235	\$ 9,693,843
Other Governmental	<u>3,500</u>	<u>230,290</u>	<u>415,700</u>	<u>649,490</u>
Total receivables	2,502,201	4,563,197	3,277,935	10,343,333
Allowance for doubtful accounts	<u>(1,413,823)</u>	<u>(680,000)</u>	<u>-</u>	<u>(2,093,823)</u>
Total – governmental activities	<u>\$ 1,088,378</u>	<u>\$ 3,883,197</u>	<u>\$ 3,277,935</u>	<u>\$ 8,249,510</u>
Business-type Activities:				
Solid waste	\$ 336,109	\$ -	\$ -	\$ 336,109
Allowance for doubtful accounts	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Total – business-type activities	<u>\$ 311,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,109</u>

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

Local option sales tax	\$ 2,322,704
Other	<u>955,231</u>
Total	<u>\$ 3,277,935</u>

(E) **Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

	<u>As Restated Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,552,237	\$ -	\$ -	\$ 6,552,237
Construction in progress	<u>14,002,189</u>	<u>1,546,990</u>	<u>15,549,179</u>	<u>-</u>
Total capital assets not being depreciated	<u>20,554,426</u>	<u>1,546,990</u>	<u>15,549,179</u>	<u>6,552,237</u>
Capital assets being depreciated:				
Buildings	41,360,728	14,474,795	-	55,835,523
Other improvements	1,949,604	-	-	1,949,604
Intangibles	-	1,074,384	-	1,074,384
Equipment	4,570,008	55,326	-	4,625,334
Vehicles	<u>5,306,987</u>	<u>420,558</u>	<u>431,630</u>	<u>5,295,915</u>
Total capital assets being depreciated	<u>53,187,327</u>	<u>16,025,063</u>	<u>431,630</u>	<u>68,780,760</u>
Less accumulated depreciation for:				
Buildings	11,469,815	1,278,824	-	12,748,639
Other improvements	505,063	53,749	-	558,812
Intangibles	-	22,383	-	22,383
Equipment	3,767,607	320,671	-	4,088,278
Vehicles	<u>3,655,004</u>	<u>500,094</u>	<u>431,630</u>	<u>3,723,468</u>
Total accumulated depreciation	<u>19,397,489</u>	<u>2,175,721</u>	<u>431,630</u>	<u>21,141,580</u>
Governmental activities capital assets, net	<u>33,789,838</u>			<u>47,639,180</u>
	<u>\$ 54,344,264</u>			<u>\$ 54,191,417</u>

Depreciation Expense:

Governmental activities:

General Government	\$ 395,824
Public Safety	704,314
Economic and physical development	81,239
Environmental Protection	2,717
Human services	191,695
Cultural and recreational	50,181
Education	<u>749,751</u>
Total depreciation expense	<u>\$ 2,175,721</u>

Business-type activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Solid Waste Disposal				
Capital assets not being depreciated:				
Land	\$ 703,069	\$ -	\$ -	\$ 703,069
Total capital assets not being depreciated	<u>703,069</u>	<u>-</u>	<u>-</u>	<u>703,069</u>
Capital assets being depreciated:				
Buildings and improvements	3,203,293	-	-	3,203,293
Equipment	1,616,660	-	-	1,616,660
Vehicles	<u>457,225</u>	<u>26,490</u>	<u>-</u>	<u>483,715</u>
Total capital assets being depreciated	<u>5,277,178</u>	<u>26,490</u>	<u>-</u>	<u>5,303,668</u>
Less accumulated depreciation for:				
Buildings and improvements	1,909,911	127,525	-	2,037,436
Equipment	1,257,441	72,550	-	1,329,991
Vehicles	<u>283,459</u>	<u>32,444</u>	<u>-</u>	<u>315,903</u>
Total accumulated depreciation	<u>3,450,811</u>	<u>232,519</u>	<u>-</u>	<u>3,683,330</u>
Total capital assets being depreciated, net	<u>1,826,367</u>			<u>1,620,338</u>
Solid Waste Disposal capital assets, net	<u>\$ 2,529,436</u>			<u>\$ 2,323,407</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
Construction in progress	<u>-</u>	<u>222,569</u>	<u>-</u>	<u>222,569</u>
Total capital assets not being depreciated	<u>423,979</u>	<u>222,569</u>	<u>-</u>	<u>646,548</u>
Capital assets being depreciated:				
Buildings and improvements	3,678,940	-	-	3,678,940
Equipment	<u>186,700</u>	<u>-</u>	<u>-</u>	<u>186,700</u>
Total capital assets being depreciated	<u>3,865,640</u>	<u>-</u>	<u>-</u>	<u>3,865,640</u>
Less accumulated depreciation for:				
Buildings and improvements	1,190,243	99,131	-	1,289,374
Equipment	<u>116,670</u>	<u>12,860</u>	<u>-</u>	<u>129,530</u>
Total accumulated depreciation	<u>1,306,913</u>	<u>111,991</u>	<u>-</u>	<u>1,418,904</u>
Rutherford County Regional Airport capital assets, net	<u>2,558,727</u>			<u>2,446,736</u>
	<u>\$ 2,982,706</u>			<u>\$ 3,093,284</u>

Construction commitments – Airport

The government has the following commitments with contractors for active construction projects as of June 30, 2010:

<u>Project</u>	<u>Spent-to date</u>	<u>Remaining Commitment</u>
Rehabilitate Taxiway and Apron	\$ 149,139	\$ 256,818
Total construction commitments	<u>\$ 149,139</u>	<u>\$ 256,818</u>

Transit:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Equipment	\$ 17,617	\$ -	\$ -	\$ 17,167
Vehicles	<u>1,087,351</u>	<u>151,992</u>	<u>128,708</u>	<u>1,110,635</u>
Total capital assets being depreciated	<u>1,104,518</u>	<u>151,992</u>	<u>128,708</u>	<u>1,127,802</u>
Less accumulated depreciation for:				
Equipment	17,167	-	-	17,167
Vehicles	<u>728,363</u>	<u>94,417</u>	<u>128,708</u>	<u>694,072</u>
Total accumulated depreciation	<u>745,530</u>	<u>94,417</u>	<u>128,708</u>	<u>711,239</u>
Total capital assets being depreciated, net	<u>358,988</u>			<u>416,563</u>
Rutherford County Transit Administration capital assets, net	<u>\$ 358,988</u>			<u>\$ 416,563</u>

Note 3 – Liabilities

(A) **Payables**

Payables at the government-wide level at June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Accrued Benefits</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities				
General	\$ 483,654	\$ 13,190	\$ -	\$ 496,844
Other Governmental	<u>312,751</u>	<u>11,159</u>	<u>565,365</u>	<u>889,275</u>
Total – governmental activities	<u>\$ 796,405</u>	<u>\$ 24,349</u>	<u>\$ 565,365</u>	<u>\$ 1,386,119</u>
Business-type Activities				
Solid waste	<u>\$ 170,735</u>	<u>\$ 35,566</u>	<u>\$ -</u>	<u>\$ 206,301</u>
Total – business-type activities	<u>\$ 170,735</u>	<u>\$ 35,566</u>	<u>\$ -</u>	<u>\$ 206,301</u>

(B) **Pension Plan Obligations**

North Carolina Local Governmental Employees’ Retirement System

Plan Description: The County and component units contribute to the statewide Local Governmental Employees’ Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees’ Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s

CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The County, Rutherford County Transit Administration, and Economic Development Commission are required to contribute at an actuarially determined rate. For County employees not engaged in law enforcement, Rutherford County Transit Administration employees, and Economic Development Commission employees, the current rate is 4.92% of annual covered payroll. For County law enforcement officers the current rate is 4.86% 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, 2010, 2009, and 2008 were \$1,471,054, \$1,521,800, and \$1,469,271, respectively. The Rutherford County Transit Administration’s contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$24,105, \$23,972 and \$22,237, respectively. The Economic Development Commission’s contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$11,927, \$12,030, and \$10,383, 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, 2009, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	7
Active plan members	<u>76</u>
Total	<u><u>83</u></u>

Summary of Significant Accounting Policies:

- a. *Basis of Accounting:* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.
- b. *Method Used to Value Investments:* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The

actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a percentage of pay on a closed basis. The remaining amortization period at December 31, 2009 was 21 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	\$ 96,352
Interest on net pension obligation	26,369
Adjustment to annual required contribution	<u>(22,911)</u>
Annual pension cost	99,810
Contributions made	<u>60,449</u>
Increase in net pension obligation	39,361
Net pension obligation beginning of year	<u>363,706</u>
Net pension obligation end of year	<u>\$ 403,067</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 99,810	60.56%	\$ 403,067
6/30/09	95,074	65.40%	363,706
6/30/08	85,358	92.37%	330,808

Funded Status and Funding Progress:

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,205,264. The covered payroll (annual payroll of active employees covered by the plan) was \$3,223,468 and the ratio of the UAAL to the covered payroll was 37.39%.

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, 2010 were \$182,695, which consisted of \$146,902 from the County and \$35,793 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, 2010 were \$724,676, which consisted of \$524,841 from the County and \$199,835 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2010 were \$17,466, which consisted of \$11,258 from the Rutherford County Transit Administration and \$6,208 from the employees. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2010 were \$6,495, which consisted of \$5,223 from the Economic Development Commission and \$1,272 from the employees.

Other Postemployment Benefits

Postemployment Healthcare Benefits

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2010, the County paid all annual required contributions to the Plan for postemployment healthcare benefits of \$630,073. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2010 were \$9,339. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2010 were \$4,542. These contributions represented 4.5% of covered payroll.

Post-Employment Death Benefits

The County, Rutherford County Transit Administration, and Economic Development Commission, have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple- employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County, Rutherford County Transit Administration, and Economic Development Commission, have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, Rutherford County Transit Administration, nor Economic Development Commission, the County, Rutherford County Transit Administration, and Economic Development Commission, do not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the County made contributions to the State for death benefits of \$17,360. 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, 2010, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$273 and \$133, 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, 2010, the County's required and actual contributions were \$5,341.

Deferred Compensation Plans

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by Equitable Assurance Company and Public Employees Benefit Service Corporation (PEBSCO). The plans, available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

(C) **Deferred / Unearned Revenues**

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 197,787
Prepaid taxes not yet earned (Special Revenue)	-	3,430
Taxes receivable, net (General)	3,214,312	-
Taxes receivable, net (Special Revenue)	230,290	-
Other receivable, (General)	467,154	-
	<u>\$ 3,911,756</u>	<u>\$ 201,217</u>

(D) **Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

The County also participates in the State’s Comprehensive Major Medical Plan (also referred to as The State Health Plan), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Participants in the Plan include all full-time agency employees, retired employees, disabled employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). The County pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan. As of June 30, 2010, the program had 464 active participants in the Plan. The plan provides medical coverage with no lifetime maximum. Dental coverage is provided up to a maximum of \$1,500 per employee per year other than orthodontics, which is a lifetime maximum of \$2,000 per eligible employee. The Insurance Plan Administrators for the fiscal year ended June 30, 2010 were North Carolina State Health Plan for medical and Citizens Security for dental.

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

In accordance with G.S. 159-29, the County’s employees that have access to \$100 or more at any given time of the County’s funds are performance bonded through a commercial surety bond. The finance officer 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, 2010, the County was a defendant to various lawsuits. In the opinion of the County’s management, the ultimate effect of these legal matters will not have a material adverse effect on the County’s financial position.

Note 4 – Long-Term Obligations

The following is an analysis of assets recorded under capital leases, installment purchase agreements, and certificates of participation (COP’s) as of June 30, 2010:

Buildings	\$ 41,250,429
Vehicles	4,865,088
Equipment and software	<u>2,472,623</u>
	<u>\$ 48,588,140</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, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Serviced by the General Fund:</u>				
Vehicle and equipment lease purchase agreement, 2006 \$484,000 issue, monthly payments of \$8,813, including interest at 3.54% through February, 2011	\$ 170,925	\$ -	\$ 101,345	\$ 69,580
Equipment lease purchase agreement, 2007 \$1,236,400 issue, monthly payments of \$36,605, including interest at 4.03% through March, 2010	324,095	-	324,095	-
Vehicle and equipment lease purchase agreement, 2008 \$1,565,483 issue, monthly payments of \$45,464, including interest at 2.91% through January, 2011	843,219	-	528,092	315,127
Software lease purchase agreement, 2008 \$400,000 issue, monthly payments of \$7,291, including interest at 2.94% through December, 2012	290,587	-	79,988	210,599

Vehicle and equipment lease purchase agreement, 2009 \$1,519,638 issue, monthly payments of \$43,926, including interest at 2.60% through February, 2012	1,356,600	-	497,740	858,860
<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	726,511	-	199,987	526,524
Hardware and software lease purchase agreement, 2009 \$1,000,000 issue, monthly payments of \$18,149 including interest at 2.77% through January, 2014	936,417	-	194,304	742,113
Hardware and software lease purchase agreement, 2010 \$500,000 issue, monthly payments of \$9,093 including interest at 2.855% through March, 2015	-	500,000	15,826	484,174
<u>Serviced by Emergency Telephone System Fund</u>				
Equipment lease purchase agreement, 2007 \$165,000 issue, monthly payments of \$4,888, including interest at 4.03% through March, 2010	43,152	-	43,152	-
Equipment lease purchase agreement, 2008 \$67,780 issue, monthly payments of \$1,968, including interest at 2.91% through January, 2011	36,510	-	22,807	13,703
Equipment lease purchase agreement, 2009 \$34,200 issue, monthly payments of \$989, including interest at 2.60% through February, 2012	30,521	-	11,201	19,320
Total capital leases	<u>\$ 4,758,537</u>	<u>\$ 500,000</u>	<u>\$ 2,018,537</u>	<u>\$ 3,240,000</u>

For Rutherford County, the future minimum payments as of June 30, 2010, including interest are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010/11	\$ 1,505,415	\$ 69,166
2011/12	957,488	34,893
2012/13	465,211	14,872
2013/14	231,056	5,108
2014/15	80,830	965
Total	<u>\$ 3,240,000</u>	<u>\$ 125,004</u>

Business-Type Activities

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</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	\$ 337,309	\$ -	\$ 129,704	\$ 207,605
Equipment lease purchase agreement, 2008 \$225,000 issue, monthly payments of \$4,100, including interest at 2.94% through December, 2012	163,488	-	45,048	118,440
Equipment lease purchase agreement, 2009 \$135,000 issue, monthly payments of \$3,902, including interest at 2.60% through February, 2012	<u>120,502</u>	<u>-</u>	<u>44,217</u>	<u>76,285</u>
Total capital leases	<u>\$ 621,299</u>	<u>\$ -</u>	<u>\$ 218,969</u>	<u>\$ 402,330</u>

For Rutherford County, the future minimum payments as of June 30, 2010, including interest are:

	<u>Solid Waste Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2010/11	\$ 228,329	\$ 13,437
2011/12	149,653	3,646
2012/13	24,348	210
2013/14	-	-
2014/15	-	-
Total	<u>\$ 402,330</u>	<u>\$ 17,293</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, 2010 by installment purchase.

Governmental Activities

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Serviced by the Debt Service Fund</u>				
Public facilities project lease purchase agreement, 2001 \$3,500,000 issue, interest at 4.74% due semi-annually to 2016	\$ 1,875,000	\$ -	\$ 250,000	\$ 1,625,000
Public facilities project lease purchase agreement, 2006 \$4,873,000 issue, interest at 4.17% due semi-annually to 2021	4,151,546	-	310,080	3,841,466

Economic development lease purchase agreement, 2007 \$1,300,000 issue, interest at 5.59% due semi-annually to 2022	1,126,668	-	86,668	1,040,000
Public facilities project certificates of participation, 2002 \$29,590,000 issue, interest at 1.5% to 5% due semi-annually to 2023	22,600,000	-	1,490,000	21,110,000
Public facilities project certificates of participation, 2003 \$7,740,000 issue, interest at 2% to 5.0% due semi-annually to 2023	5,890,000	-	425,000	5,465,000
Public facilities project certificates of participation, 2007 \$14,680,000 issue, interest at 4% to 5% due semi-annually to 2027. A premium of \$741,007 is included and will be amortized over the life of the debt	15,255,688	-	206,975	15,048,713
Public facilities project private placement, 2009 \$3,250,000 issue, interest at 3.66% due semi-annually to 2024	3,250,000	-	216,666	3,033,334
Public facilities project private placement, 2005 \$4,502,500 issue, interest at 3.55% due semi-annually to 2020	<u>3,925,954</u>	-	<u>178,196</u>	<u>3,747,758</u>
Total installment purchases	<u>\$58,074,856</u>	<u>\$ -</u>	<u>\$ 3,163,585</u>	<u>\$ 54,911,271</u>

For Rutherford County, the future minimum payments as of June 30, 2010, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010/11	\$ 3,356,207	\$ 2,456,172
2011/12	4,087,967	2,306,271
2012/13	4,104,748	2,126,680
2013/14	4,121,289	1,943,110
2014/15	4,132,545	1,750,424
2015/20	19,959,551	5,982,461
2020/25	12,627,214	1,839,184
2025/28	<u>2,521,751</u>	<u>187,875</u>
Total	<u>\$ 54,911,271</u>	<u>\$ 18,592,177</u>

(C) Revolving Fund – Water Quality Loan

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

<u>Governmental Activities</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
<u>Serviced by the Debt Service Fund:</u> Public utilities DENR water quality loan, 2007 \$331,400 issue, interest at 2.305% due semiannually to 2027	\$ 298,260	\$ -	\$ 16,570	\$ 281,690
Total Revolving Fund - DENR	\$ 298,260	\$ -	\$ 16,570	\$ 281,690

For Rutherford County, the future minimum payments as of June 30, 2010, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010/11	\$ 16,570	\$ 6,493
2011/12	16,570	6,111
2012/13	16,570	5,729
2013/14	16,570	5,347
2014/15	16,570	4,965
2015/20	82,850	19,097
2020/25	82,850	9,548
2025/28	33,140	1,146
Total	<u>\$ 281,690</u>	<u>\$ 58,436</u>

(D) General Obligation Indebtedness

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

<u>General Obligation Bonds</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Refunding bonds, 2003A \$1,148,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023	\$ 1,105,000	\$ -	\$ 80,000	\$ 1,025,000
Refunding bonds, 2003B \$16,940,000 issue interest at 2.5% to 4.5%, payable semiannually, due serially 2011	3,840,000	-	1,955,000	1,885,000
General obligation bonds, 2006 \$1,520,000 issue interest at 4.0% to 6.0%, payable semiannually, due serially 2026	1,295,000	-	75,000	1,220,000
General obligation bonds, 2008 \$1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028	1,480,000	-	75,000	1,405,000
General obligation bonds, 2010 \$1,500,000 issue interest at 4.53%, payable semi- annually due serially to 2025	-	1,500,000	-	1,500,000
Total general obligation bonds	<u>\$ 7,720,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,185,000</u>	<u>\$ 7,035,000</u>

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010/11	\$ 2,215,000	\$ 279,661
2011/12	330,000	204,169
2012/13	330,000	190,488
2013/14	330,000	176,809
2014/15	330,000	162,928
2016/20	1,650,000	605,051
2021/25	1,475,000	254,787
2026/28	375,000	27,875
Total	<u>\$ 7,035,000</u>	<u>\$ 1,901,768</u>

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

To assist in the development of the County’s Rutherford 74 Corporate Center which included water and sewer infrastructure, the County was awarded grants from the North Carolina Rural Center, the North Carolina Department of Commerce (through Community Development Block Grant funding), and the Appalachian Regional Commission. These grants had certain requirements which included having a firm commitment for a specific number of new jobs within the Rutherford 74 Corporate Center before December 31, 2008. The County did not meet this requirement and will therefore pay these grants back to the grantors over a three year period starting in FY 2009-2010. The total payback will be \$1,017,349. A summary of the amount owed is as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2010</u>
North Carolina Rural Center	\$ 426,735	\$ -	\$ 142,245	\$ 284,490
North Carolina Department of Commerce	420,000	-	140,000	280,000
Appalachian Regional Commission	170,614	-	56,870	113,744
Total Economic Development Grant repayments	<u>\$ 1,017,349</u>	<u>\$ -</u>	<u>\$ 339,115</u>	<u>\$ 678,234</u>

Annual payment requirements for the grant repayments are as follows:

	<u>Governmental Activities</u>	
	<u>Repayments</u>	
2010/11	\$ 339,116	
2011/12	<u>339,118</u>	
Total	<u>\$ 678,234</u>	

These payments are being made by the General Fund.

(F) Long-Term Obligation Activity

The following is a summary of changes in the County’s long-term obligations for the fiscal year ended June 30, 2010:

	Long-Term Debt			Long-Term Debt	Current Portion
	June 30, 2009	Additions	Retirements	June 30, 2010	of Balance
Governmental Activities					
By type of debt:					
Capital leases	\$ 4,758,537	\$ 500,000	\$ 2,018,537	\$ 3,240,000	\$ 1,505,415
Installment purchase	58,074,856	-	3,163,585	54,911,271	3,356,207
Revolving fund – DENR	298,260	-	16,570	281,690	16,570
General obligation bonds	7,720,000	1,500,000	2,185,000	7,035,000	2,215,000
Grant repayments	1,017,349	-	339,115	678,234	339,116
Pension liability	363,706	99,810	60,449	403,067	62,000
Compensated absences	1,045,176	900,969	860,888	1,085,257	1,085,257
Total	<u>\$ 73,277,884</u>	<u>\$ 3,000,779</u>	<u>\$ 8,644,144</u>	<u>\$ 67,634,519</u>	<u>\$ 8,579,565</u>
	Long-Term Debt	Additions	Retirements	Long-Term Debt	
	June 30, 2009			June 30, 2010	
By purpose:					
School	\$ 50,212,138	\$ -	\$ 4,575,235	\$ 45,636,903	
General government					
-equipment/vehicles/software	4,032,026	500,000	1,608,420	2,923,606	
-public facilities	11,506,311	-	887,381	10,618,930	
-economic development	6,118,527	1,500,000	651,771	6,966,756	
Pension liability	363,706	99,810	60,449	403,067	
Compensated absences	1,045,176	900,969	860,888	1,085,257	
Total	<u>\$ 73,277,884</u>	<u>\$ 3,000,779</u>	<u>\$ 8,644,144</u>	<u>\$ 67,634,519</u>	
Reconciliation:					
Current portion				\$ 8,579,565	
Subsequent years				59,054,954	
				<u>\$ 67,634,519</u>	
Business-type Activities					
	Long-Term Debt	Additions	Retirements	Long-Term Debt	Current Portion
	June 30, 2009			June 30, 2010	of Balance
Capital lease-equipment	\$ 621,299	\$ -	\$ 218,969	\$ 402,330	\$ 228,329
Accrued landfill	2,205,038	194,287	100,153	2,299,172	102,617
Total	<u>\$ 2,826,337</u>	<u>\$ 194,287</u>	<u>\$ 319,122</u>	<u>\$ 2,701,502</u>	<u>\$ 330,946</u>

Compensated absences typically have been liquidated in the General Fund.

At June 30, 2010, the County had a legal debt margin of approximately \$406,445,654.

(G) Conduit Debt Obligations

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

for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, there were no industrial revenue bonds outstanding.

Note 5 – Closure and Postclosure Care Costs

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

Closed Municipal Solid Waste (MSW) Landfill:

Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. Therefore, Rutherford County closed the Rutherford County Central Landfill on December 31, 1997. In accordance with state and federal laws and regulations, the County placed a final cover on this landfill upon its closure and is performing certain maintenance and monitoring functions at this site for thirty years after its closure. The projected postclosure care remaining at June 30, 2010 is \$1,749,918. In addition, the County is now under a corrective action plan for this landfill for which the County has accrued a projected cost of \$309,797 as of June 30, 2010. The combined postclosure and corrective action plan liability of \$2,059,715 represents the projected actual costs over the next 18 years based on what it would cost to perform all postclosure care and corrective action in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulation.

Active Construction and Demolition (C&D) Landfill:

The County currently operates a C&D Landfill with closure and postclosure costs of \$239,457 reported as of June 30, 2010 representing a cumulative amount reported to date based on the use of 8.33 percent of the total estimated capacity of this landfill. The County will recognize the remaining estimated cost of closure and postclosure costs of \$605,685 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2010. The County expects to operate this landfill until the year 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

Note 6 – Contingent Liability

Retiree Health Care and LGERS

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

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

Note 7 – Interfund Balances and Activities

Transfers to/from other funds at June 30, 2010 consist of the following:

From	To	For	Amount
General Fund:			
General	Register of Deeds Automation	Accumulate resources for office automation	\$ 48,229
General	Grant	Local funds for public safety grant	13,905
General	Reappraisal	Contribution for reappraisal expenses	425,000
General	College Capital Reserve	Sales tax collections designated for college construction	153,910
General	Water & Sewer Project	Sales tax collections designated for utility construction	275,370
General	School Capital Reserve	Sales tax collections designated for school construction	3,766,743
General	Building Capital Reserve	Payment for building construction debt	46,367
General	Building Capital Reserve	Ad valorem collections designated for facilities	1,152,571
General	Building Capital Reserve	Sales tax collection designated for facilities	903,655
General	Debt Service	Payment of economic development debt	258,529
General	Sanitary District	Contribution for sanitary district operations	61,296
General	Solid Waste	Reimbursement of prior year transfer	<u>125,000</u>
			<u>\$ 7,230,575</u>
Non-major Governmental Funds:			
School Capital Projects	School Capital Reserve	Transfer unexpended project balance to reserve	\$ 878,000
Emergency Telephone	General	Move remaining fund balance of the local wireless 911 tax as a result of State statutes change	1,806
Emergency Telephone	General	Contribution for information technology services	21,985
College Capital Reserve	General	College	49,158
Water & Sewer Reserve	Debt Service	Payment of utility construction debt	289,870
School Capital Reserve	General	School technology	454,663
School Capital Reserve	General	School special project	100,000
School Capital Reserve	Debt Service	Payment of school construction debt & trustee fee	6,236,735
Building Capital Reserve	General	County building projects	129,962
Building Capital Reserve	Grant	Provide local share for airport improvements	102,917
Building Capital Reserve	Grant	Provide local share for sewer district grant	16,450
Building Capital Reserve	Debt Service	Payment of building construction debt	1,376,381
Building Capital Reserve	Capital Projects-Other	Transfer funds for project not financed	126,281
Fire Districts	General	Contribution for deputy fire marshal	7,645
Fire Districts	Debt Service	Hollis VFD contribution to debt service for payment	<u>3,475</u>
			<u>\$ 9,795,328</u>

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

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

The eight counties participating in the Western Highlands Area Authority are represented by either the county manager, assistant county manager or county commissioner and one at large position that fits certain criteria as outlined in the Reform Bill. Within available resources, the County has an ongoing financial responsibility for the Authority because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2010. The County contributed \$102,168 to the Authority to fund operations during fiscal year June 30, 2010. 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, 2010. The County contributed \$277,151 to the District to fund operations during fiscal year June 30, 2010. 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 \$1,961,873 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2010. 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, 2010. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

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

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$12,655 to the Council during the fiscal year ended June 30, 2010.

Note 10 – Federal and State Assisted Programs

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

Note 11 – Additional Social Welfare Expenditures

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

Medicaid	\$ 86,296,195
Food stamps program	18,113,262
Temporary assistance to needy families	1,230,953
State/County special assistance	919,856
Energy assistance	656,128
Title IV-E adoption/foster care	<u>1,209,049</u>
	<u>\$ 108,425,443</u>

Note 12 – Change in Accounting Principle and Prior Period Adjustment

Rutherford County has adopted a new accounting principle, GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*, which requires the capitalization and amortization of intangible assets. GASB Statement No. 51 states that the provision of the Statement should be applied retroactively by restating financial statements for intangible assets acquired in prior years. The County obtained the rights to use fiber strands in a public safety fiber network, an intangible asset, in February 2010. The total cost of the asset was \$1,074,384 of which \$838,000 was incurred in prior years. Governmental activities – capital assets and net assets from prior periods have been restated by \$838,000 as a result of the change in accounting principle.

RUTHERFORD COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Payroll for Year Ending On Val Date (c)	Covered UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2000	-	\$ 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%
12/31/2008	-	836,543	836,543	0.00%	2,898,872	28.86%
12/31/2009	-	1,205,264	1,205,264	0.00%	3,223,468	37.39%

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
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%
2009	95,074	62,176	65.40%
2010	99,810	60,449	60.56%

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	12/31/09
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.0%
Projected salary increases*	4.5 – 12.3% per year
*Includes inflation at cost of living adjustment	3.75%

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 12,633,526	\$ 13,749,868
Receivables (net):		
Taxes	3,214,311	2,478,240
Governmental agencies	2,862,239	2,992,536
Accounts	1,084,874	687,284
Inventories	38,277	34,384
Prepaid items	220,057	238,214
	\$ 20,053,284	\$ 20,180,526
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 496,072	\$ 349,368
Unearned revenues	197,787	123,555
Deferred revenues	3,681,466	2,830,680
	4,375,325	3,303,603
 Fund Balances:		
Reserved:		
By State statute	3,479,958	3,327,081
For inventories and prepaid items	258,334	272,597
For court facilities	22,832	81,166
Unreserved:		
Designated for subsequent years' budget	733,238	1,762,881
Undesignated	11,183,597	11,433,198
	15,677,959	16,876,923
Total fund balances	15,677,959	16,876,923
Total liabilities and fund balances	\$ 20,053,284	\$ 20,180,526

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2010
 (With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 29,363,572	\$ 29,088,704	\$ (274,868)	\$ 29,112,455
Prior years	950,000	1,112,560	162,560	835,554
Penalties and interest	287,500	287,976	476	276,836
Total	30,601,072	30,489,240	(111,832)	30,224,845
Local option sales taxes	9,087,445	8,805,145	(282,300)	10,593,902
Restricted intergovernmental revenues:				
ABC net revenues	12,000	12,616	616	12,532
Court facilities	183,174	136,933	(46,241)	145,923
Federal and state grants	10,939,965	9,895,369	(1,044,596)	9,392,823
Total	11,135,139	10,044,918	(1,090,221)	9,551,278
Permits and fees:				
Building permits	306,500	255,840	(50,660)	267,686
Register of deeds	325,000	294,859	(30,141)	329,211
Marriage license	12,000	11,700	(300)	12,700
Revenue stamps	208,000	174,036	(33,964)	189,723
Cable franchise fees	44,000	45,009	1,009	45,232
Other fees	20,000	18,118	(1,882)	17,168
Total	915,500	799,562	(115,938)	861,720
Sales and services:				
Rents, concessions and fees	168,502	196,687	28,185	185,719
Sheriff's fees	362,335	341,434	(20,901)	310,391
Senior center meals	83,252	80,887	(2,365)	85,140
EMS fees	1,912,764	1,805,229	(107,535)	1,822,871
Court costs, fees and charges	79,000	99,051	20,051	75,630
Detention center fees	342,000	328,150	(13,850)	446,789
Tax collection fees	50,000	48,536	(1,464)	47,314
Animal shelter fees	29,500	25,363	(4,137)	30,714
Airport revenues	200,254	140,169	(60,085)	50,695
Total	3,227,607	3,065,506	(162,101)	3,055,263
Investment earnings	125,000	124,866	(134)	246,121
Miscellaneous	211,534	287,325	75,791	209,885
Total revenues	55,303,297	53,616,562	(1,686,735)	54,743,014

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2010
 (With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing body	297,282	276,235	21,047	291,609
Manager	148,479	146,917	1,562	146,853
Board of elections	251,176	238,843	12,333	246,689
Finance and purchasing	385,281	382,424	2,857	374,256
Information technology	1,065,761	823,130	242,631	1,014,388
Tax listing	662,239	608,864	53,375	654,832
Tax collections	346,980	306,971	40,009	330,827
Legal	131,000	121,946	9,054	132,494
Register of deeds	270,532	260,461	10,071	277,615
Personnel	129,649	121,472	8,177	126,045
Public buildings / recreation	1,554,764	1,460,992	93,772	1,568,902
County garage	107,821	106,875	946	106,319
Court facilities	178,178	148,900	29,278	158,963
Special allocations	497,873	288,901	208,972	521,053
	6,027,015	5,292,931	734,084	5,950,845
Total general government				
Public Safety:				
Sheriff's department	4,934,994	4,690,991	244,003	4,904,005
College security officer	114,875	102,882	11,993	32,398
Detention center	2,245,952	2,168,518	77,434	2,197,585
Communications	1,085,932	1,071,917	14,015	1,080,594
Inspections	525,575	481,251	44,324	544,234
Coroner	50,400	44,500	5,900	54,862
Emergency services	2,776,556	2,693,316	83,240	2,665,741
Special allocations	180,577	179,500	1,077	189,615
Animal control	185,731	179,167	6,564	179,770
	12,100,592	11,612,042	488,550	11,848,804
Total public safety				
Environmental Protection:				
Soil conservation	103,414	101,198	2,216	89,812
Watershed	21,115	15,479	5,636	13,501
	124,529	116,677	7,852	103,313
Total environmental protection				

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2010
 (With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Economic and Physical Development:				
Agricultural extension	180,857	160,708	20,149	210,874
Farmers market	3,454	2,481	973	2,406
Forestry	79,956	79,956	-	54,925
Airport authority	278,284	219,668	58,616	85,751
Economic Development Commission	469,078	408,974	60,104	435,264
Total economic and physical development	1,011,629	871,787	139,842	789,220
Human Services:				
Contribution to District Health	277,151	277,151	-	277,151
Contribution to Mental Health	111,168	102,168	9,000	102,168
Drug Court	15,338	4,167	11,171	19,048
Veterans service officers	70,335	68,539	1,796	71,569
Special appropriation	185,153	160,620	24,533	159,057
Social services administration	6,392,826	6,076,985	315,841	6,018,891
Social services programs	7,119,992	5,910,624	1,209,368	7,406,702
Senior citizens center	255,588	240,526	15,062	256,921
Meals program	441,428	434,636	6,792	424,669
Total human services	14,868,979	13,275,416	1,593,563	14,736,176
Cultural and recreational:				
Libraries	585,168	571,868	13,300	564,683
Heritage, culture and recreation	77,448	71,142	6,306	86,124
Total cultural	662,616	643,010	19,606	650,807
Education:				
Public schools:				
Current expenditures	12,146,850	12,146,850	-	12,146,850
Capital outlay	100,000	100,000	-	243,101
Community college:				
Current expenditures	1,912,715	1,912,715	-	1,920,115
Capital outlay	234,158	49,158	185,000	170,221
Total education	14,393,723	14,208,723	185,000	14,480,287

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2010
 (With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Debt Service:				
Principal retirement		2,280,300		1,677,069
Interest and fees		107,816		120,186
Total debt service	2,389,266	2,388,116	1,150	1,797,255
Total expenditures	51,578,349	48,408,702	3,169,647	50,356,707
Revenues over expenditures	3,724,948	5,207,860	1,482,912	4,386,307
Other Financing Sources (Uses):				
Transfers:				
From other funds	1,016,844	765,220	(251,624)	1,023,580
To other funds	(7,574,874)	(7,230,576)	344,298	(7,897,525)
Contribution from fiduciary fund	-	-	-	1,003,200
Debt issued	-	-	-	1,519,638
Sales of capital assets	34,000	58,532	24,532	16,309
Appropriated fund balance	2,799,082	-	(2,799,082)	-
Total other financing sources (uses)	(3,724,948)	(6,406,824)	(2,681,876)	(4,334,798)
Net change in fund balance	<u>\$ -</u>	(1,198,964)	<u>\$ (1,198,964)</u>	51,509
Fund balances:				
Beginning of year		<u>16,876,923</u>		<u>16,825,414</u>
End of year		<u>\$ 15,677,959</u>		<u>\$ 16,876,923</u>

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, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Bond principal payments	5,303,180	5,303,179	1	5,052,814
Bond interest payments	2,855,435	2,855,399	36	2,912,257
Bond issuance costs	6,650	6,413	237	6,388
Total expenditures	8,165,265	8,164,991	274	7,971,459
Revenues over (under) expenditures	(8,165,265)	(8,164,991)	274	(7,971,459)
Other Financing Sources:				
Transfers in				
Building Capital Reserve fund	1,045,424	1,045,391	(33)	1,053,778
School Capital Reserve fund	6,567,965	6,567,726	(239)	6,350,430
General fund	258,530	258,529	(1)	265,874
Water & Sewer Project fund	289,871	289,870	(1)	297,902
Fire District fund	3,475	3,475	-	3,475
Total other financing sources	8,165,265	8,164,991	(274)	7,971,459
Net change in fund balance	\$ -	-	\$ -	-
Fund balance, beginning of year		-		-
Fund balance, end of year		\$ -		\$ -

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Capital Projects					
	Capital Projects - Other Fund	Capital Projects - Schools	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Emergency Telephone System Fund
Assets:						
Cash and cash equivalents	\$ 316,065	\$ -	\$ 1,372,043	\$ 239,448	\$ 1,065,451	\$ 467,409
Cash and cash equivalents, restricted	2,042,581	-	-	-	199,584	-
Taxes receivable, net	-	-	-	-	-	-
Intergovernmental receivable	3,275	108,810	-	2,152	-	48,648
Due from other funds	-	-	-	-	29,332	-
Prepaid items	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	\$ 2,361,921	\$ 108,810	\$ 1,372,043	\$ 241,600	\$ 1,294,367	\$ 516,057
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 14,203	\$ -	\$ 14,507
Due to other funds	-	29,332	-	-	-	-
Unearned revenues	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	29,332	-	14,203	-	14,507
Fund Balances:						
Reserved for:						
State Statute	3,275	79,478	-	2,152	-	48,648
Unreserved:						
Designated for subsequent year's budget	-	-	-	-	-	-
Designated for future capital outlay	2,358,646	-	1,372,043	-	1,294,367	-
Undesignated	-	-	-	225,245	-	452,902
Total fund balance	2,361,921	79,478	1,372,043	227,397	1,294,367	501,550
Total liabilities and fund balances	\$ 2,361,921	\$ 108,810	\$ 1,372,043	\$ 241,600	\$ 1,294,367	\$ 516,057

Special Revenue Funds							Total
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	Nonmajor- Governmental Funds
\$ 455,351	\$ 549,720	\$ 1,431,629	\$ 173,964	\$ 871,169	\$ 112,849	\$ -	\$ 7,055,098
-	-	-	-	-	-	-	2,242,165
-	-	230,290	-	-	-	-	230,290
-	2,968	1,786	930	-	247,132	-	415,701
-	-	-	-	-	-	-	29,332
-	1,495	-	-	-	-	-	1,495
-	-	-	-	3,500	-	-	3,500
<u>\$ 455,351</u>	<u>\$ 554,183</u>	<u>\$ 1,663,705</u>	<u>\$ 174,894</u>	<u>\$ 874,669</u>	<u>\$ 359,981</u>	<u>\$ -</u>	<u>\$ 9,977,581</u>
\$ -	\$ 13,532	\$ 195,413	\$ -	\$ -	\$ 86,255	\$ -	\$ 323,910
-	-	-	-	-	-	-	29,332
-	-	3,430	-	-	-	-	3,430
-	-	230,290	-	-	-	-	230,290
-	13,532	429,133	-	-	86,255	-	586,962
-	4,463	1,786	930	3,500	247,132	-	391,364
-	165,858	1,051,000	-	-	-	-	1,216,858
455,351	-	-	-	-	-	-	5,480,407
-	370,330	181,786	173,964	871,169	26,594	-	2,301,990
<u>455,351</u>	<u>540,651</u>	<u>1,234,572</u>	<u>174,894</u>	<u>874,669</u>	<u>273,726</u>	<u>-</u>	<u>9,390,619</u>
<u>\$ 455,351</u>	<u>\$ 554,183</u>	<u>\$ 1,663,705</u>	<u>\$ 174,894</u>	<u>\$ 874,669</u>	<u>\$ 359,981</u>	<u>\$ -</u>	<u>\$ 9,977,581</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2010**

	Capital Projects					
	Capital Projects - Other Fund	Capital Projects - Schools	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	3,272	21,957	-	-	-	-
Restricted intergovernmental	-	-	60,131	-	2,025,821	546,043
Charges for services	-	-	-	-	-	-
Investment earnings	-	2,449	-	-	3,354	-
Total revenues	<u>3,272</u>	<u>24,406</u>	<u>60,131</u>	<u>-</u>	<u>2,029,175</u>	<u>546,043</u>
Expenditures:						
General government	87,364	-	-	405,682	-	-
Public safety	18,392	-	-	-	-	322,925
Environmental protection	-	-	-	-	-	-
Economic and physical development	242,982	-	-	-	-	-
Human services	166,744	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Education	-	2,339,230	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	77,353
Interest and other charges	15,052	-	-	-	-	2,026
Total expenditures	<u>530,534</u>	<u>2,339,230</u>	<u>-</u>	<u>405,682</u>	<u>-</u>	<u>402,304</u>
Revenues over (under) expenditures	<u>(527,262)</u>	<u>(2,314,824)</u>	<u>60,131</u>	<u>(405,682)</u>	<u>2,029,175</u>	<u>143,739</u>
Other Financing Sources (Uses):						
Transfers:						
From other funds	126,281	-	2,102,593	425,000	4,644,743	-
To other funds	-	(878,000)	(1,751,992)	-	(6,791,398)	(23,791)
Debt issued	1,500,000	500,000	-	-	-	-
Total other financing sources (uses)	<u>1,626,281</u>	<u>(378,000)</u>	<u>350,601</u>	<u>425,000</u>	<u>(2,146,655)</u>	<u>(23,791)</u>
Net change in fund balance	1,099,019	(2,692,824)	410,732	19,318	(117,480)	119,948
Fund balance, beginning of year	1,262,902	2,772,302	961,311	208,079	1,411,847	381,602
Fund balance, end of year	<u>\$ 2,361,921</u>	<u>\$ 79,478</u>	<u>\$ 1,372,043</u>	<u>\$ 227,397</u>	<u>\$ 1,294,367</u>	<u>\$ 501,550</u>

Special Revenue Funds							Total
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	Nonmajor- Governmental Funds
\$ -	\$ -	\$ 1,922,173	\$ -	\$ -	\$ -	\$ -	\$ 1,922,173
-	-	565,983	-	-	-	-	565,983
-	501,232	-	-	-	-	-	526,461
-	-	-	-	-	1,261,438	21,811	3,915,244
-	1,329	4,443	-	7,000	2,595	-	15,367
742	790	-	-	2,123	-	-	9,458
742	503,351	2,492,599	-	9,123	1,264,033	21,811	6,954,686
-	-	-	19,477	-	-	-	512,523
-	-	2,318,135	-	-	255,065	-	2,914,517
-	-	67,353	-	-	-	-	67,353
-	494,885	-	-	-	753,421	21,811	1,513,099
-	-	-	-	-	-	-	166,744
-	-	-	-	-	300,000	-	300,000
-	-	-	-	-	-	-	2,339,230
-	-	-	-	-	-	-	77,353
-	-	-	-	-	-	-	17,078
-	494,885	2,385,488	19,477	-	1,308,486	21,811	7,907,897
742	8,466	107,111	(19,477)	9,123	(44,453)	-	(953,211)
153,910	-	61,296	48,229	275,370	133,272	-	7,970,694
(49,158)	-	(11,120)	-	(289,870)	-	-	(9,795,329)
-	-	-	-	-	-	-	2,000,000
104,752	-	50,176	48,229	(14,500)	133,272	-	175,365
105,494	8,466	157,287	28,752	(5,377)	88,819	-	(777,846)
349,857	532,185	1,077,285	146,142	880,046	184,907	-	10,168,465
\$ 455,351	\$ 540,651	\$ 1,234,572	\$ 174,894	\$ 874,669	\$ 273,726	\$ -	\$ 9,390,619

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, 2010

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Sales tax refund	\$ 17,592	\$ 20,759	\$ 3,272	\$ 24,031	\$ 6,439
Total revenues	<u>17,592</u>	<u>20,759</u>	<u>3,272</u>	<u>24,031</u>	<u>6,439</u>
Expenditures:					
General government:					
Offsite Storage Facility	546,676	545,836	-	545,836	840
Daniel Road land purchase/planning	4,505,430	4,503,890	1,540	4,505,430	-
Professional services 2010 building projects	102,603	-	85,824	85,824	16,779
Parking Lot	65,000	4,800	-	4,800	60,200
Contingency	25,448	-	-	-	25,448
Public Safety:					
Henrietta EMS Satellite Station/Disaster Recovery Site	26,678	3,000	18,392	21,392	5,286
Economic and physical development:					
Municipal/Authority water and sewer	4,959,265	2,529,685	242,982	2,772,667	2,186,598
Human Services:					
Health Department Expansion	308,649	107,836	166,744	274,580	34,069
Debt issuance costs	94,187	60,834	15,052	75,886	18,301
Total expenditures	<u>10,633,936</u>	<u>7,755,881</u>	<u>530,534</u>	<u>8,286,415</u>	<u>2,347,521</u>
Revenues under expenditures	<u>(10,616,344)</u>	<u>(7,735,122)</u>	<u>(527,262)</u>	<u>(8,262,384)</u>	<u>2,353,960</u>
Other Financing Sources (Uses):					
Installment purchase obligations- 2009 projects	3,250,000	3,250,000	-	3,250,000	-
Two thirds general obligation bonds issued	4,575,000	3,075,000	1,500,000	4,575,000	-
Transfers in:					
Water and sewer capital reserve fund	447,924	447,924	-	447,924	-
Building capital reserve fund	2,361,012	2,234,731	126,281	2,361,012	-
Transfers out:					
General Fund	(17,592)	(9,631)	-	(9,631)	7,961
Total other financing sources (uses)	<u>10,616,344</u>	<u>8,998,024</u>	<u>1,626,281</u>	<u>10,624,305</u>	<u>7,961</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,262,902</u>	<u>1,099,019</u>	<u>\$ 2,361,921</u>	<u>\$ 2,361,921</u>
Fund balance, beginning of year			<u>1,262,902</u>		
Fund balance, end of year			<u>\$ 2,361,921</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, 2010

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
Sales tax refund	\$ 315,784	\$ 301,627	\$ 21,957	\$ 323,584	\$ 7,800
Investment earnings	486,564	555,793	2,449	558,242	71,678
Total revenues	<u>802,348</u>	<u>857,420</u>	<u>24,406</u>	<u>881,826</u>	<u>79,478</u>
Expenditures:					
Intergovernmental - education					
Rutherfordton Elementary building	15,286,561	13,449,153	1,837,408	15,286,561	-
Technology project	2,500,000	1,998,178	501,822	2,500,000	-
Total expenditures	<u>17,786,561</u>	<u>15,447,331</u>	<u>2,339,230</u>	<u>17,786,561</u>	<u>-</u>
Revenues over (under) expenditures	<u>(16,984,213)</u>	<u>(14,589,911)</u>	<u>(2,314,824)</u>	<u>(16,904,735)</u>	<u>79,478</u>
Other Financing Sources (Uses):					
Installment purchase obligations issued	17,921,007	17,421,007	500,000	17,921,007	-
Transfers from (to):					
School Capital Reserve Fund	556,497	556,497	-	556,497	-
School Capital Reserve Fund	(1,493,291)	(615,291)	(878,000)	(1,493,291)	-
Total other financial sources (uses)	<u>16,984,213</u>	<u>17,362,213</u>	<u>(378,000)</u>	<u>16,984,213</u>	<u>-</u>
Revenues and other sources over expenditures:	<u>\$ -</u>	<u>\$ 2,772,302</u>	<u>(2,692,824)</u>	<u>\$ 79,478</u>	<u>\$ 79,478</u>
Fund balance, beginning of year			<u>2,772,302</u>		
Fund balance, end of year			<u>\$ 79,478</u>		

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 500,000	\$ -	\$ (500,000)	\$ -
Contribution from Health Department	77,162	60,131	(17,031)	77,162
Investment earnings	21,722	-	(21,722)	-
Total revenues	598,884	60,131	(538,753)	77,162
Expenditures:				
Reserve for future projects	1,064,660	-	1,064,660	-
Revenues over (under) expenditures	(465,776)	60,131	525,907	77,162
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	2,122,540	2,102,593	(19,947)	2,320,781
General fund	(210,330)	(129,962)	80,368	(217,917)
Debt Service fund	(1,376,415)	(1,376,382)	33	(1,053,778)
Capital Projects fund	(126,281)	(126,281)	-	(2,234,731)
Grant fund	(119,368)	(119,367)	1	(16,667)
Fund balance appropriated	175,630	-	(175,630)	-
Total other financing sources (uses)	465,776	350,601	(115,175)	(1,202,312)
Net change in fund balance	\$ -	410,732	\$ 410,732	(1,125,150)
Fund balance, beginning of year		961,311		2,086,461
Fund balance, end of year		\$ 1,372,043		\$ 961,311

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Reappraisal	289,428	223,349	66,079	222,188
Mapping	234,125	182,333	51,792	192,553
	<u>523,553</u>	<u>405,682</u>	<u>117,871</u>	<u>414,741</u>
Revenues over (under) expenditures	<u>(523,553)</u>	<u>(405,682)</u>	<u>117,871</u>	<u>(414,741)</u>
Other Financing Sources:				
Transfers in:				
General fund - reappraisal	260,000	260,000	-	260,000
General fund - mapping	213,983	165,000	(48,983)	-
Fund balance appropriated	49,570	-	(49,570)	-
	<u>523,553</u>	<u>425,000</u>	<u>(98,553)</u>	<u>260,000</u>
Net change in fund balance	<u>\$ -</u>	<u>19,318</u>	<u>\$ 19,318</u>	<u>(154,741)</u>
Fund balance, beginning of year		<u>208,079</u>		<u>362,820</u>
Fund balance, end of year		<u>\$ 227,397</u>		<u>\$ 208,079</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, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
ADM State funds	\$ 425,000	\$ 480,019	\$ 55,019	\$ 1,000,000
Lottery funds	2,000,470	1,545,802	(454,668)	750,000
Investment earnings	49,014	3,354	(45,660)	31,137
Total revenues	<u>2,474,484</u>	<u>2,029,175</u>	<u>(445,309)</u>	<u>1,781,137</u>
Expenditures	-	-	-	-
Revenues over expenditures	<u>2,474,484</u>	<u>2,029,175</u>	<u>(445,309)</u>	<u>1,781,137</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	3,990,842	3,766,743	(224,099)	4,336,345
Schools Capital Projects fund	878,000	878,000	-	615,291
Debt service fund	(6,236,974)	(6,236,735)	239	(6,350,430)
General fund	(536,476)	(554,663)	(18,187)	(534,385)
Fund balance appropriated	(569,876)	-	569,876	-
Total other financing sources (uses)	<u>(2,474,484)</u>	<u>(2,146,655)</u>	<u>327,829</u>	<u>(1,933,179)</u>
Net change in fund balance	<u>\$ -</u>	<u>(117,480)</u>	<u>\$ (117,480)</u>	<u>(152,042)</u>
Fund balance, beginning of year		<u>1,411,847</u>		<u>1,563,889</u>
Fund balance, end of year		<u>\$ 1,294,367</u>		<u>\$ 1,411,847</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, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 550,000	\$ 546,043	\$ (3,957)	\$ 546,043
Total revenues	550,000	546,043	(3,957)	546,043
Expenditures:				
Public safety	414,939	322,925	92,014	314,658
Reserve for future projects	105,071	-	105,071	-
Debt service				
Principal	77,380	77,353	27	81,575
Interest and other charges	2,100	2,026	74	4,657
Total expenditures	599,490	402,304	197,186	400,890
Revenues over (under) expenditures	(49,490)	143,739	193,229	145,153
Other financial sources (uses):				
Transfers in (out):				
General fund	(10,060)	(23,791)	(13,731)	(10,060)
Debt issued	-	-	-	34,200
Fund balance appropriated	59,550	-	(59,550)	-
Total other financing sources (uses)	49,490	(23,791)	(73,281)	24,140
Net change in fund balance	\$ -	119,948	\$ 119,948	169,293
Fund balance, beginning of year		381,602		212,309
Fund balance, end of year		\$ 501,550		\$ 381,602

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, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ 7,000	\$ 742	\$ (6,258)	\$ 6,440
Expenditures:	-	-	-	-
Revenues over expenditures	7,000	742	(6,258)	6,440
Other financial sources (uses):				
Transfers in (out):				
General fund (sales tax)	167,713	153,910	(13,803)	169,468
General fund	(234,158)	(49,158)	185,000	(170,221)
Fund balance appropriated	59,445	-	(59,445)	-
Total other financing sources (uses)	(7,000)	104,752	111,752	(753)
Net change in fund balance	<u>\$ -</u>	105,494	<u>\$ 105,494</u>	5,687
Fund balance, beginning of year		<u>349,857</u>		<u>344,170</u>
Fund balance, ending of year		<u>\$ 455,351</u>		<u>\$ 349,857</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, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Other taxes and licenses	\$ 435,666	\$ 501,232	\$ 65,566	\$ 523,292
Charges for services	1,299	1,329	30	5,232
Investment earnings	5,000	790	(4,210)	9,474
Total revenues	441,965	503,351	61,386	537,998
Expenditures:				
Economic and physical development	563,337	494,885	68,452	620,171
Total expenditures	563,337	494,885	68,452	620,171
Revenues over (under) expenditures	(121,372)	8,466	129,838	(82,173)
Other financial sources:				
Fund balance appropriated	121,372	-	(121,372)	-
Net change in fund balance	\$ -	8,466	\$ 8,466	(82,173)
Fund balance, beginning of year		532,185		614,358
Fund balance, end of year		<u>\$ 540,651</u>		<u>\$ 532,185</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, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 1,820,428	\$ 1,827,829	\$ 7,401	\$ 1,811,210
Prior years	44,115	75,543	31,428	63,994
Penalties and interest	-	18,801	18,801	18,945
	<u>1,864,543</u>	<u>1,922,173</u>	<u>57,630</u>	<u>1,894,149</u>
Other taxes and licenses:				
Local option sales tax	523,856	565,983	42,127	681,824
Restricted intergovernmental	-	-	-	8,000
	<u>523,856</u>	<u>565,983</u>	<u>42,127</u>	<u>689,824</u>
Miscellaneous	3,443	4,443	1,000	-
Total revenues	<u>2,391,842</u>	<u>2,492,599</u>	<u>100,757</u>	<u>2,583,973</u>
Expenditures:				
Public safety -				
Cliffside	144,919	144,919	-	152,929
Chimney Rock	53,960	53,960	-	53,272
Sandy Mush	163,831	163,831	-	169,194
Bills Creek	208,268	208,268	-	237,793
Shingle Hollow	120,484	120,484	-	123,600
Shiloh, Danielstown, and Oakland	227,901	227,901	-	254,025
Cherry Mountain	208,588	208,588	-	214,599
Hudlow	269,815	269,815	-	297,878
Rutherfordton	204,794	204,794	-	224,281
Ellenboro	219,391	219,391	-	232,415
Bostic	88,488	88,488	-	91,312
Union Mills	100,387	100,387	-	100,282
Green Hill	208,036	208,036	-	231,348
Contracted	98,963	91,552	7,411	78,381
Hollis Community	7,721	7,721	-	8,474
Fire Advisory Training Ground	1,009,131	-	1,009,131	-
	<u>3,334,677</u>	<u>2,318,135</u>	<u>1,016,542</u>	<u>2,469,783</u>
Environmental protection:				
Cliffside Sanitary District	67,353	67,353	-	61,269
Total expenditures	<u>3,402,030</u>	<u>2,385,488</u>	<u>1,016,542</u>	<u>2,531,052</u>
Revenues over (under) expenditures	<u>(1,010,188)</u>	<u>107,111</u>	<u>1,117,299</u>	<u>52,921</u>
Other Financing Sources (Uses):				
Transfers:				
General fund	61,296	61,296	-	55,000
General fund	(7,633)	(7,645)	(12)	(18,098)
Debt service fund	(3,475)	(3,475)	-	(3,475)
Appropriated fund balance	960,000	-	(960,000)	-
	<u>1,010,188</u>	<u>50,176</u>	<u>(960,012)</u>	<u>33,427</u>
Net change in fund balance	<u>\$ -</u>	<u>157,287</u>	<u>\$ 157,287</u>	<u>86,348</u>
Fund balance, beginning of year		<u>1,077,285</u>		<u>990,937</u>
Fund balance, end of year		<u>\$ 1,234,572</u>		<u>\$ 1,077,285</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, 2010
 (With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Administration	17,786	7,477	10,309	6,025
Automation equipment	27,320	12,000	15,320	10,279
Reserve for future projects	21,394	-	21,394	-
	<u>66,500</u>	<u>19,477</u>	<u>47,023</u>	<u>16,304</u>
Revenues under expenditures	(66,500)	(19,477)	47,023	(16,304)
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	54,500	48,229	6,271	53,163
Appropriated fund balance	12,000	-	12,000	-
Total other financing sources (uses)	<u>66,500</u>	<u>48,229</u>	<u>18,271</u>	<u>53,163</u>
Net change in fund balance	<u>\$ -</u>	<u>28,752</u>	<u>\$ 28,752</u>	<u>36,859</u>
Fund balance, beginning of year		<u>146,142</u>		<u>109,283</u>
Fund balance, end of year		<u><u>174,894</u></u>		<u><u>146,142</u></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, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010			2009
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Water tap fees	\$ -	\$ 7,000	\$ 7,000	\$ 59,251
Investment earnings	13,817	2,123	(11,694)	20,847
	<u>13,817</u>	<u>9,123</u>	<u>(4,694)</u>	<u>80,098</u>
Expenditures:				
Economic and physical development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>13,817</u>	<u>9,123</u>	<u>(4,694)</u>	<u>80,098</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General Fund	280,350	275,370	(4,980)	303,094
Capital Projects Fund	-	-	-	(447,924)
Debt Service Fund	(289,871)	(289,870)	1	(297,902)
Reserve for future projects	(4,296)	-	4,296	-
Fund balance appropriated	-	-	-	-
	<u>(13,817)</u>	<u>(14,500)</u>	<u>(683)</u>	<u>(442,732)</u>
Net change in fund balance	<u>\$ -</u>	<u>(5,377)</u>	<u>\$ (5,377)</u>	<u>(362,634)</u>
Fund balance, beginning of year		<u>880,046</u>		<u>1,242,680</u>
Fund balance, end of year		<u>\$ 874,669</u>		<u>\$ 880,046</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, 2010

	Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 5,087,693	\$ 2,301,028	\$ 1,261,438	\$ 3,562,466	\$ (1,525,227)
Miscellaneous	240	201	2,595	2,796	2,556
Total revenues	<u>5,087,933</u>	<u>2,301,229</u>	<u>1,264,033</u>	<u>3,565,262</u>	<u>(1,522,671)</u>
Expenditures:					
Public safety	273,867	-	255,065	255,065	18,802
Economic and physical development	4,809,150	2,278,134	753,421	3,031,555	1,777,595
Cultural and recreation	300,000	-	300,000	300,000	-
	<u>5,383,017</u>	<u>2,278,134</u>	<u>1,308,486</u>	<u>3,586,620</u>	<u>1,796,397</u>
Revenues (under) over expenditures	<u>(295,084)</u>	<u>23,095</u>	<u>(44,453)</u>	<u>(21,358)</u>	<u>273,726</u>
Other Financing Sources:					
Transfers in (out):					
General Fund	120,588	106,683	13,905	120,588	-
Building Capital Reserve Fund	174,496	55,129	119,367	174,496	-
	<u>295,084</u>	<u>161,812</u>	<u>133,272</u>	<u>295,084</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 184,907</u>	88,819	<u>\$ 273,726</u>	<u>\$ 273,726</u>
Fund balance, beginning of year			<u>184,907</u>		
Fund balance, end of year			<u>\$ 273,726</u>		

RUTHERFORD COUNTY, NORTH CAROLINA

GRANT CDBG PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2010

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

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2010

(With comparative totals for June 30, 2009)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2010	2009
Assets				
Current assets:				
Cash and cash equivalents	\$ 975,273	\$ 878,841	\$ 1,854,114	\$ 1,918,772
Accounts receivable (net)	311,109	-	311,109	323,648
Total current assets	1,286,382	878,841	2,165,223	2,242,420
Capital assets, net of depreciation	2,323,407	-	2,323,407	2,529,436
Total assets	3,609,789	878,841	4,488,630	4,771,856
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	206,301	-	206,301	233,668
Current portion of long-term liabilities	228,329	102,617	330,946	319,079
Total current liabilities	434,630	102,617	537,247	552,747
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	-	2,196,555	2,196,555	2,125,581
Long-term debt	174,001	-	174,001	381,677
Total noncurrent liabilities	174,001	2,196,555	2,370,556	2,507,258
Total liabilities	608,631	2,299,172	2,907,803	3,060,005
Net Assets				
Invested in capital assets, net of related debt	1,921,077	-	1,921,077	1,908,137
Unrestricted (deficit)	1,080,081	(1,420,331)	(340,250)	(196,286)
Total net assets (deficit)	\$ 3,001,158	\$ (1,420,331)	\$ 1,580,827	\$ 1,711,851

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2010	2009
Operating Revenues:				
Charges for services	\$ 2,804,274	\$ -	\$ 2,804,274	\$ 2,879,622
Other operating revenues	387,554	-	387,554	319,272
Total operating revenues	<u>3,191,828</u>	<u>-</u>	<u>3,191,828</u>	<u>3,198,894</u>
Operating Expenses:				
Salaries	849,241	-	849,241	880,451
Employee benefits	286,737	-	286,737	277,050
Operating expenses	1,869,288	-	1,869,288	2,046,211
Landfill closure and postclosure care costs	-	153,878	153,878	424,552
Depreciation	232,519	-	232,519	245,334
Maintenance	59,615	-	59,615	99,094
Total operating expenses	<u>3,297,400</u>	<u>153,878</u>	<u>3,451,278</u>	<u>3,972,692</u>
Operating income	<u>(105,572)</u>	<u>(153,878)</u>	<u>(259,450)</u>	<u>(773,798)</u>
Nonoperating Revenues (Expenses):				
Interest income	26,215	-	26,215	41,445
Interest expense	(22,789)	-	(22,789)	(29,208)
Total nonoperating revenues (expenses)	<u>3,426</u>	<u>-</u>	<u>3,426</u>	<u>12,237</u>
Transfers in (out):				
General Fund	-	125,000	125,000	125,000
Landfill postclosure expenditures	(59,744)	59,744	-	-
Total transfers	<u>(59,744)</u>	<u>184,744</u>	<u>125,000</u>	<u>125,000</u>
Increase (decrease) in net assets	(161,890)	30,866	(131,024)	(636,561)
Net assets (deficit), beginning of year	<u>3,163,048</u>	<u>(1,451,197)</u>	<u>1,711,851</u>	<u>2,348,412</u>
Net assets (deficit), end of year	<u>\$ 3,001,158</u>	<u>\$ (1,420,331)</u>	<u>\$ 1,580,827</u>	<u>\$ 1,711,851</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Operating Revenues:				
Charges for services	\$ 3,050,844	\$ 2,804,274	\$ (246,570)	\$ 2,879,622
Other operating revenues	356,917	387,554	30,637	319,272
Total operating revenues	3,407,761	3,191,828	(215,933)	3,198,894
Nonoperating Revenues:				
Interest income	26,215	26,215	-	41,445
Total revenues	3,433,976	3,218,043	(215,933)	3,240,339
Expenditures:				
Salaries		849,241		880,451
Employee benefits		286,737		277,050
Operating expenses		1,869,288		2,046,211
Landfill closure		59,744		56,844
Interest and fees		22,789		29,208
Debt principal		218,969		181,333
Capital outlay and maintenance		86,105		245,309
Total expenditures	3,697,974	3,392,873	305,101	3,716,406
Revenues over (under) expenditures	(263,998)	(174,830)	89,168	(476,067)
Other Financing Sources (Uses):				
Proceeds from debt	-	-	-	135,000
Appropriated fund balance	263,998	-	(263,998)	-
Total other financing sources (uses)	263,998	-	(263,998)	135,000
Revenues and other sources over (under) expenditures and other uses	\$ -	(174,830)	\$ (174,830)	(341,067)
Reconciling Items:				
Payment of debt principal		218,969		181,333
Capital outlay		26,490		146,215
Proceeds from debt		-		(135,000)
Depreciation		(232,519)		(245,334)
Total reconciling items		12,940		(52,786)
Increase (decrease) in net assets		\$ (161,890)		\$ (393,853)

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Revenues over expenditures before transfers	-	-	-	-
Transfer from General Fund	-	125,000	125,000	125,000
Increase in net assets	\$ -	\$ 125,000	\$ 125,000	\$ 125,000

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

Excess of revenues and other sources over (under) expenditures	<u>\$ 125,000</u>	<u>\$ 125,000</u>
Reconciling Items:		
Landfill closure and postclosure care cost accrual	(153,878)	(424,552)
Payment of landfill closure by Solid Waste Fund	<u>59,744</u>	<u>56,844</u>
Total reconciling items	<u>(94,134)</u>	<u>(367,708)</u>
Increase (decrease) in net assets	<u>\$ 30,866</u>	<u>\$(242,708)</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
 COMBINING SCHEDULE OF CASH FLOWS
 For the year ended June 30, 2010
 (With comparative totals for June 30, 2009)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2010	2009
Cash Flows from Operating Activities:				
Cash received from operating revenues	\$ 3,204,367	\$ -	\$ 3,204,367	\$ 3,219,063
Cash paid to employees for services	(849,241)	-	(849,241)	(880,451)
Cash paid for goods and services	(2,243,007)	(59,744)	(2,302,751)	(2,554,517)
Net cash provided (used) by operating activities	<u>112,119</u>	<u>(59,744)</u>	<u>52,375</u>	<u>(215,905)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers to other funds	(59,744)	184,744	125,000	125,000
Net cash provided (used) by noncapital financing activities	<u>(59,744)</u>	<u>184,744</u>	<u>125,000</u>	<u>125,000</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(26,490)	-	(26,490)	(146,214)
Proceeds from debt	-	-	-	135,000
Principal paid on debt	(218,969)	-	(218,969)	(181,333)
Interest paid on debt	(22,789)	-	(22,789)	(29,208)
Net cash used by capital and related financing activities	<u>(268,248)</u>	<u>-</u>	<u>(268,248)</u>	<u>(221,755)</u>
Cash Flows from Investing Activities:				
Interest income	26,215	-	26,215	41,445
Net cash provided by investing activities	<u>26,215</u>	<u>-</u>	<u>26,215</u>	<u>41,445</u>
Net increase (decrease) in cash and cash equivalents	(189,658)	125,000	(64,658)	(271,215)
Cash and cash equivalents at beginning of year	<u>1,164,931</u>	<u>753,841</u>	<u>1,918,772</u>	<u>2,189,987</u>
Cash and cash equivalents at end of year	<u>\$ 975,273</u>	<u>\$ 878,841</u>	<u>\$ 1,854,114</u>	<u>\$ 1,918,772</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:				
Operating income (loss)	\$ (105,572)	\$ (153,878)	\$ (259,450)	\$ (773,798)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	232,519	-	232,519	245,334
Landfill closure and postclosure care costs	-	94,134	94,134	367,708
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	12,539	-	12,539	20,169
Increase (decrease) in accounts payable and accrued liabilities	(27,367)	-	(27,367)	(75,318)
Total adjustments	<u>217,691</u>	<u>94,134</u>	<u>311,825</u>	<u>557,893</u>
Net cash provided (used) by operating activities	<u>\$ 112,119</u>	<u>\$ (59,744)</u>	<u>\$ 52,375</u>	<u>\$ (215,905)</u>

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING BALANCE SHEET

June 30, 2010

(With comparative totals for June 30, 2009)

	Agency						Totals	
	Social Service Fund	Agriculture Department Advisory Council Fund	Cities Tax Collection Fund	Detention Center Commissary Fund	Deed of Trust Fee Fund	Motor Vehicle Interest Fund	2010	2009
Assets								
Cash and cash equivalents	\$ 39,372	\$ 21,124	\$ 111,794	\$ 50,312	\$ 845	\$ 1,942	\$ 225,389	\$ 199,576
Accounts receivable	-	367	-	-	-	-	367	371
	<u>\$ 39,372</u>	<u>\$ 21,491</u>	<u>\$ 111,794</u>	<u>\$ 50,312</u>	<u>\$ 845</u>	<u>\$ 1,942</u>	<u>\$ 225,756</u>	<u>\$ 199,947</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 39,372	\$ 21,491	\$ 111,794	\$ 50,312	\$ 845	\$ 1,942	\$ 225,756	\$ 199,947
Total liabilities	<u>39,372</u>	<u>21,491</u>	<u>111,794</u>	<u>50,312</u>	<u>845</u>	<u>1,942</u>	<u>225,756</u>	<u>199,947</u>
Fund Balances	-	-	-	-	-	-	-	-
	<u>\$ 39,372</u>	<u>\$ 21,491</u>	<u>\$ 111,794</u>	<u>\$ 50,312</u>	<u>\$ 845</u>	<u>\$ 1,942</u>	<u>\$ 225,756</u>	<u>\$ 199,947</u>

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS - COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
For the year ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 43,869	\$ 170,313	\$ 174,810	\$ 39,372
Liabilities:				
Accounts payable	\$ 43,869	\$ 170,313	\$ 174,810	\$ 39,372
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	\$ 16,034	\$ 34,024	\$ 28,934	\$ 21,124
Accounts receivable	371	367	\$ 371	367
	<u>\$ 16,405</u>	<u>\$ 34,391</u>	<u>\$ 29,305</u>	<u>\$ 21,491</u>
Liabilities:				
Accounts payable	\$ 16,405	\$ 34,391	\$ 29,305	\$ 21,491
Other Taxing Units				
Assets:				
Cash and cash equivalents	\$ 96,800	\$ 6,879,700	\$ 6,864,706	\$ 111,794
Liabilities:				
Accounts payable	\$ 96,800	\$ 6,879,700	\$ 6,864,706	\$ 111,794
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	\$ 40,971	\$ 128,836	\$ 119,495	\$ 50,312
Liabilities:				
Accounts payable	\$ 40,971	\$ 128,836	\$ 119,495	\$ 50,312
Motor Vehicle Interest Fund				
Assets:				
Cash and cash equivalents	\$ 1,902	\$ 25,566	25,526	\$ 1,942
Liabilities:				
Accounts payable	\$ 1,902	\$ 25,566	25,526	\$ 1,942
Deed of Trust Fee Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 7,110	6,265	\$ 845
Liabilities:				
Accounts payable	\$ -	\$ 7,110	6,265	\$ 845
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 199,576	\$ 7,245,549	\$ 7,219,736	\$ 225,389
Accounts receivable	371	367	-	367
	<u>\$ 199,947</u>	<u>\$ 7,245,916</u>	<u>\$ 7,219,736</u>	<u>\$ 225,756</u>
Liabilities:				
Accounts payable	\$ 199,947	\$ 7,245,916	\$ 7,220,107	\$ 225,756

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, 2010
(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance Positive (Negative)	2009
	Budget	Actual		Actual
Revenues:				
Charges for services	\$ 544,991	\$ 477,997	\$ (66,994)	\$ 512,202
Restricted intergovernmental	308,000	153,692	(154,308)	-
State transportation assistance grants	421,092	343,291	(77,801)	539,254
Total revenue	<u>1,274,083</u>	<u>974,980</u>	<u>(299,103)</u>	<u>1,051,456</u>
Expenditures:				
Salaries		523,782		504,507
Employee benefits		139,229		135,551
Operating expenses		61,372		78,008
Capital outlay and maintenance		310,551		370,186
Total expenditures	<u>1,274,192</u>	<u>1,034,934</u>	<u>239,258</u>	<u>1,088,252</u>
Revenue under expenditures	<u>(109)</u>	<u>(59,954)</u>	<u>(59,845)</u>	<u>(36,796)</u>
Other Financial Sources:				
Fund balance appropriated	109	-	(109)	-
Total	<u>109</u>	<u>-</u>	<u>(109)</u>	<u>-</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>\$ (59,954)</u>	<u>\$ (59,954)</u>	<u>\$ (36,796)</u>

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

Excess revenues and other sources over expenditures and other uses		<u>\$ (59,954)</u>	<u>\$ (36,796)</u>
Reconciling Items:			
Capital outlay - items capitalized		151,992	222,864
Depreciation		<u>(94,417)</u>	<u>(58,454)</u>
Total reconciling items		<u>57,575</u>	<u>164,410</u>
Net income (loss)		<u>\$ (2,379)</u>	<u>\$ 127,614</u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
RUTHERFORD COUNTY TRANSIT ADMINISTRATION
STATEMENT OF CASH FLOWS
 For the year ended June 30, 2010
 (With comparative totals for June 20, 2009)

	2010	2009
Cash Flows from Operating Activities:		
Cash received from operating revenues	\$ 465,991	\$ 578,560
Cash paid to employees for services	(663,011)	(640,058)
Cash paid for goods and services	(63,117)	(302,028)
Net cash used by operating activities	(260,137)	(363,526)
 Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(151,991)	(219,592)
Grants	343,290	539,254
Net cash provided by capital and related financing activities	191,299	319,662
Net increase (decrease) in cash and cash equivalents	(68,838)	(43,864)
 Cash and cash equivalents at beginning of year	85,574	129,438
Cash and cash equivalents at end of year	\$ 16,736	\$ 85,574
 Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:		
Operating income (loss)	\$ (499,362)	\$ (411,640)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	94,417	58,453
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(12,006)	66,358
Increase (decrease) in accounts payable and accrued liabilities	156,814	(76,697)
Total adjustments	239,225	48,114
Net cash provided (used) by operating activities	\$ (260,137)	\$ (363,526)

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance	2009
	Budget	Actual	Positive (Negative)	Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Economic and physical development:				
Salaries and benefits	143,871	143,216	655	142,638
Operating	325,207	265,758	59,449	292,626
	<u>469,078</u>	<u>408,974</u>	<u>60,104</u>	<u>435,264</u>
Revenue over (under) expenditures	(469,078)	(408,974)	60,104	(435,264)
Other Financial Sources (Uses):				
Contribution from primary government	<u>469,078</u>	<u>408,974</u>	<u>(60,104)</u>	<u>435,264</u>
Net change in fund balance	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>	-
Fund balance, beginning of year		<u>-</u>		<u>-</u>
Fund balance, end of year		<u><u>\$ -</u></u>		<u><u>\$ -</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2010

(With comparative actual amounts for the year ended June 30, 2009)

	2010		Variance	2009
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Charges for services	\$ 200,254	\$ 140,169	\$ (60,085)	\$ 50,695
Operating grants	78,030	79,499	1,469	35,056
Capital grants	322,656	222,569	(100,087)	322,656
	600,940	442,237	(158,703)	408,407
Expenditures:				
Economic and physical development				
Current	278,284	219,668	58,616	85,751
Capital outlay	322,656	222,569	100,087	322,656
Total expenditures	600,940	442,237	158,703	408,407
Revenue over (under) expenditures	\$ -	\$ -	\$ -	\$ -
 Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Excess of revenues and other sources over expenditures		\$ -		\$ -
 Reconciling items:				
Capital outlay		222,569		322,656
Depreciation		(111,991)		(137,862)
Total reconciling items		110,578		184,794
Net income		\$ 110,578		\$ 184,794

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, 2010

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2009</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2010</u>
2009-2010	\$ -	\$ 31,301,271	\$ 29,361,781	\$ 1,939,490
2008-2009	1,744,384	-	877,984	866,400
2007-2008	451,066	-	142,286	308,780
2006-2007	214,640	-	47,634	167,006
2005-2006	163,948	-	23,210	140,738
2004-2005	134,737	-	13,531	121,206
2003-2004	104,310	-	12,253	92,057
2002-2003	123,411	-	8,091	115,320
2001-2002	87,633	-	5,478	82,155
2000-2001	64,926	-	3,767	61,159
1999-2000	50,185	-	50,185	-
	<u>\$ 3,139,240</u>	<u>\$ 31,301,271</u>	<u>\$ 30,546,200</u>	<u>3,894,311</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>680,000</u>
Ad valorem taxes receivable - net				<u>\$ 3,214,311</u>
Reconcilement with revenues:				
Ad valorem taxes - General fund				<u>\$ 30,489,240</u>
Reconciling items:				
Interest collected				(271,797)
Discounts/adjustments				278,572
Taxes written off				50,187
Total reconciling items				<u>56,962</u>
Total collections and credits				<u>\$ 30,546,202</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

GENERAL FUND

For the year ended June 30, 2010

			Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 5,812,269,057	0.53	\$ 30,805,026	\$ 29,416,492	\$ 1,388,534
Registered motor vehicles taxed at prior year's rate	98,042,642	0.53	519,626	-	519,626
Penalties	-		23,646	23,646	-
Total	5,910,311,699		31,348,298	29,440,138	1,908,160
Discoveries:					
Current year taxes	19,457,547	0.53	103,125	103,125	-
Advertising costs			13,348	13,348	-
Abatements	(30,849,057)		(163,500)	(114,683)	(48,817)
Total property valuation	\$ 5,898,920,189				
Net levy			31,301,271	29,441,928	1,859,343
Uncollected taxes at June 30, 2010			1,939,490	1,626,465	313,025
Current year's taxes collected			\$ 29,361,781	\$ 27,815,463	\$ 1,546,318
Current levy collection percentage			93.80%	94.48%	83.16%

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE

June 30, 2010

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2009</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2010</u>
2009-2010	\$ -	\$ 1,951,742	\$ 1,833,281	\$ 118,461
2008-2009	106,893	-	57,926	48,967
2007-2008	30,874	-	10,880	19,994
2006-2007	13,902	-	3,114	10,788
2005-2006	9,856	-	1,606	8,250
2004-2005	7,001	-	949	6,052
2003-2004	5,683	-	728	4,955
2002-2003	5,417	-	417	5,000
2001-2002	4,610	-	289	4,321
2000-2001	3,679	-	176	3,503
1999-2000	2,798	-	2,798	-
	<u>\$ 190,713</u>	<u>\$ 1,951,742</u>	<u>\$ 1,912,164</u>	
Ad valorem taxes receivable				<u>\$ 230,291</u>
Reconcilement with revenues:				
Ad valorem taxes - Special districts				<u>\$ 1,922,172</u>
Reconciling items:				
Interest collected				(17,886)
Discounts/adjustments				5,080
Taxes written off				2,798
Total reconciling items				<u>(10,008)</u>
Total collections and credits				<u>\$ 1,912,164</u>

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2010

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Chimney Rock Fire					
Property taxed at current years rate	\$ 76,898,000	\$ 0.05	\$ 38,449	\$ 38,164	\$ 285
Motor vehicles taxed at prior years rate	278,000	0.05	139	-	139
Sandy Mush Fire					
Property taxed at current years rate	247,134,000	0.05	123,567	114,521	9,046
Motor vehicles taxed at prior years rate	11,494,000	0.05	5,747	-	5,747
Cliffside Sanitary					
Property taxed at current years rate	5,853,750	0.08	4,683	4,506	177
Motor vehicles taxed at prior years rate	156,250	0.08	125	-	125
Bills Creek Fire					
Property taxed at current years rate	208,548,750	0.08	166,839	163,761	3,078
Motor vehicles taxed at prior years rate	1,987,500	0.08	1,590	-	1,590
Shingle Hollow Fire					
Property taxed at current years rate	90,807,000	0.10	90,807	85,891	4,916
Motor vehicles taxed at prior years rate	2,688,000	0.10	2,688	-	2,688
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current years rate	343,926,000	0.05	171,963	160,524	11,439
Motor vehicles taxed at prior years rate	12,504,000	0.05	6,252	-	6,252
Cherry Mountain Fire					
Property taxed at current years rate	180,587,778	0.09	162,529	156,982	5,547
Motor vehicles taxed at prior years rate	3,635,556	0.09	3,272	-	3,272
Hudlow Fire					
Property taxed at current years rate	260,547,500	0.08	208,438	197,836	10,602
Motor vehicles taxed at prior years rate	7,292,500	0.08	5,834	-	5,834
Rutherfordton Fire					
Property taxed at current years rate	196,456,250	0.08	154,765	145,409	9,356
Motor vehicles taxed at prior years rate	5,776,250	0.08	4,621	-	4,621
Cliffside Fire					
Property taxed at current years rate	152,956,250	0.07	122,365	114,031	8,334
Motor vehicles taxed at prior years rate	7,107,143	0.07	4,975	-	4,975
Ellenboro Fire					
Property taxed at current years rate	273,658,333	0.06	164,195	152,144	12,051
Motor vehicles taxed at prior years rate	11,920,000	0.06	7,152	-	7,152

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2010

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Bostic Fire					
Property taxed at current years rate	108,051,667	0.06	64,831	60,534	4,297
Motor vehicles taxed at prior years rate	4,486,667	0.06	2,692	-	2,692
Union Mills Fire					
Property taxed at current years rate	142,110,000	0.05	71,055	67,117	3,938
Motor vehicles taxed at prior years rate	4,276,000	0.05	2,138	-	2,138
Green Hill Fire					
Property taxed at current years rate	235,480,000	0.07	164,836	157,524	7,312
Motor vehicles taxed at prior years rate	6,121,429	0.07	4,285	-	4,285
Hollis Fire					
Property taxed at current years rate	28,066,667	0.03	8,420	8,045	375
Motor vehicles taxed at prior years rate	946,667	0.03	284	-	284
Contracted Fire					
Property taxed at current years rate	910,955,000	0.02	182,191	175,551	6,640
Motor vehicles taxed at prior years rate	19,195,000	0.02	3,839	-	3,839
Total			1,955,566	1,802,540	153,026
Penalties			1,269	1,269	-
Discoveries			4,465	4,465	-
Gross tax levy			1,961,300	1,808,274	153,026
Releases			(9,558)	(5,834)	(3,724)
Net levy			1,951,742	1,802,440	149,302
Less: uncollected taxes at June 30, 2010			(118,461)	(93,678)	(24,783)
Current year taxes collected			\$ 1,833,281	\$ 1,708,762	\$ 124,519
Percent current year collected			93.93%	94.80%	83.40%

Statistical Section

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

Contents	Tables
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Financial Trends	1 – 4
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These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity	5 – 8
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These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.

Debt Capacity	7 – 12
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These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information	13 – 14
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Operating Information	15 – 17
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These schedules contain information about how the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

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

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

	Fiscal Year			
	<u>2010</u>	<u>2009*</u>	<u>2008</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 9,844,642	\$ 9,335,747	\$ 14,236,085	\$ 7,126,314
Restricted	2,918,608	3,300,045	9,527,682	3,899,057
Unrestricted	2,922,565	(1,445,625)	(15,304,122)	(8,665,225)
Total Governmental activities net assets	<u>\$ 15,685,815</u>	<u>\$ 11,190,167</u>	<u>\$ 8,459,645</u>	<u>\$ 2,360,146</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 1,921,077	\$ 1,908,137	\$ 1,960,924	\$ 2,123,105
Restricted	-	-	-	-
Unrestricted	(340,250)	(196,286)	387,488	282,208
Total business-type activities net assets	<u>\$ 1,580,827</u>	<u>\$ 1,711,851</u>	<u>\$ 2,348,412</u>	<u>\$ 2,405,313</u>
Primary government				
Invested in capital assets, net of related debt	\$ 11,765,719	\$ 11,243,884	\$ 16,197,009	\$ 9,249,419
Restricted	2,918,608	3,300,045	9,527,682	3,899,057
Unrestricted	2,582,315	(1,641,911)	(14,916,634)	(8,383,017)
Total primary government net assets	<u>\$ 17,266,642</u>	<u>\$ 12,902,018</u>	<u>\$ 10,808,057</u>	<u>\$ 4,765,459</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 2001 and 2002.

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

Table 1

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

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

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

(1) Rutherford County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, data is not available for fiscal years 2001 and 2002.

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

Table 2

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

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

	<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>
General Fund									
Reserved	\$ 3,761,124	\$	3,680,844	\$	4,074,203	\$	4,126,704	\$	3,920,463
Unreserved	11,916,835		13,196,079		12,751,211		10,891,729		10,519,641
Total General Fund	<u>\$ 15,677,959</u>	<u>\$</u>	<u>16,876,923</u>	<u>\$</u>	<u>16,825,414</u>	<u>\$</u>	<u>15,018,433</u>	<u>\$</u>	<u>14,440,104</u>
All other governmental funds									
Reserved	\$ 391,364	\$	686,472	\$	556,972	\$	1,805,359	\$	1,324,037
Unreserved, reported in:									
Debt service fund	-		-		-		-		-
Special revenue funds	6,640,609		5,811,482		8,080,868		4,246,534		3,959,633
Capital projects funds	2,358,646		3,670,511		9,117,150		2,883,906		3,375,401
Total all other governmental funds	<u>\$ 9,390,619</u>	<u>\$</u>	<u>10,168,465</u>	<u>\$</u>	<u>17,754,990</u>	<u>\$</u>	<u>8,935,799</u>	<u>\$</u>	<u>8,659,071</u>

Table 3

	<u>2005</u>		<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>
\$	3,915,909	\$	3,780,885	\$	3,415,837	\$	2,841,403	\$	3,373,943
	9,010,221		8,931,431		7,011,749		5,245,650		4,949,487
\$	12,926,130	\$	12,712,316	\$	10,427,586	\$	8,087,053	\$	8,323,430
<hr/>									
\$	1,429,110	\$	1,487,151	\$	983,201	\$	91,224	\$	244,615
	-		10,518		-		737,739		753,735
	3,701,003		4,021,431		4,944,120		2,711,221		2,876,433
	2,202,181		4,855,762		23,068,333		1,182,914		3,724,389
\$	7,332,294	\$	10,374,862	\$	28,995,654	\$	4,723,098	\$	7,599,172

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

Revenues	Fiscal Year			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Ad Valorem Taxes	\$ 32,411,413	\$ 32,118,994	\$ 32,258,449	\$ 27,326,881
Local Option Sales Taxes	9,371,128	11,275,726	13,369,301	13,240,333
Other Taxes and Licenses	526,461	526,459	707,252	683,615
Unrestricted Intergovernmental	-	-	-	-
Restricted Intergovernmental	13,960,162	13,326,718	13,698,050	12,480,558
Permits and Fees	799,562	861,720	1,177,290	1,435,366
Sales and Services	3,080,873	3,119,947	3,801,501	3,674,300
Investment Earnings	134,324	471,754	1,084,487	1,243,368
Miscellaneous	287,325	527,821	729,808	590,273
<i>Total revenues</i>	<u>60,571,248</u>	<u>62,229,139</u>	<u>66,826,138</u>	<u>60,674,694</u>
Expenditures				
Current:				
General government	5,805,454	6,615,187	11,334,882	6,609,488
Public safety	14,526,559	14,868,059	14,220,359	12,897,402
Environmental Protection	184,030	164,582	127,250	125,124
Economic and Physical Development	2,384,886	4,081,840	4,856,946	3,849,835
Human Services	13,442,160	14,844,012	16,521,713	16,037,237
Cultural and Recreational	943,010	737,637	757,187	647,449
Intergovernmental:				
Education	14,059,565	14,480,287	13,967,220	13,053,968
Capital Outlay	2,488,388	10,782,995	5,249,596	6,372,376
Debt service				
Principal	7,660,832	6,811,458	6,294,364	5,644,457
Interest	2,986,706	3,060,136	2,754,717	2,363,101
<i>Total expenditures</i>	<u>64,481,590</u>	<u>76,446,193</u>	<u>76,084,234</u>	<u>67,600,437</u>
Excess of revenues over (under) expenditures	(3,910,342)	(14,217,054)	(9,258,096)	(6,925,743)
Other financing sources (uses)				
Transfers From Other Funds	16,900,905	20,371,579	18,941,579	14,482,382
Transfers To Other Funds	(17,025,905)	(19,493,379)	(19,066,579)	(14,607,382)
Transfers From Component Units	-	-	-	-
Transfers To Component Units	-	-	-	-
Installment Purchase Obligations Issued	2,000,000	5,803,838	18,454,270	7,905,800
General Obligation Debt Issued	-	-	1,555,000	-
Refunding Bonds Issued	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Sale of capital assets	58,532	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,933,532</u>	<u>6,682,038</u>	<u>19,884,270</u>	<u>7,780,800</u>
Net change in fund balances	<u>\$ (1,976,810)</u>	<u>\$ (7,535,016)</u>	<u>\$ 10,626,174</u>	<u>\$ 855,057</u>
Debt services as a percentage of noncapital expenditures	17.05%	14.97%	13.75%	12.51%

* Capital asset information not available from 2001 through 2002, due to implementation of GASB34.

Table 4

		Fiscal Year					
		<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$		26,792,167	\$ 25,585,444	\$ 24,992,262	\$ 25,272,124	\$ 21,839,759	\$ 20,370,817
		12,262,177	11,743,695	11,837,956	9,532,653	8,763,472	8,778,747
		623,110	255,577	251,735	261,408	307,056	282,709
		-	-	-	-	1,221,268	1,820,061
		11,213,535	10,834,718	9,109,617	9,031,207	6,729,260	12,469,970
		1,439,013	1,151,302	1,012,848	1,092,816	852,716	734,623
		2,882,979	2,700,089	2,978,520	2,687,527	2,103,194	1,877,079
		1,012,369	473,461	443,136	664,437	610,534	1,095,420
		415,034	412,112	228,642	116,888	199,176	136,076
		<u>56,640,384</u>	<u>53,156,398</u>	<u>50,854,716</u>	<u>48,659,060</u>	<u>42,626,435</u>	<u>47,565,502</u>
		5,641,902	5,703,555	4,800,673	4,560,320	4,356,056	4,244,612
		11,541,916	11,476,343	10,421,427	9,852,175	9,020,892	9,089,757
		130,655	122,584	118,839	100,813	107,310	110,388
		3,913,258	2,443,409	2,101,815	1,055,040	564,103	2,849,302
		15,521,178	14,791,299	13,754,017	13,119,093	12,220,518	11,828,810
		444,650	424,877	398,368	361,562	343,050	377,697
		12,513,922	12,081,683	11,311,729	10,830,042	11,009,323	10,210,333
		3,856,087	3,281,177	18,381,582	10,503,729	3,562,597	7,325,546
		5,031,194	4,290,159	4,828,539	3,068,213	3,212,748	3,116,752
		2,282,307	2,428,712	1,885,760	3,295,329	1,765,405	1,827,945
		<u>60,877,069</u>	<u>57,043,798</u>	<u>68,002,749</u>	<u>56,746,316</u>	<u>46,162,002</u>	<u>50,981,142</u>
		(4,236,685)	(3,887,400)	(17,148,033)	(8,087,256)	(3,535,567)	(3,415,640)
		14,356,170	12,292,044	(5,642,601)	14,932,692	10,964,208	11,257,197
		(14,436,533)	(12,372,409)	5,687,236	(13,052,692)	(10,934,208)	(11,227,197)
		-	-	-	5,000	31,150	28,455
		-	-	-	-	(358,415)	(212,092)
		5,637,800	1,139,009	767,336	40,243,372	3,753,000	536,658
		1,520,000	-	-	-	-	-
		-	-	-	18,420,000	-	-
		-	-	-	(25,848,027)	-	-
		-	-	-	(25,848,027)	-	-
		-	-	-	-	-	-
		<u>7,077,437</u>	<u>1,058,644</u>	<u>811,971</u>	<u>8,852,318</u>	<u>3,455,735</u>	<u>383,021</u>
\$		2,840,752	\$ (2,828,756)	\$ (16,336,062)	\$ 765,062	\$ (79,832)	\$ (3,032,619)
		12.70%	12.51%	10.87%	11.96% *	*	

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	
2010	\$ 3,989,458	\$ 877,699	\$ 373,025	\$ 359,316	\$ 299,422
2009	3,936,145	865,282	429,456	371,894	292,286
2008	3,866,901	819,357	429,870	371,205	276,120
2007	2,845,477	440,189	409,569	344,294	228,694
2006	2,645,502	424,199	422,395	353,888	255,553
2005	2,528,754	426,480	391,498	360,929	244,833
2004	2,442,161	437,174	388,513	380,081	252,769
2003	2,407,920	422,400	423,799	433,119	242,451
2002	1,818,520	360,581	373,127	473,746	185,699
2001	1,763,591	344,355	349,930	470,565	205,748

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

Table 5

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

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

Table 6

	Year Taxes Are Payable									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
County Direct Rate	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.610	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.660	\$ 0.630
Town Rates										
Bostic	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Chimney Rock	0.075	0.075	0.075	0.115	0.115	0.115	0.115	0.125	0.140	0.140
Ellenboro	0.220	0.220	0.220	0.250	0.250	0.250	0.250	0.250	0.280	0.280
Forest City	0.290	0.300	0.290	0.300	0.300	0.280	0.260	0.240	0.240	0.240
Lake Lure	0.210	0.210	0.210	0.280	0.280	0.280	0.280	0.270	0.320	0.320
Ruth	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260
Rutherfordton	0.520	0.520	0.520	0.540	0.540	0.490	0.490	0.490	0.490	0.490
Spindale	0.560	0.560	0.510	0.510	0.510	0.510	0.450	0.450	0.450	0.420
Special Districts										
Bill's Creek Fire	0.080	0.080	0.080	0.080	0.080	0.070	0.070	0.070	0.070	0.070
Bostic Fire	0.060	0.060	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.060
Cherry Mountain Fire	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
Chimney Rock Fire	0.050	0.050	0.040	0.060	0.060	0.060	0.060	0.060	0.080	0.080
Cliffside Fire	0.080	0.080	0.070	0.055	0.055	0.045	0.045	0.040	0.040	0.040
Cliffside Sanitary	0.070	0.070	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.020	0.020	0.020	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	0.070
Hollis Fire	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Hudlow Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Rutherfordton Fire	0.080	0.080	0.080	0.080	0.080	0.070	0.070	0.070	0.070	0.070
Sandy Mush Fire	0.050	0.050	0.040	0.040	0.040	0.040	0.040	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	0.050
Shingle Hollow Fire	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.090
Union Mills Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050

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

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

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Fiscal Year 2010</u>		
		<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Duke Energy	Public Utility	\$ 207,788	1	3.52%
Rutherford Electric Membership Corp	Electric Membership	27,858	2	0.47%
BellSouth	Public Utility	27,722	3	0.47%
RCM Management Service LLP (Cogen)	Airplane	22,800	4	0.39%
CSX Transportation	Public Utility	20,917	5	0.35%
Timken US Corp (formerly Torrington Company)	Manufacturing	15,738	6	0.27%
Trelleborg US (Reeves Bros)	Manufacturing	13,984	7	0.24%
Shaw Construction Inc	Construction	11,176	8	0.19%
Watts Regulator	Manufacturing	9,363	9	0.16%
Simeus Foods	Manufacturing	9,138	10	0.15%
Cone Mills Corporation	Textiles			
Fairfield Communities	Resort Property			
MC Acquisition Group	Textiles			
National Textiles Inc	Textiles			
Stonecutter Mills	Textiles			
Milliken & Company	Textiles			
Total		<u>\$ 366,483</u>		<u>6.21%</u>

Source: Rutherford County Tax Department

Table 7

Fiscal Year 2001		
<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
\$ 134,398	1	4.29%
31,810	3	1.01%
20,950	8	0.67%
27,612	6	0.88%
68,152	2	2.17%
30,461	4	0.97%
29,201	5	0.93%
21,815	7	0.70%
20,124	9	0.64%
19,380	10	0.62%
<u>\$ 403,903</u>		<u>12.88%</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
2010	\$ 33,253,013	\$ 31,195,062	93.8	\$ -	\$ 31,195,062	93.8
2009	33,213,924	31,362,647	94.4	935,910	32,298,557	97.2
2008	32,461,482	31,280,218	96.4	852,490	32,132,708	99.0
2007	27,557,905	26,491,335	96.1	888,776	27,380,111	99.4
2006	26,864,829	25,786,091	96.0	929,750	26,715,841	99.4
2005	25,833,919	24,843,268	96.2	861,894	25,705,162	99.5
2004	25,510,187	24,333,704	95.4	1,074,998	25,408,702	99.6
2003	25,696,721	24,565,452	95.6	1,002,730	25,568,182	99.5
2002	22,245,921	21,218,393	95.4	939,228	22,157,621	99.6
2001	20,680,487	19,787,900	95.7	876,965	20,664,865	99.9

(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
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	63	9,975,000	57,668,467	3,963,343
2009	63	7,720,000	58,074,856	4,758,537
2010	63	7,035,000	54,911,271	3,240,000

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

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

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

Table 9

		<u>Business-type Activities</u>			
<u>Revolving</u>		<u>Capital</u>	<u>Total</u>	<u>Percentage</u>	<u>Per</u>
<u>Fund - DENR</u>		<u>Leases</u>	<u>Primary</u>	<u>of Personal</u>	<u>Capita (2)</u>
			<u>Government</u>	<u>Income (2)</u>	
\$	-	\$ 1,079,228	\$ 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	3.70%	885.61
	331,400	577,397	58,811,685	3.67%	918.93
	314,830	667,632	72,589,272	4.32%	1,152.21
	298,260	621,299	71,472,952	4.07%	1,134.49
	281,690	402,330	65,870,291	not available	

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)
2001	\$ 21,365,000	\$ -	\$ 21,365,000	0.37%	\$ 339.67
2002	19,145,000	-	19,145,000	0.33%	301.99
2003	18,420,000	-	18,420,000	0.32%	290.39
2004	16,050,000	-	16,050,000	0.28%	251.33
2005	13,765,000	-	13,765,000	0.24%	217.12
2006	13,010,000	-	13,010,000	0.23%	204.01
2007	10,675,000	-	10,675,000	0.19%	167.14
2008	9,975,000	-	9,975,000	0.17%	158.30
2009	7,720,000	-	7,720,000	0.13%	121.72
2010	7,035,000	-	7,035,000	0.12%	110.21

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

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

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

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

Table 11

<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:			
None currently outstanding	\$ -	100.00	\$ -
Subtotal, overlapping debt			-
Rutherford County direct debt - general obligation	7,035,000	100.00	7,035,000
Rutherford County direct debt - other outstanding (1)	58,432,961	100.00	58,432,961
			<u>65,467,961</u>
Total direct and overlapping debt			<u>\$ 65,467,961</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>Fiscal Year</u>			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Assessed value of property	\$ 3,134,189,340	\$ 3,211,673,362	\$ 3,929,689,345	\$ 3,900,697,986
Debt limit	250,735,147	256,933,869	314,375,148	312,055,839
Total net debt applicable to limit	<u>21,365,000</u>	<u>19,145,000</u>	<u>60,556,191</u>	<u>57,140,177</u>
Legal debt margin	<u>\$ 229,370,147</u>	<u>\$ 237,788,869</u>	<u>\$ 253,818,957</u>	<u>\$ 254,915,662</u>
Total net debt applicable to the limit as a percentage of debt limit	8.52%	7.45%	19.26%	18.31%

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 3,952,493,750	\$ 4,101,537,258	\$ 4,268,223,139	\$ 5,763,453,025	\$ 5,895,063,019	\$ 5,898,920,189
316,199,500	328,122,981	341,457,851	461,076,242	471,605,042	471,913,615
53,864,028	55,990,633	58,234,288	71,921,640	70,851,653	65,467,961
<u>\$ 262,335,472</u>	<u>\$ 272,132,348</u>	<u>\$ 283,223,563</u>	<u>\$ 389,154,602</u>	<u>\$ 400,753,389</u>	<u>\$ 406,445,654</u>
17.03%	17.06%	17.05%	15.60%	15.02%	13.87%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value - January 1, 2009	<u>\$ 5,898,920,189</u>
Debt Limit (8% of total assessed value)	\$ 471,913,615
Debt applicable to limit:	
General obligation bonds	7,035,000
Other outstanding debt	<u>58,432,961</u>
Net debt applicable to limit	<u>65,467,961</u>
Legal debt margin	<u>\$ 406,445,654</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)
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	1,529,934	24,496	38.30	9,898	8.1
2007	63,867	1,601,610	25,077	36.60	9,915	7.9
2008	63,012	1,680,310	26,667	40.56	9,533	7.7
2009	63,424	1,755,054	27,672	39.69	9,298	15.3
2010	63,835	<i>not available</i>		40.08	9,016	14.8

(1) 2001 population is from U.S. Census, 2002-2007 population projected by the Office of State Planning 2008-2010 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	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
AGI Schutz - Forest City	243	1	0.79%			
Watts Regulator Co	225	2	0.73%			
Timken - Shiloh Plant	215	3	0.70%			
Trelleborg - Grace Plant (formerly Reeves)	181	4	0.59%			<i>information not available</i>
Parker Hannifin Corporation	170	5	0.55%			
First Choice Armor	153	6	0.50%			
Sonoco Molded Plastics	135	7	0.44%			
Eaton	132	8	0.43%			
Truck Service, Inc	130	9	0.42%			
Milliken & Company	125	10	0.41%			
Total	1,709		5.55%			

NON-MANUFACTURING

Employer	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Rutherford County Schools (1)	1,426	1	5.15%			
Rutherford Hospital	851	2	3.07%			
State of North Carolina	708	3	2.56%			<i>information not available</i>
Rutherford County - Local Government	495	4	1.79%			
Walmart	396	5	1.43%			
Total	3,876		13.99%			

Source: Economic Development Commission September 2010

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

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

Function	Full-time Equivalent Employees				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government	68.73	68.73	66.00	64.00	65.00
Public safety	175.27	175.27	174.00	159.00	142.00
Environmental Protection	2.00	2.00	3.00	3.00	3.00
Economic and Physical Development	12.00	12.00	11.00	10.00	11.00
Human Services	118.00	118.00	118.00	115.00	115.50
Cultural and Recreational	9.00	9.00	9.00	8.00	6.00
Enterprise Fund - Transit	9.00	9.00	8.00	8.00	8.00
Enterprise Fund - Solid Waste	17.00	17.00	17.00	17.00	17.00
Total	411.00	411.00	406.00	384.00	367.50

Source: Rutherford County Finance Office

Table 15

Full-time Equivalent Employees				
<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
63.00	61.00	61.00	63.00	62.00
141.00	138.00	136.00	136.00	132.00
3.00	2.00	2.00	2.00	2.00
11.00	11.00	11.00	10.00	10.00
109.50	106.50	104.50	104.50	99.00
5.00	5.00	5.00	5.00	6.00
8.00	7.00	7.00	7.00	6.00
17.00	18.00	18.00	18.00	17.00
357.50	348.50	344.50	345.50	334.00

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

Table 16

Function	Fiscal Year			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<i>General Government</i>				
# Deeds/Deeds of Trusts Processed	5,490	6,420	8,717	10,177
Parcel Count	54,140	53,904	53,590	52,598
<i>Public Safety</i>				
# Inmates Processed	4,981	5,255	5,971	5,576
# Arrests	3,341	2,953	3,627	3,093
# Building Permits Issued	604	469	786	797
<i>Economic and Physical Development</i>				
# of Subdivision Plan Reviews*	3	34	23	50
<i>Human Services</i>				
# Senior Center Meals Served	80,667	83,889	89,453	93,499
# of Medicaid Recipients	14,318	12,927	15,454	11,430
<i>Culture</i>				
Library Book Circulation	355,060	357,898	330,125	307,922
<i>Enterprise Fund - Transit</i>				
# Trips	57,199	56,138	56,317	53,354
<i>Enterprise Fund - Landfill</i>				
Total Tonnage	53,334	61,034	64,008	69,202

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

* FY 2007 Subdivision Plan Reviews calendar year data.

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

Table 17

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government										
County Buildings	33	33	32	31	31	31	28	28	28	26
County Vehicles	239	230	219	226	235	235	221	226	187	181
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	48	48	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	11	11	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	9	9	8	7
Manned Green Box Sites	1	1	1	1	1	1	1	1	2	2

Sources: Various government departments.

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, 2010, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

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.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2010

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 could have a direct and material effect on each of Rutherford County's major federal programs for the year ended June 30, 2010. Rutherford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

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

In our opinion, Rutherford County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal

control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2010

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, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Rutherford County's major State programs for the year ended June 30, 2010. Rutherford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

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

In our opinion, Rutherford County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB A-133 and the State Single Audit Implementation Act, but

not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2010

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2010

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>Supplemental Nutrition Assist. Program Cluster</u>					
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program	10.561		\$ 342,851	\$ -	\$ 340,964
Food Stamp Program - Direct Benefit Payment	10.551		18,113,262	-	-
Total Supplemental Nutrition Assist. Program Cluster			18,456,113	-	340,964
Total U.S. Dept. of Agriculture			18,456,113	-	340,964
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce					
Community Development Block Grant	14.228		20,611	1,200	-
Passed-through N.C. Housing Finance Agency					
Stewart B. McKinney Homeless Assistance Act	14.000		37,500	-	-
HOME Investment Partnerships Program	14.239		17,877	-	-
Total U.S. Dept. of Housing and Urban Development			75,988	1,200	-
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Bulletproof Vest Partnership Program	16.607		7,288	-	-
Edward Byrne Memorial Justice Assistance Grant	16.738		15,760	-	-
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804		73,511	-	-
Total U.S. Dept. of Justice			96,559	-	-
<u>U.S. Dept. of Education</u>					
Passed-through the N.C. Department of Instruction					
21st Century Community Learning Centers	84.287	PRC - 110	300,000	-	-
Total U.S. Dept. of Education			300,000	-	-
<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		237,298	-	-
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other Than Urbanized Areas	20.509		144,749	9,047	-
Total U.S. Dept. of Transportation			382,047	9,047	-
<u>Institute of Museum and Library Services</u>					
Passed-through the N.C. Department of Cultural Resources					
Planning Grant	45.310		20,000	-	-
Total Institute of Museum and Library Services			20,000	-	-
<u>U.S. Election Assistance Commission</u>					
Passed-through N.C. State Board of Elections					
HAVA Grant	90.401		51,057	-	-
Total U.S. Election Assistance Commission			51,057	-	-
<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		29,248	-	-
Total U. S. Department of Homeland Security			29,248	-	-

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2010

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. 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 D					
Health Promotions Services	93.043		5,593	329	-
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		143,658	8,450	-
Special Programs for the Aging - Title III C					
Nutrition Services	93.045		218,816	12,864	-
Nutrition Services Incentive Program	93.053		39,149	-	-
ARRA - Aging Home - Delivered Nutrition Services for States	93.705		9,935	-	-
ARRA - Aging Home - Congregate Nutrition Service for States			21,349	-	-
Total Aging Cluster			438,500	21,643	-
<u>Administration for Children and Families</u>					
Passed-through N.C. State Board of Elections					
Voting Access for Individuals with Disabilities	93.617		8,683	-	-
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		373,091	105,275	278,560
Foster Care - Direct Benefit Payments	93.658		337,852	78,297	79,408
Foster Care - Adoption	93.658		486,005	50,988	-
ARRA - IV-E Foster Care	93.658		13,359	-	-
Title IV-E Adoption Assistance - Administration	93.659		45,598	-	65,293
ARRA - IV-E Adoption Assistance	93.659		20,436	-	-
Adoption Assistance - Direct Benefit Payments	93.659		490,762	100,339	100,303
Total Foster Care and Adoption			1,767,103	334,899	523,564
<u>Temporary Assistance for Needy Families Cluster</u>					
Work First /Temporary Assistance for Needy Families (TANF)					
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs	93.714		154,368	-	-
Work First/TANF-Direct Benefit Payments	93.558		1,225,588	5,365	322,517
Total TANF Cluster			1,480,118	5,365	380,113
AFDC - Direct Benefit Payments	93.560		(2,051)	(360)	(562)
CSE Incentive Recovery	93.563		151,360	-	77,973
IV-D Administration	93.563		285,745	(21)	147,222
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		58,613	-	-
Energy Assistance - Direct Benefit Payments	93.568		656,128	-	-
Crisis Intervention Program	93.568		355,275	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Direct Benefit Payments	93.645		-	201,792	67,264
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645		17,885	5,054	1,523
SSBG - Other Service and Training	93.667		228,907	15,206	81,371
Independent Living Grant	93.674		30,309	5,165	-
Family Preservation	93.556		2,963	-	-
Division of Aging and Adult Services:					
SSBG - State In Home Service Fund	93.667		43,951	-	6,279
SSBG - State Adult Day Care	93.667		16,026	13,724	4,250

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
		Pass-through Grantor's Number			
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		120,505	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		354,992	-	-
Child Care and Development Fund - Mandatory	93.596		408,724	-	-
Child Care and Development Fund - Match	93.596		504,426	424,489	-
ARRA - Child Care and Development Fund	93.713		424,305		
Total Child Care Development Fund Cluster			<u>1,812,952</u>	<u>424,489</u>	<u>-</u>
Social Services Block Grant	93.667		40,113	-	-
TANF	93.558		228,203	98,204	-
Smart Start			-	552,441	-
Total Subsidized Child Care			<u>2,081,268</u>	<u>1,075,134</u>	<u>-</u>
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778		63,771,262	22,524,933	3,514
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		864,480	72,027	789,928
State Children's Insurance Program - N.C. Health Choice	93.767		20,628	2,751	3,941
Total U.S. Dept. of Health and Human Services			<u>72,277,153</u>	<u>24,277,312</u>	<u>2,086,380</u>
Total Federal Awards			<u>\$ 91,688,165</u>	<u>\$ 24,287,559</u>	<u>\$ 2,427,344</u>
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
State Aid to Public Libraries			\$ -	\$ 128,990	\$ -
N.C. Arts Council					
Grassroots Arts Program			-	18,924	-
Total N.C. Dept. of Cultural Resources			<u>-</u>	<u>147,914</u>	<u>-</u>
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program			-	47,819	-
Scrap Tire Program			-	15,691	-
Division of Pollution Prevention and Environmental Assistance					
Community Waste Reduction and Recycling			-	12,500	-
Total N.C. Dept. of Environmental and Natural Resources Natural Resources			<u>-</u>	<u>76,010</u>	<u>-</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal	State/ Pass-through	Fed. (Direct & Pass-through)	State	Local
	CFDA Number	Grantor's Number	Expenditures	Expenditures	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 General Fund			-	4,217	-
Total Division of Aging and Adult Services			-	4,217	-
Division of Social Services:					
State Foster Care Benefits Program			-	135,237	109,410
State/County Special Assistance - Administration			-	-	22,499
State/County Special Assistance - Direct Benefit Payments			-	919,856	919,856
CPS Expansion State			-	154,434	-
DCD Smart Start			-	50,000	-
State Adult Protective Service			-	31,605	-
Other County Funded Programs			-	-	460,081
Total Division of Social Services			-	1,291,132	1,511,846
Total N. C. Department of Health and Human Services			-	1,295,349	1,511,846
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs			-	187,204	-
Total N.C. Dept. of Juvenile Justice and Delinquency Prev.			-	187,204	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund:					
Corporate Income Tax Collections			-	430,019	-
Lottery Proceeds			-	1,545,802	-
Total N.C. Dept. of Public Instruction			-	1,975,821	-
<u>N.C. Dept. of Transportation</u>					
State Aid to Airports		DOT-8	-	48,292	-
Rural Operating Assistance Program (ROAP)					
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	89,886	-
ROAP Rural General Public Program		DOT-16CL	-	99,553	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	26,160	-
Total N.C. Dept. of Transportation			-	263,891	-
<u>N.C. Dept. of Commerce</u>					
Passed-through N.C. Rural Economic Development Center, Inc.:					
Building Re-use and Restoration Grant			-	56,899	-
Total N.C. Dept. of Commerce			-	56,899	-
<u>N.C. Dept. of Administration</u>					
County Veterans Program			-	2,000	-
Total N.C. Dept. of Administration			-	2,000	-
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program			-	91,896	-
Total N.C. Dept. of Corrections			-	91,896	-
Total State Awards excluding passthroughs from Federal awards			-	4,096,984	1,511,846
Total Federal and State Awards			\$ 91,688,165	\$ 28,384,543	\$ 3,939,190

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2010

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.

3. Subrecipients
of the federal and State expenditures presented in the schedule, the County provided Federal and State awards to subrecipients as follows:

<u>Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Fed. (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>
Twenty-First Century Community Learning Centers	84.287	PRC-110	\$ 300,000	\$ -

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses _____yes X none reported

Noncompliance material to financial statements noted _____yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 _____yes X no

Major federal programs for Rutherford County for the fiscal year ended June 30, 2010 are:

<u>Program Name</u>	<u>CFDA #</u>
Food Stamp Cluster	10.551, 10.561
Low-Income Home Energy Assistance	93.568
Medicaid Assistance Program	93.778

The threshold for determining Federal Type A programs for Rutherford County is \$2,750,645. New federal programs that did not meet the criteria for a major program using the criteria discussed in the OMB Circular No. A-133 Section .520 but were tested as a major program because of a request from the Office of the State Auditor to be a major federal program. This major program was: Low-Income Home Energy Assistance which the State identifies as two programs described as the Crisis Intervention Program and the Low Income Energy Assistance Program.

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

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None Reported.

RUTHERFORD COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the year ended June 30, 2010

Finding : 09 – 1

Status: Corrected.