

Rutherford County, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

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

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

November 30, 2009

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, 2009. 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

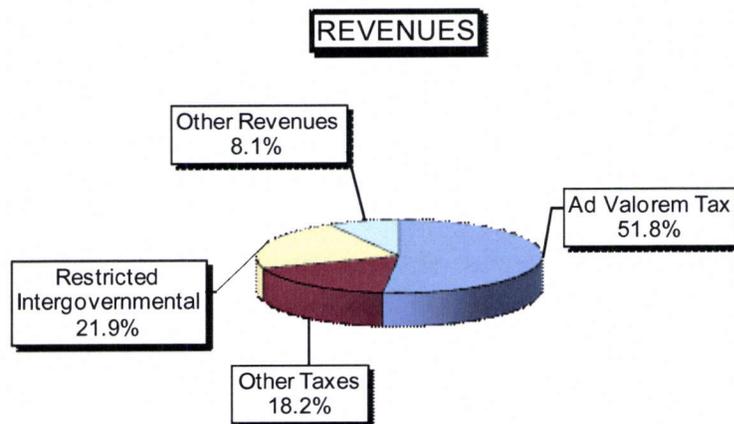
benefits to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. The county believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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, 2009. 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 increased by approximately ten percent, or \$6 million, mainly due to increases in ad valorem taxes and restricted intergovernmental revenues. Increases in these areas were partially offset by decreases in

permits and fees and investment earnings.

Ad valorem and other tax revenues continue to be the largest source of revenue for the County accounting for 70% of total revenues. Ad valorem taxes accounts for 51.8% of revenues and decreased slightly by \$139,455 or .42%. The fiscal year 2008-2009 budget was adopted based on a tax rate of 53 cents per \$100 of value which was the same as the FY 2007-2008 tax rate. While overall property values in the County increase approximately 2.3%, a decrease in the property tax collection rate of 1.99% from 96.41% to 94.42% led to relatively flat property tax revenues. This reduction in the property tax collection rate was mainly due to the bankruptcy of the County's second largest taxpayer, LR Buffalo Creek, LLC (Greyrock). 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.

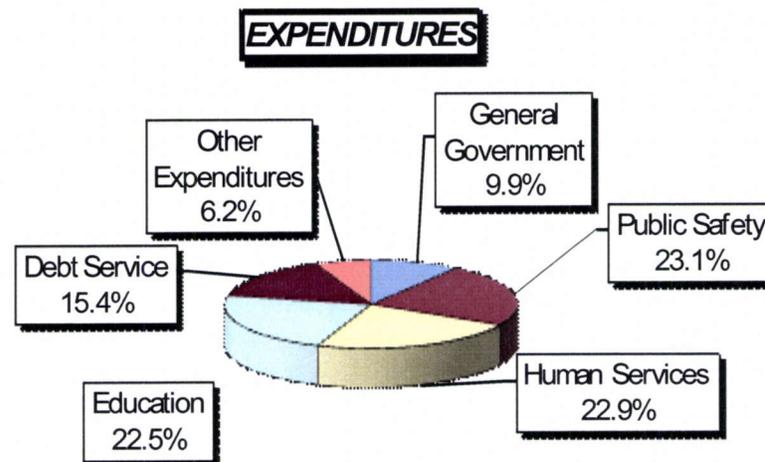
Other taxes decreased by 21% or approximately \$3 million. This reduction was largely a result of a decrease in sales tax due to two reasons – the Medicaid swap with the State and the downturn in the economy. The Medicaid swap was in full swing in FY 2008-09 with the State beginning to take over the counties' portion of Article 44 sales tax revenue in exchange for taking over the direct assistance expenditure portion of the Medicaid program. The State began taking one-half of the Article 44 tax in October 2008 as part of the Medicaid swap and will take the remainder of the tax 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 \$1.4 million in FY 2008-09. Losses occurred in all articles of sales tax due to the downturn of the economy resulting in an additional loss of approximately \$900,000. The County also experienced losses in occupancy tax revenues.

The County continued to experience decreases in the areas of permits and fees and investment earnings during FY 2008-09. Permits and fees decreased twenty-seven percent, or \$315,570, due largely to a \$130,000 decrease in building permit fees and a \$99,000 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 during late FY 2007-08. In addition, interest earnings decreased by fifty-seven percent, or \$612,733, due to declining interest rates.

With efforts to minimize costs in a slowing economy, the County was able to avoid spending any of the fund balance appropriated in FY 2008-09. As of the fiscal year ended June 30, 2009, Rutherford County has fund balance available for appropriation of approximately \$13.3 million or 23.40% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 24.81% of FY 2007-2008 general fund expenditures and, on average state-wide, other North Carolina counties were at 20.16%. The County anticipates spending fund balance in FY 2009-10 based on the assumption of the continuance of the recession. 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 FY 2008-2009 through FY 2009-2010 to balance the two years' budgets. This \$1.8 million is the amount that was added to the fund balance in FY 2007-2008. 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.

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 remained flat as compared to FY 2007-08. Increased expenditures in public safety of approximately \$600,000, or 4.5%, and debt service of approximately \$800,000, or 9%, were offset mainly by a \$1.8 million decrease in human services. The increase in public safety was primarily due to the change in retiree health insurance payment provisions which is now based on a percentage of payroll and charged to the function, full year funding of road deputies and detention officers added mid-year during FY 2007-08, the purchase of two ambulances, and additional personnel costs to operate the satellite EMS stations. Debt service increased mainly due to principal and/or interest payments related to the Rutherfordton Elementary COP issued in December 2007, two-third GO bond payments related to water and sewer issued in January 2008 and increased general fund lease purchase debt payments related to county vehicles, equipment and school technology. The decrease in human services was substantially due to the State taking over the remaining Medicaid costs in FY 2008-09 which decreased approximately \$1.9 million.

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 2008-2009 earned \$571,518. The balance of cash and investments was \$26,204,676 as of June 30, 2009 as compared to \$35,359,852 as of June 30, 2008. 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, 2009 was \$11,433,198 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, 2009 is comprised of the following:

- 2003 Certificates of Participation issued for school construction - \$5,890,000
- General Obligation Bonds issued for school construction - \$4,945,000
- General Obligation Bonds issued for water and sewer construction - \$2,775,000
- 2001 Private Placement for county building projects - \$1,875,000
- 2002 Refunding of 1994 Certificates of Participation issued for county facilities – \$6,365,000
- 2002 Certificates of Participation issued for school construction - \$15,535,000
- 2002 Certificates of Participation industrial development - \$700,000
- 2005 Private Placement for school construction - \$3,925,954
- 2006 Private Placement for school construction - \$4,151,546
- 2007 Private Placement for industrial development - \$1,126,668
- 2007 DENR loan for water and sewer construction - \$298,260
- 2007 Certificates of Participation issued for school construction - \$15,255,688
- 2009 Private Placement for county facilities - \$3,250,000
- Other Capitalized Leases - \$4,758,537
- Economic Development Grant Repayments - \$1,017,349
- Other commitments (accrued vacation, pension) - \$1,408,882

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 "A2" with Moody Investor Service, "A+" with Fitch Ratings, and "A" with Standard and Poors Corporation. The rating for the December 2007 COPS financing is "A3" with Moody Investor Service, and "A-" with Standard and Poors Corporation. The rating 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 \$5,895,063,019 as of January 1, 2008. Thus, the legal debt limit of the County as of June 30, 2009 is \$471,605,042 with a legal debt margin of \$400,753,389 considering the outstanding bond debt of \$7,720,000 and other debt of \$63,131,653.

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 United Concordia for dental.

In December 2003, the County established a fiduciary fund to set aside funds it received in order to continue to provide health insurance benefits for twelve mental health retirees. Upon the dissolution of the Rutherford/Polk Mental Health District, an actuarial study was performed to determine the amount of funds required to be set aside for these twelve employees. The County received this required funding from the dissolution to continue these benefits based on an agreement between the Rutherford Polk Mental Health Authority and the Rutherford County Board of Commissioners as a result of the Authority's dissolution in 2005. Due to changes in payment provisions for retiree health insurance as discussed in Note 7 of the financial statements, this fund was dissolved and net assets were transferred to the General Fund.

THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 63,424 with a work force of 30,825. The population has grown by 0.83% 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 39.7 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 FY 2008-09 but has seemed to stabilize in recent months. Rutherford County's unemployment rate has doubled over the past year from a rate of 7.7% as of June 2008 to 15.3% as of June 2009. The unemployment rate peaked at 16% in April 2009 and has been in decline since that time.

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

Another significant industry in the County is travel and tourism. The county tourism industry employs 1,100 people and generates over \$134 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.”

Resort residential areas in the County have begun to develop over the past few years. Queens Gap, which is partially located in Rutherford County and will include a Jack Nicklaus signature golf course, has approximately 200 homesites in Phase I of its development. Queens Gap has sold over 100 lots and has completed amenities including a gatehouse, the Mountain Ridge Pavilion, the Discovery Center (a community building), and a portion of the golf course.

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

One challenge facing the County is re-training the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with specialty training programs to help new and existing industry to keep pace with their changing needs. The college offers 60 programs of study and provides training for area business and industry, personal enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities. Many of the county’s unemployed have embraced this

downturn in the economy as an opportunity to further their education. Our community college experienced a 30% increase in enrollment in the Fall of 2009 as compared to the Fall of 2008. The enrollment is strong due to increases in job layoffs and the availability of federal pell grants as well as NC scholarships and institutional scholarships. The college is offering distance learning classes that are allowing for more sections of classes to be offered and we expect this to continue to expand. Spring 2010 early enrollment numbers continue to be strong and the college expects around a 25-30% increase for this term compared to Spring 2009. 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 University or private College 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, 2008.

This was the twentieth 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

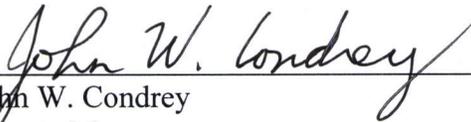
Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

USE OF REPORT

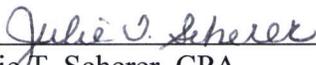
A copy of this report will be made available to various departments of the county, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

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

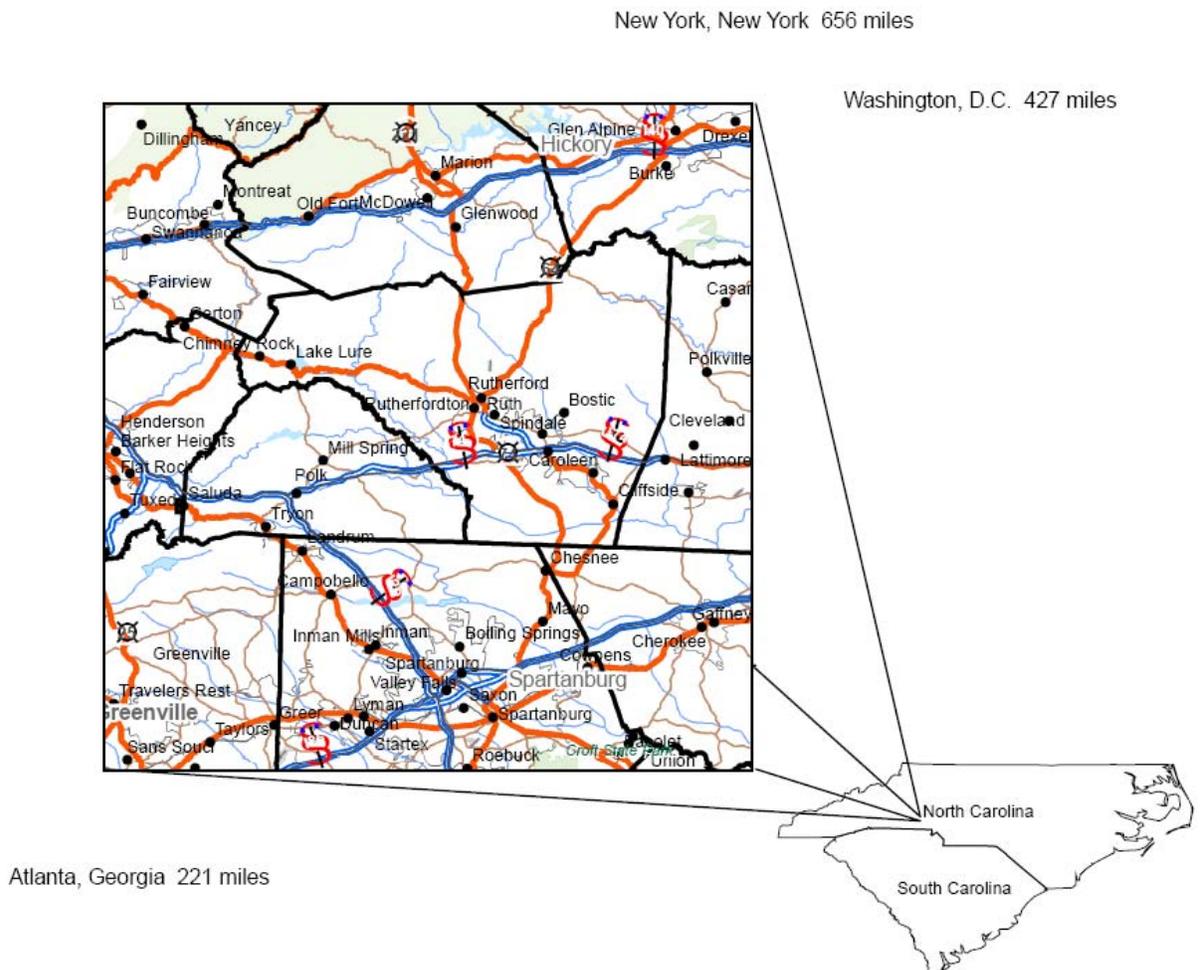
THE COUNTY

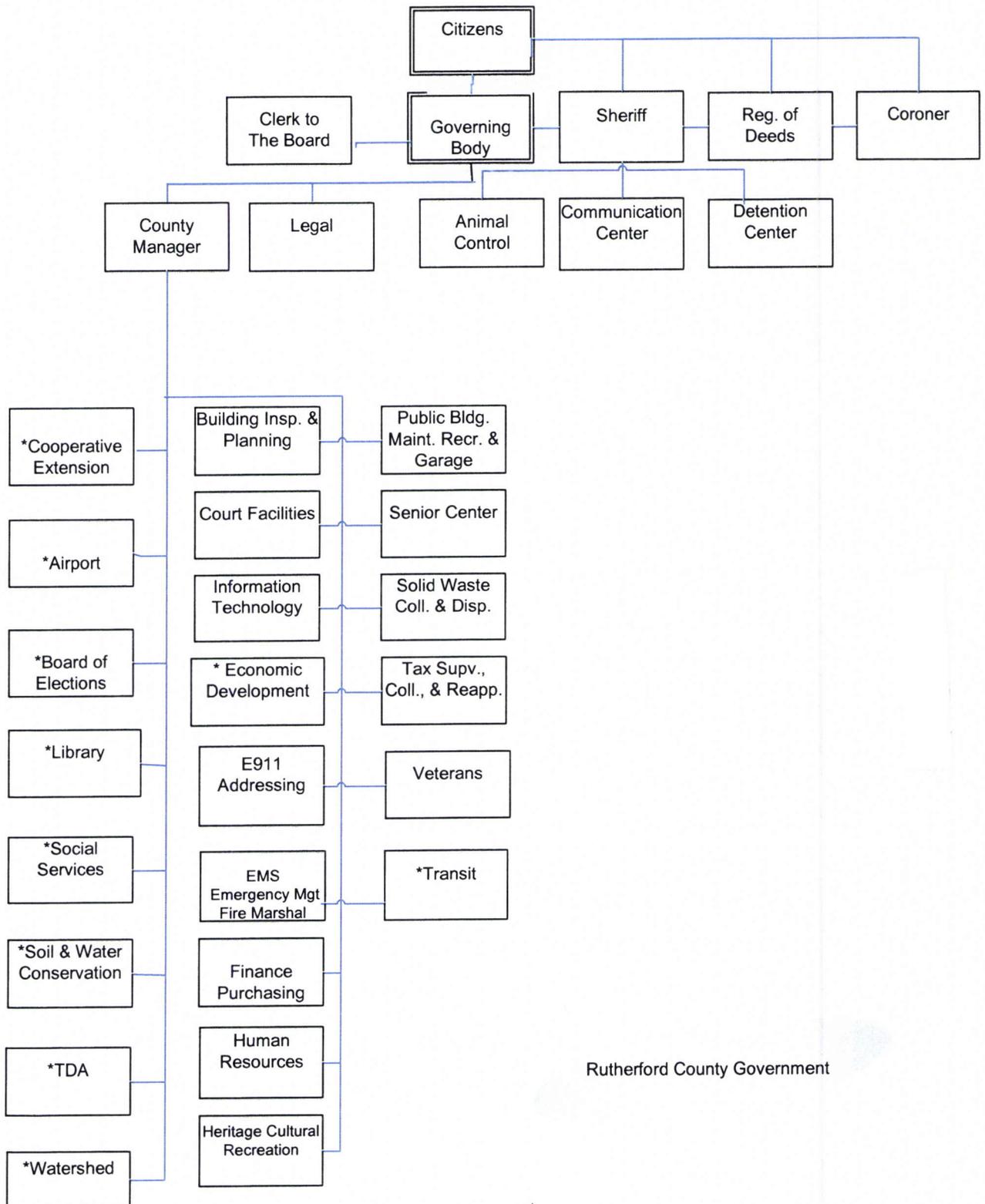
General Description

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





Rutherford County Government

Note
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North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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President

Executive Director

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2009

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Paula A. Roach



Independent Auditors' Report

Board of Commissioners
Rutherford County
Rutherfordton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation allowance, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 on our consideration of Rutherford County, North Carolina's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina, taken as a whole. The combining and individual fund nonmajor fund and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Gould Killian CPA Group, P.A.

Asheville, North Carolina
November 30, 2009

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, 2009. 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

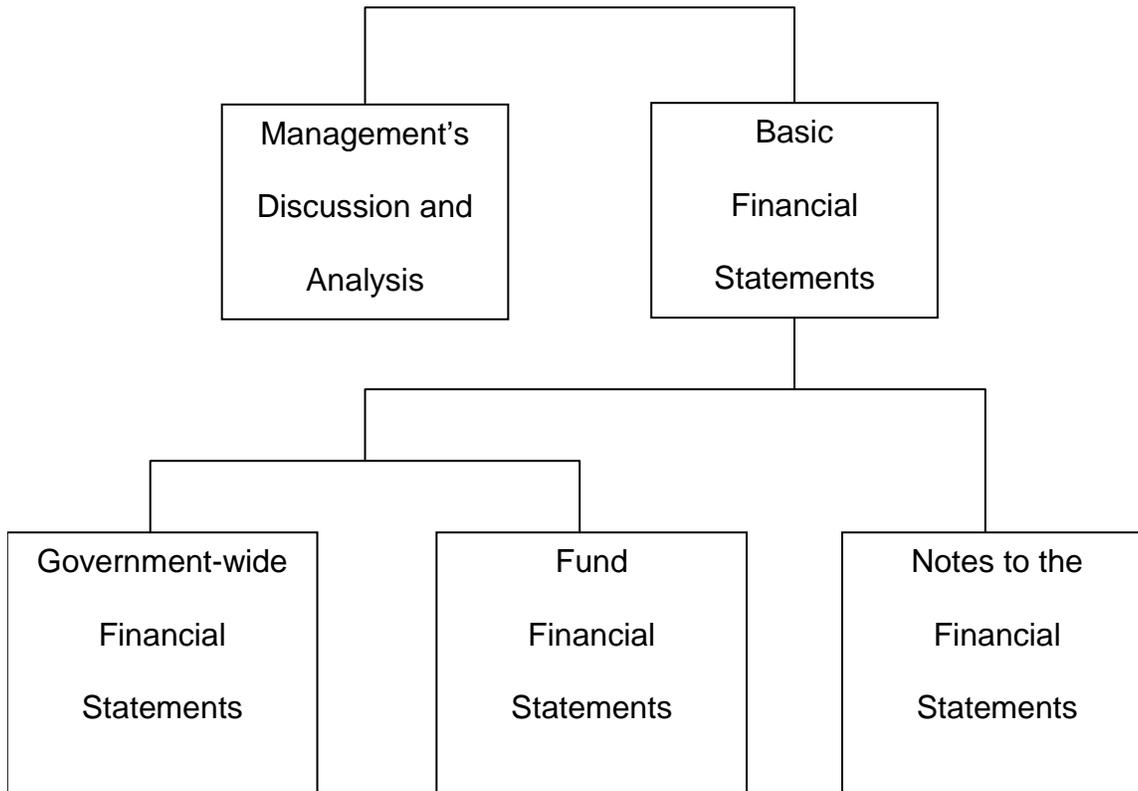
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$27,045,388, a decrease of \$7,535,016 in comparison with the prior year. The combined fund balance consisted of: general fund - \$16,876,923 compared to \$16,825,414 (2008); capital projects funds - \$4,035,204 compared to \$9,206,090 (2008); non-major special revenue \$6,133,261 compared to \$8,548,900 (2008). Approximately 84 percent of this total amount, or \$22,687,822, is available for spending at the government's discretion (unreserved fund balance). In 2008, the unreserved fund balance was \$26,757,687 or 35 percent of expenditures.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$13,196,079, or 26.21% of total general fund expenditures. In 2008, unreserved fund balance in the General Fund was \$9,480,796, or 18.67% 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 \$10,352,167 (*net assets*). This compares to a June 30, 2008 surplus of \$8,459,645. In accordance with North Carolina law, liabilities of the County include \$20,988,949 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County has reported a net deficit in unrestricted net assets in prior years.
- The government's long-term debt, excluding pension liability, vacation and compensatory pay, landfill post-closure accrual, and grant repayments decreased by \$1,116,320.
- The government's total net assets increased by \$1,255,961.

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



Summary → Detail

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 11) 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 five agency funds. Trust funds are also funds held for the benefit of other parties. Rutherford County had one trust fund that was dissolved during fiscal year ended June 30, 2009.

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 28 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 \$12,064,018 as of June 30, 2009. As of June 30, 2008, the net assets of Rutherford County stood at \$10,808,057. The County’s net assets increased by \$1,255,961 for the fiscal year ended June 30, 2009, compared to an increase of \$6,042,598 in 2008. One of the largest portions of this increase relates to the County’s investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County’s net assets represents resources that are subject to external restrictions on how they may be used. At June 30, 2009, the total net deficit of (\$1,641,911) in unrestricted net assets is primarily attributable to the governmental activities unrestricted deficit balance of (\$1,445,625). In 2008, the amount of net assets invested in capital assets net of related debt was \$16,197,009, with restricted assets standing at \$9,527,682. The remaining deficit balance (\$14,916,634) was unrestricted.

Figure 2
RUTHERFORD COUNTY'S NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 31,932,617	\$ 39,179,972	\$ 2,242,420	\$ 2,533,804	\$ 34,175,037	\$ 41,713,776
Capital assets	53,506,264	44,940,434	2,529,436	2,628,556	56,035,700	47,568,990
Total assets	85,438,881	84,120,406	4,771,856	5,162,360	90,210,737	89,282,766
Long-term liabilities outstanding	73,277,884	73,217,705	2,826,337	2,504,962	76,104,221	75,722,667
Other liabilities	1,808,830	2,443,056	233,668	308,986	2,042,498	2,752,042
Total liabilities	75,086,714	75,660,761	3,060,005	2,813,948	78,146,719	78,474,709
Net assets:						
Invested in capital assets, net of related debt	8,497,747	14,236,085	1,908,137	1,960,924	10,405,884	16,197,009
Restricted	3,300,045	9,527,682	-	-	3,300,045	9,527,682
Unrestricted	(1,445,625)	(15,304,122)	(196,286)	387,488	(1,641,911)	(14,916,634)
Total net assets	\$ 10,352,167	\$ 8,459,645	\$ 1,711,851	\$ 2,348,412	\$ 12,064,018	\$ 10,808,057

The majority of the governmental activities deficit consists of the school construction debt. As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the county's outstanding debt incurred for the County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets funded by the County, however, are owned and utilized by the school system. When the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in assets. Sunshine Elementary, Dunbar Elementary, the Isothermal Community College Lifelong Learning Center, and Rutherfordton Elementary (the latter one under construction as of June 30, 2009) are exceptions that the County owns the building. At the end of the fiscal year, \$20,988,949 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:

- Construction in Progress that occurred during FY 2008-2009 on Rutherfordton Elementary School which is included as a Capital Asset of the County.
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 94.42% despite a declining economy. This represents a 1.99% decrease from fiscal year 2008 when the tax collection percentage for the county was 96.41%. This collection rate was achieved despite the bankruptcy of our second largest taxpayer, LR Buffalo Creek LLC (Greyrock), which accounted for 1.5% of the 1.99% decline.
- 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	Total
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 4,292,582	\$ 4,743,633	\$ 3,047,944	\$ 3,139,076	\$ 7,340,526	\$ 7,882,709
Operating grants and contributions	10,775,927	10,287,537	150,950	136,512	10,926,877	10,424,049
Capital grants and contributions	1,895,968	3,262,444	-	-	1,895,968	3,262,444
General revenues:						
Property taxes	32,982,004	32,293,717	-	-	32,982,004	32,293,717
Other taxes	12,054,504	14,430,773	-	-	12,054,504	14,430,773
Other	1,744,217	2,244,389	41,445	82,158	1,785,662	2,326,547
Total revenues	<u>63,745,202</u>	<u>67,262,493</u>	<u>3,240,339</u>	<u>3,357,746</u>	<u>66,985,541</u>	<u>70,620,239</u>
Expenses:						
General government	7,047,611	6,765,566	-	-	7,047,611	6,765,566
Public safety	14,914,757	14,150,480	-	-	14,914,757	14,150,480
Environmental protection	169,467	123,385	-	-	169,467	123,385
Economic and physical development	4,518,449	4,237,268	-	-	4,518,449	4,237,268
Human services	15,091,631	17,038,627	-	-	15,091,631	17,038,627
Cultural and recreation	898,237	848,479	-	-	898,237	848,479
Education	16,164,309	15,161,837	-	-	16,164,309	15,161,837
Interest on long-term debt	2,923,219	2,712,352	-	-	2,923,219	2,712,352
Landfill	-	-	4,001,900	3,539,647	4,001,900	3,539,647
Total expenses	<u>61,727,680</u>	<u>61,037,994</u>	<u>4,001,900</u>	<u>3,539,647</u>	<u>65,729,580</u>	<u>64,577,641</u>
Increase (decrease) in net assets before transfers and special items	2,017,522	6,224,499	(761,561)	(181,901)	1,255,961	6,042,598
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase in net assets	<u>1,892,522</u>	<u>6,099,499</u>	<u>(636,561)</u>	<u>(56,901)</u>	<u>1,255,961</u>	<u>6,042,598</u>
Net assets, July 1	8,459,645	2,360,146	2,348,412	2,405,313	10,808,057	4,765,459
Net assets, June 30	<u>\$ 10,352,167</u>	<u>\$ 8,459,645</u>	<u>\$ 1,711,851</u>	<u>\$ 2,348,412</u>	<u>\$ 12,064,018</u>	<u>\$ 10,808,057</u>

Governmental activities. Governmental activities increased the County's net assets by \$1,892,522. This compares to an increase of \$6,099,499 in 2008. The key element of this increase is in Capital Assets. The major capital asset which contributed to this increase –the construction in progress on the Rutherfordton Elementary School.

Business-type activities: Business-type activities decreased Rutherford County's net assets by \$636,561. The key elements of this decrease in net assets were an increase in the accrued landfill closure and postclosure care costs of approximately \$347,000 due to a corrective action plan that was implemented on the MSW closed landfill and the opening of a new phase of a Construction and Demolition landfill, a decrease in tipping fee revenues due to the closing of industry, reduced interest earnings due to a decline in interest rates and increased DENR surcharge fees and waste disposal fees.

The County established an Enterprise Fund on July 1, 1992 to account for solid waste collection and disposal operations that are financed through solid waste fees. Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. In order to meet this requirement, the County constructed a transfer station and began transporting MSW to a lined landfill outside the County. Studies are currently being conducted on the feasibility of constructing a lined landfill adjacent to our Central Landfill. The County is in the process of applying for a permit with the North Carolina Department of Environment and Natural Resources for this construction. The current contract for MSW transportation out of County expires December 2010.

The County operates a Construction and Demolition (C&D) landfill. As of June 30, 2009 it is estimated that the County has used 8.33 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 commercial industrial 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 \$11,433,198, while total fund balance reached \$16,876,923. 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 22.7 percent of total General Fund expenditures, while total fund balance represents 33.5 percent of that same amount.

At June 30, 2009, the governmental funds of Rutherford County reported a combined fund balance of \$27,045,388, a 21.8 percent decrease as compared to last year. The primary reason for this decrease is due to a \$9.94 million decline in the unspent debt proceeds in the School Capital Projects Fund as the Rutherfordton Elementary School construction project drew closer to an end. In the General Fund, fund balance increased slightly in the amount of \$51,509 even though the economy was declining. This realized increase was largely due to budget reductions being made in response to declining revenues, the transfer of the dissolution of the trust fund due to a change in payment provisions as discussed in the notes, and lower than anticipated Medicaid expenditures due to relief provided by stimulus funds as a part of the American Recovery and Reinvestment Act of 2009.

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 decreased revenues by \$747,613 which represents 1.3% of the original revenue budget.

The final amended decrease in the budget was in reaction to a declining economy. During the fiscal year ending June 30, 2009 the county made two rounds of reductions to departmental budgets. The County was notified in the first quarter of FY2008-2009 that our second largest taxpayer, LR Buffalo Creek LLC (Greyrock), was filing for bankruptcy. In addition, building permit and excise stamp revenues were declining. In response, in October 2008 all county departments reduced their budgets by 2%, a 30 to 60 day hiring freeze was implemented, a scheduled pay and reclassification study was postponed and merit salary bonuses were eliminated. In March 2009, due to the volatility of revenues in general, an additional round of reductions was made. The two reductions reduced the FY 2008-09 budget by more than \$1 million. Outside agencies such as the schools and the community college were not asked to implement reductions. Due to the declining economy all revenue areas with the exception of sales and services experienced negative variances. Notable variances occurred between the amended budget and actual results for investment earnings (34% variance) and miscellaneous revenues (36% variance). These variances occurred due to the continuing decrease in interest rates and private donations for some areas coming in lower than budget. Expenditures

in some functional areas experienced notable positive variances as compared to the budget due to expenditures being curtailed and capital purchases being postponed due to the economy and the state’s receipt of Medicaid stimulus funds provided through the American Recovery and Reinvestment Act of 2009.

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 \$196,286 deficit. The total decrease in net assets was \$636,561. 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, 2009, totals \$56,035,700 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchased new vehicles and an ambulance for Public Safety
- Highway 74 Corporate Center completed
- Construction in Progress on Rutherfordton Elementary School and the Health Department Expansion
- Offsite Storage Building renovations completed
- Walking Trail completed

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

	Governmental Activities		Business-type Activities		Total	Total
	2009	2008	2009	2008	2009	2008
Land	\$ 6,552,237	\$ 6,545,237	\$ 703,069	\$ 703,069	\$ 7,255,306	\$ 7,248,306
Buildings and system	29,890,913	30,893,809	1,293,382	1,414,029	31,184,295	32,307,838
Improvements other than buildings	1,444,541	114,340	-	-	1,444,541	114,340
Machinery and equipment	802,401	939,010	359,219	432,234	1,161,620	1,371,244
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	1,651,983	1,431,892	173,766	79,224	1,825,749	1,511,116
Construction in progress	13,164,189	5,016,146	-	-	13,164,189	5,016,146
Total	\$ 53,506,264	\$ 44,940,434	\$ 2,529,436	\$ 2,628,556	\$ 56,035,700	\$ 47,568,990

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

Long-term Debt. As of June 30, 2009, Rutherford County had total bonded debt outstanding of \$7,720,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation and capital lease debt outstanding follows:

Figure 5

Rutherford County's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 7,720,000	\$ 9,975,000	\$ -	\$ -	\$ 7,720,000	\$ 9,975,000
Capital leases	4,758,537	3,963,343	621,299	667,632	5,379,836	4,630,975
Installment purchase	58,074,856	57,668,467	-	-	58,074,856	57,668,467
Revolving Fund - NCDENR	298,260	314,830	-	-	298,260	314,830
Total	\$ 70,851,653	\$ 71,921,640	\$ 621,299	\$ 667,632	\$ 71,472,952	\$ 72,589,272

Rutherford County's total debt, excluding pension liability, vacation and compensatory pay, landfill postclosure accruals and grant repayments decreased \$1,116,320 during the past fiscal year.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard & Poors Corporation, and "A+" with Fitch Ratings. The rating for the December 2007 COPS financing is "A3" with Moody Investor Service and "A-" with Standard and Poors Corporation. The rating 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 \$400,753,389. The County has no un-issued authorized bonds at June 30, 2009.

Additional information regarding Rutherford County's long-term debt can be found in note 4 beginning on page 46 of this audited 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 doubled over the past year from a rate of 7.7% as of June 2008 to 15.3% as of June 2009. The unemployment rate peaked at 16% in April 2009 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 experienced a 30% increase in enrollment in the Fall of 2009 as compared to the Fall of 2008.

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.

Another indicator of the local economy is the local sales tax revenue. The County's Article 39 sales tax revenue (which is based on the County's local economy) declined by 2.2% in FY 2008-09 as compared to FY 2007-08. Statewide sales tax revenues declined by 6.1% for this same period. This reflects that while retail sales have declined somewhat locally, it has not been as severe as the state-wide decline.

Residential development continues throughout the County. Queens Gap, a large resort-style residential development partially located in Rutherford County, will include a Jack Nicklaus signature golf course and have approximately 200 homesites in Phase 1 of its development.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities: The tax rate adopted for fiscal year 2009-2010 remained the same (53 cents) as compared to FY 2008-2009. A portion of the 53 cents tax rate (2.1 cents) was appropriated to be placed in a reserve fund to continue accumulating funds for future County facilities needs.

The FY 2009-10 General Fund budget anticipates relatively flat property values reflecting only a .38% increase in overall values and a collection rate of 93.75% which is lower than the Fiscal Year 2008-09 actual collection rate of 94.42%. The budget also anticipated a further decline in sales tax revenues. Budgeted expenditures and transfers in the General Fund are expected to decrease by approximately eight and one-half percent to \$56,896,365. This decrease in the General Fund budget is due to several key factors including an approximate \$2.6 million decline in the cost of Medicaid due to the Medicaid swap which will be in its final phase in Fiscal Year 2009-10. This decrease accounts for approximately 4.1% of the decrease in the General Fund budget. Revenues will decrease as well as the State continues to take over the Article 44 sales tax and one-half of the Article 42 sales tax is converted to a point of sale distribution as opposed to a per capita distribution. The County will be held responsible for holding the towns harmless from their loss of this article. Other factors contributing to this overall decrease in the budget include decreases in county capital expenditures and decreases in contributions to capital reserve funds.

The County anticipates spending fund balance in FY 2009-10 based on the assumption of the continuance of the recession. Management recommended and the Board approved a goal of spending no more than \$1.8 million of fund balance over the two year period of FY 2008-2009 through FY2009-2010 to balance the two years' budgets. This \$1.8 million is based on the amount that was added to the fund balance in FY 2007-2008. As of the fiscal year ended June 30, 2009, Rutherford County has fund balance available for appropriation of approximately \$13.3 million or 23.40% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 24.81% of FY 2007-2008 general fund expenditures and, on average state-wide, other North Carolina counties were at 20.16%.

Business – type Activities: The County rates for landfill services remain the same for tipping fees and annual household user fees in the FY 2009-10 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 2009-10 budget the County has budgeted to use some of these funds to start an extensive recycling program in the County public school system. This includes hiring a part-time recycling coordinator and placing recycling Pro-Tainers at some of the schools.

Requests for Information

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



Rutherford County, North Carolina
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,751,750	\$ 1,918,772	\$ 21,670,522
Receivables (net)	3,703,216	323,648	4,026,864
Due from other governments	3,628,355	-	3,628,355
Inventories	34,384	-	34,384
Prepaid items	259,668	-	259,668
Cash and cash equivalents - restricted	4,250,907	-	4,250,907
Deferred charge - issuance costs	304,337	-	304,337
Capital assets:			
Land and			
construction in progress	19,716,426	703,069	20,419,495
Other capital assets, net of depreciation	33,789,838	1,826,367	35,616,205
Total capital assets	53,506,264	2,529,436	56,035,700
Total assets	85,438,881	4,771,856	90,210,737
LIABILITIES			
Accounts payable and accrued expenses	1,118,029	233,668	1,351,697
Accrued interest payable	565,112	-	565,112
Unearned revenue	125,689	-	125,689
Long-term liabilities:			
Due within one year	8,752,201	319,079	9,071,280
Due in more than one year	64,525,683	2,507,258	67,032,941
Total long-term debt	73,277,884	2,826,337	76,104,221
Total liabilities	75,086,714	3,060,005	78,146,719
NET ASSETS			
Invested in capital assets, net of related debt	8,497,747	1,908,137	10,405,884
Restricted for:			
Register of Deeds	146,141	-	146,141
Emergency telephone system fund	381,602	-	381,602
Capital projects	2,772,302	-	2,772,302
Unrestricted (deficit)	(1,445,625)	(196,286)	(1,641,911)
Total net assets	\$ 10,352,167	\$ 1,711,851	\$ 12,064,018

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>
\$ -	\$ -	\$ 85,574
-	-	-
-	-	48,607
-	-	-
-	-	-
-	-	-
-	423,979	-
-	2,558,727	358,988
<u>-</u>	<u>2,982,706</u>	<u>358,988</u>
<u>-</u>	<u>2,982,706</u>	<u>493,169</u>
-	-	27,580
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>27,580</u>
-	2,982,706	358,988
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>106,601</u>
<u>\$ -</u>	<u>\$ 2,982,706</u>	<u>\$ 465,589</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, 2009

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities				
General government	\$ 7,047,611	\$ 516,270	\$ -	\$ -
Public safety	14,914,757	3,631,922	206,676	9,900
Environmental protection	169,467	-	-	-
Economic and physical development	4,518,449	59,250	874,509	52,604
Human services	15,091,631	85,140	9,401,513	-
Cultural and recreation	898,237	-	293,229	6,302
Education	16,164,309	-	-	1,827,162
Interest on long-term debt	2,923,219	-	-	-
Total governmental activities	<u>61,727,680</u>	<u>4,292,582</u>	<u>10,775,927</u>	<u>1,895,968</u>
Business-type activities				
Solid Waste Disposal	4,001,900	3,047,944	150,950	-
Total business-type activities	<u>4,001,900</u>	<u>3,047,944</u>	<u>150,950</u>	<u>-</u>
	<u>\$ 65,729,580</u>	<u>\$ 7,340,526</u>	<u>\$ 10,926,877</u>	<u>\$ 1,895,968</u>
Component units:				
Economic Development Commission	\$ 435,264	\$ -	\$ 435,264	\$ -
Rutherford County Airport Authority	223,613	50,695	35,056	322,656
Transit Administration	923,842	512,202	539,254	-
Total component units	<u>\$ 1,582,719</u>	<u>\$ 562,897</u>	<u>\$ 1,009,574</u>	<u>\$ 322,656</u>

General revenues

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Dissolution of Fiduciary Funds

Miscellaneous, unrestricted

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Economic Development Commission	Rutherford County Airport Authority	Transit Administration
\$ (6,531,341)	\$ -	\$ (6,531,341)			
(11,066,259)	-	(11,066,259)			
(169,467)	-	(169,467)			
(3,532,086)	-	(3,532,086)			
(5,604,978)	-	(5,604,978)			
(598,706)	-	(598,706)			
(14,337,147)	-	(14,337,147)			
(2,923,219)	-	(2,923,219)			
<u>(44,763,203)</u>	<u>-</u>	<u>(44,763,203)</u>			
-	(803,006)	(803,006)			
<u>-</u>	<u>(803,006)</u>	<u>(803,006)</u>			
<u>(44,763,203)</u>	<u>(803,006)</u>	<u>(45,566,209)</u>			
			\$ -	\$ -	\$ -
			-	184,794	-
			-	-	127,614
			<u>-</u>	<u>184,794</u>	<u>127,614</u>
32,982,004	-	32,982,004	-	-	-
11,275,726	-	11,275,726	-	-	-
778,778	-	778,778	-	-	-
530,073	41,445	571,518	-	-	-
1,003,200	-	1,003,200	-	-	-
210,944	-	210,944	-	-	-
(125,000)	125,000	-	-	-	-
<u>46,655,725</u>	<u>166,445</u>	<u>46,822,170</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,892,522	(636,561)	1,255,961	-	184,794	127,614
<u>8,459,645</u>	<u>2,348,412</u>	<u>10,808,057</u>	<u>-</u>	<u>2,797,912</u>	<u>337,975</u>
<u>\$ 10,352,167</u>	<u>\$ 1,711,851</u>	<u>\$ 12,064,018</u>	<u>\$ -</u>	<u>\$ 2,982,706</u>	<u>\$ 465,589</u>

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

Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2009

	<u>Major</u>			<u>Non-major</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u>	<u>School</u> <u>Capital Projects</u>	<u>Debt Service</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	
ASSETS					
Cash and cash equivalents	\$ 13,749,868	\$ 22,892	\$ -	\$ 5,978,990	\$ 19,751,750
Receivables, net	3,184,973	-	-	200,464	3,385,437
Due from other governments	2,973,087	360,159	-	295,109	3,628,355
Prepaid items	238,214	-	-	21,454	259,668
Inventories	34,384	-	-	-	34,384
Cash and cash equivalents - restricted	-	2,798,275	-	1,452,632	4,250,907
Total assets	<u>\$ 20,180,526</u>	<u>\$ 3,181,326</u>	<u>\$ -</u>	<u>\$ 7,948,649</u>	<u>\$ 31,310,501</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 349,368	\$ 409,024	\$ -	\$ 359,338	1,117,730
Unearned revenue	123,255	-	-	2,434	125,689
Deferred revenue	2,830,980	-	-	190,714	3,021,694
Total liabilities	<u>3,303,603</u>	<u>409,024</u>	<u>-</u>	<u>552,486</u>	<u>4,265,113</u>
Fund balances:					
Reserved for:					
Inventories and prepaid items	272,597	-	-	-	272,597
State statute	3,327,081	360,159	-	326,313	4,013,553
Court facilities	81,166	-	-	-	81,166
Unreserved, undesignated (deficit)	11,433,198	-	-	-	11,433,198
Unreserved, designated for subsequent year's expenditures	1,762,881	2,412,143	-	-	4,175,024
Unreserved, reported in :					
Capital projects fund	-	-	-	1,258,368	1,258,368
Special revenue funds	-	-	-	5,811,482	5,811,482
Total fund balances	<u>16,876,923</u>	<u>2,772,302</u>	<u>-</u>	<u>7,396,163</u>	<u>27,045,388</u>
Total liabilities and fund balances	<u>\$ 20,180,526</u>	<u>\$ 3,181,326</u>	<u>\$ -</u>	<u>\$ 7,948,649</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,506,264
Deferred charges related to bond debt issuance	304,339
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	317,779
Liabilities for earned but deferred revenues in fund statements.	3,021,393
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1).	(73,842,996)
Net assets of governmental activities	<u>\$ 10,352,167</u>

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	Major			Non-major	Total Governmental Funds
	General	School Capital Projects	Debt Service	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 30,224,845	\$ -	\$ -	\$ 1,894,149	\$ 32,118,994
Local option sales taxes	10,593,902	-	-	681,824	11,275,726
Other taxes and licenses	-	-	-	526,459	526,459
Restricted intergovernmental	9,551,278	-	-	3,775,440	13,326,718
Permits and fees	861,720	-	-	-	861,720
Sales and services	3,055,263	-	-	64,684	3,119,947
Investment earnings	246,121	157,264	-	68,369	471,754
Miscellaneous	226,194	301,627	-	-	527,821
Total revenues	<u>54,759,323</u>	<u>458,891</u>	<u>-</u>	<u>7,010,925</u>	<u>62,229,139</u>
EXPENDITURES					
Current:					
General government	5,908,845	-	-	706,342	6,615,187
Public safety	11,890,804	-	-	2,977,255	14,868,059
Environmental protection	103,313	-	-	61,269	164,582
Economic and physical development	789,220	-	-	3,292,620	4,081,840
Human services	14,736,176	-	-	107,836	14,844,012
Cultural and recreational	650,807	-	-	86,830	737,637
Intergovernmental:					
Education	14,480,287	-	-	-	14,480,287
Capital outlay:					
Education	-	10,782,995	-	-	10,782,995
Debt service:					
Principal	1,677,069	-	5,052,814	81,575	6,811,458
Interest and other charges	120,186	-	2,918,645	21,305	3,060,136
Total expenditures	<u>50,356,707</u>	<u>10,782,995</u>	<u>7,971,459</u>	<u>7,335,032</u>	<u>76,446,193</u>
Revenues over (under) expenditures	<u>4,402,616</u>	<u>(10,324,104)</u>	<u>(7,971,459)</u>	<u>(324,107)</u>	<u>(14,217,054)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,023,580	-	7,971,459	10,821,264	19,816,303
Transfers to other funds	(7,897,525)	(615,291)	-	(11,428,487)	(19,941,303)
Contribution from fiduciary fund	1,003,200	-	-	-	1,003,200
Debt issued	1,519,638	1,000,000	-	3,284,200	5,803,838
Total other financing sources and uses	<u>(4,351,107)</u>	<u>384,709</u>	<u>7,971,459</u>	<u>2,676,977</u>	<u>6,682,038</u>
Net changes in fund balances	51,509	(9,939,395)	-	2,352,870	(7,535,016)
Fund balances, beginning	16,825,414	12,711,697	-	5,043,293	34,580,404
Fund balances, ending	<u>\$ 16,876,923</u>	<u>\$ 2,772,302</u>	<u>\$ -</u>	<u>\$ 7,396,163</u>	<u>\$ 27,045,388</u>

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, 2009

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

Net changes in fund balances - total governmental funds	\$ (7,535,016)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,565,831
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	863,987
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.	1,007,620
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,009,900)</u>
Total changes in net assets of governmental activities	<u><u>\$ 1,892,522</u></u>

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

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2009

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 31,281,921	\$ 30,557,915	\$ 30,224,845	\$ (333,070)
Local option sales taxes	11,604,625	11,604,625	10,593,902	(1,010,723)
Restricted intergovernmental	9,813,907	10,309,301	9,551,278	(758,023)
Permits and fees	1,513,340	915,340	861,720	(53,620)
Sales and services	3,065,508	2,966,184	3,055,263	89,079
Investment earnings	375,000	375,000	246,121	(128,879)
Miscellaneous	173,300	351,623	226,194	(125,429)
Total revenues	<u>57,827,601</u>	<u>57,079,988</u>	<u>54,759,323</u>	<u>(2,320,665)</u>
Expenditures:				
Current:				
General government	7,018,218	7,022,163	5,908,845	1,113,318
Public safety	12,218,297	12,503,892	11,890,804	613,088
Environmental protection	127,211	126,214	103,313	22,901
Economic and physical development	1,090,147	975,534	789,220	186,314
Human services	16,407,646	16,375,475	14,736,176	1,639,299
Cultural and recreational	690,191	677,332	650,807	26,525
Intergovernmental				
Education	14,310,066	14,542,287	14,480,287	62,000
Total current expenditures	<u>51,861,776</u>	<u>52,222,897</u>	<u>48,559,452</u>	<u>3,663,445</u>
Debt service:				
Principal retirement			1,677,069	
Interest and other charges			120,186	
Total debt service	<u>1,829,693</u>	<u>1,835,821</u>	<u>1,797,255</u>	<u>38,566</u>
Total expenditures	<u>53,691,469</u>	<u>54,058,718</u>	<u>50,356,707</u>	<u>3,702,011</u>
Revenues over expenditure:	<u>4,136,132</u>	<u>3,021,270</u>	<u>4,402,616</u>	<u>1,381,346</u>
Other financing sources (uses)				
Transfers from other funds	1,728,590	1,180,331	1,023,580	(156,751)
Transfers to other funds	(8,501,008)	(8,470,808)	(7,897,525)	573,283
Contribution from fiduciary funds	-	1,000,000	1,003,200	3,200
Debt issued	1,439,519	1,519,638	1,519,638	-
Appropriated fund balances	1,196,767	1,749,569	-	(1,749,569)
Total other financing sources (uses)	<u>(4,136,132)</u>	<u>(3,021,270)</u>	<u>(4,351,107)</u>	<u>(1,329,837)</u>
Revenues and other financing sources over expenditures and other financing uses:	<u>\$ -</u>	<u>\$ -</u>	<u>51,509</u>	<u>\$ 51,509</u>
Fund balances:				
Beginning			<u>16,825,414</u>	
Ending			<u>\$ 16,876,923</u>	

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

Rutherford County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Enterprise Fund</u> Solid Waste Disposal Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,918,772
Receivables, net	323,648
Total current assets	<u>2,242,420</u>
Capital assets:	
Land, improvements, and construction in progress	703,069
Other capital assets, net of depreciation	1,826,367
Total capital assets	<u>2,529,436</u>
Total noncurrent assets	<u>2,529,436</u>
Total assets	<u>4,771,856</u>
LIABILITIES	
Current liabilities:	
Accounts payable	233,668
Current portion of long-term liabilities	319,079
Total current liabilities	<u>552,747</u>
Noncurrent liabilities:	
Accrued landfill closure and postclosure care costs	2,104,885
Long-term debt	402,373
Total noncurrent liabilities	<u>2,507,258</u>
Total liabilities	<u>3,060,005</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,908,137
Unrestricted	(196,286)
Total net assets	<u>\$ 1,711,851</u>

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, 2009

	Enterprise Fund
	Solid Waste Disposal Fund
OPERATING REVENUES	
Charges for services	\$ 2,879,622
Miscellaneous	319,272
Total operating revenues	3,198,894
OPERATING EXPENSES	
Salaries, wages, and fringe benefits	1,157,501
Maintenance and repairs	99,094
Other operating expenses	2,046,211
Landfill closure and postclosure care costs	424,552
Depreciation	245,334
Total operating expenses	3,972,692
Operating income (loss)	(773,798)
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	41,445
Interest and other charges	(29,208)
Total nonoperating revenue (expenses)	12,237
Income (loss) before transfers	(761,561)
Transfers from (to) other funds	125,000
Changes in net assets	(636,561)
Total net assets, beginning	2,348,412
Total net assets, ending	\$ 1,711,851

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, 2009

	Enterprise Fund
	Solid Waste Disposal Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,219,063
Cash paid to employees for services	(880,451)
Cash paid for goods and services	(2,554,517)
Net cash used by operating activities	(215,905)
 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	(146,214)
Proceeds from debt	135,000
Principal paid on long-term debt	(181,333)
Interest paid on long-term debt	(29,208)
Net cash used by capital and related financing activities	(221,755)
 Cash flows from investing activities:	
Interest on investments	41,445
Net cash provided by investing activities	41,445
Net decrease in cash and cash equivalents	(271,215)
Cash and cash equivalents, beginning of year	2,189,987
Cash and cash equivalents, end of year	\$ 1,918,772

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

	<u>Enterprise Fund</u>
	Solid Waste Disposal Fund
Reconciliation of operating income to net cash used by operating activities:	
Operating income (loss)	\$ (773,798)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	245,334
Landfill closure and postclosure care costs	367,708
Changes in assets and liabilities:	
(Increase) decrease in receivables	20,169
Increase (decrease) in accounts payable and accrued liabilities	<u>(75,318)</u>
Total adjustments	<u>557,893</u>
Net cash used by operating activities:	<u>\$ (215,905)</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, 2009

	Agency Funds	Postemployment Healthcare Plan
ASSETS		
Cash and cash equivalents	\$ 199,576	\$ -
Accounts receivable	371	-
	199,947	-
LIABILITIES		
Accounts payable	103,147	-
Due to other taxing units	96,800	-
	199,947	-
NET ASSETS	\$ -	\$ -

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

Rutherford County, North Carolina
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2009

	Postemployment Healthcare Plan
Additions	
Interest earnings	\$ -
Total additions	-
Deductions	
Benefits	(44)
Contribution to General Fund	1,003,200
Total deductions	1,003,156
Changes in net assets	(1,003,156)
Net assets, beginning	1,003,156
Net assets, ending	\$ -

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, 2009

Note 1 – Summary of Significant Accounting Policies

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

(A) **Reporting Entity**

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

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

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

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

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

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

Rutherford County Transit Administration

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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 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 1779j and the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates.

Trust Fund. The mental health retiree insurance trust fund is used to pay medical insurance premiums for mental health service retirees as established January 1, 2005. Due to a change in insurance payment provisions, this fund was dissolved during the fiscal year 2008 – 2009. Additional information regarding the dissolution may be found in note 7 on page 55.

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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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 2010 fiscal year.

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

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

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

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

(C) **Budgetary Data**

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

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

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

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

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

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

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

(1) **Deposits and Investments**

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

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

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

(2) **Cash and Cash Equivalents**

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

(3) **Restricted Assets**

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

Reserved for school construction	\$ 2,798,511
Reserved for county construction	<u>1,452,396</u>
	<u>\$ 4,250,907</u>

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

Amounts reported at June 30, 2009 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, 2008. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

(6) **Allowances for Doubtful Accounts**

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

(7) **Inventory**

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

(8) **Capital Assets**

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

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

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

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

(9) **Long-Term Obligations**

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

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

(10) Compensated Absences

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

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

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

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

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

Reserved

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

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

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

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

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 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 (\$16,693,219) consists of several elements as follows:

Description

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in the governmental activities column)	\$ 72,903,753
Less accumulated depreciation	<u>(19,397,489)</u>
Net capital assets	53,506,264
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.	317,779
Deferred charges related to debt insurance – included on government-wide statement of net-assets but are not current financial resources.	304,339
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	3,021,393
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	(70,851,653)
Grant repayment obligation	(1,017,349)
Compensated absences and pension	(1,408,882)
Accrued interest payable	<u>(565,112)</u>
Total Adjustment	<u>\$ (16,693,219)</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 \$9,427,540 as follows:

Description

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 10,502,829
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(1,924,204)
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	(5,803,838)

Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	6,811,458
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)	87,072
Amortization of debt issuance costs	(29,171)
Amortization of debt premiums	62,367
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(32,898)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(79,919)
Accrual of grant repayments to be repaid in future years	(1,017,349)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Loss on disposal of capital assets	(12,794)
Reversal of deferred interest revenue recorded at July 1, 2008	(259,662)
Recording of interest revenue deferred in fund statements at June 30, 2009	317,780
Reversal of deferred tax revenue recorded at July 1, 2008	(1,805,943)
Recording of tax receipts deferred in the fund statements as of June 30, 2009	2,668,953
Reversal of other deferred revenue recorded at July 1, 2008	(409,581)
Recording of other revenues deferred in fund statements as of June 30, 2009	<u>352,440</u>
Total adjustment	<u>\$ (9,427,540)</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, 2009, the County's deposits had a carrying amount of \$14,668,846 and a bank balance of \$14,995,047. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$13,955,047 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2009 of \$1,890.

The Transit Administration’s deposits had a carrying amount and bank balance of \$85,574 all of which was covered by federal depository insurance.

(B) Investments

At June 30, 2009, the County’s investments consisted of \$11,450,268 in the North Carolina Capital Cash Management Trust’s Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor’s.

Credit Risk. The County’s policy is to limit investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated. In fiscal year ended June 30, 2009, the County only invested in North Carolina Capital Cash Management Trust’s Cash Portfolio and as of June 30, 2009, 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
2006	\$ 455,399	\$ 108,157	\$ 563,556
2007	590,678	87,125	677,803
2008	598,632	34,421	633,053
2009	<u>618,843</u>	<u>-</u>	<u>618,843</u>
Total	<u>\$ 2,263,552</u>	<u>\$ 229,703</u>	<u>\$ 2,493,255</u>

(D) **Receivables**

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,976,391	\$ 3,457,020	\$ 2,973,087	\$ 8,406,498
Other Governmental	<u>9,751</u>	<u>190,714</u>	<u>655,267</u>	<u>855,732</u>
Total receivables	1,986,142	3,647,734	3,628,354	9,262,230
Allowance for doubtful accounts	<u>(1,269,660)</u>	<u>(661,000)</u>	<u>-</u>	<u>(1,930,660)</u>
Total governmental activities	<u>\$ 716,482</u>	<u>\$ 2,986,734</u>	<u>\$ 3,628,354</u>	<u>\$ 7,331,570</u>
Business-type Activities:				
Solid waste	\$ 347,648	\$ -	\$ -	\$ 347,648
Allowance for doubtful accounts	<u>(24,000)</u>	<u>-</u>	<u>-</u>	<u>(24,000)</u>
Total – business-type activities	<u>\$ 323,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,648</u>

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

Local option sales tax	\$ 2,695,770
Other	<u>932,584</u>
Total	<u>\$ 3,628,354</u>

(E) **Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,545,237	\$ 7,000	\$ -	\$ 6,552,237
Construction in progress	<u>5,016,146</u>	<u>9,442,536</u>	<u>1,294,493</u>	<u>13,164,189</u>
Total capital assets not being depreciated	<u>11,561,383</u>	<u>9,449,536</u>	<u>1,294,493</u>	<u>19,716,426</u>
Capital assets being depreciated:				
Buildings	41,300,408	60,320	-	41,360,728
Other improvements	576,730	1,372,874	-	1,949,604
Equipment	4,321,450	248,558	-	4,570,008
Vehicles	<u>4,874,760</u>	<u>666,033</u>	<u>233,806</u>	<u>5,306,987</u>
Total capital assets being depreciated	<u>51,073,348</u>	<u>2,347,785</u>	<u>233,806</u>	<u>53,187,327</u>
Less accumulated depreciation for:				
Buildings	10,406,599	1,063,216	-	11,469,815
Other improvements	462,390	42,673	-	505,063
Equipment	3,382,440	385,167	-	3,767,607
Vehicles	<u>3,442,868</u>	<u>433,149</u>	<u>221,013</u>	<u>3,655,004</u>
Total accumulated depreciation	<u>17,694,297</u>	<u>1,924,205</u>	<u>221,013</u>	<u>19,397,489</u>
Governmental activities capital assets, net	<u>33,379,051</u>			<u>33,789,838</u>
	<u>\$44,940,434</u>			<u>\$53,506,264</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Solid Waste Disposal				
Capital assets not being depreciated:				
Land	\$ 703,069	\$ -	\$ -	\$ 703,069
Total capital assets not being depreciated	<u>703,069</u>	<u>-</u>	<u>-</u>	<u>703,069</u>
Capital assets being depreciated:				
Buildings and improvements	3,181,339	21,954	-	3,203,293
Equipment	1,752,563	-	135,903	1,616,660
Vehicles	414,511	124,260	81,546	457,225
Total capital assets being depreciated	<u>5,348,413</u>	<u>146,214</u>	<u>217,449</u>	<u>5,277,178</u>
Less accumulated depreciation for:				
Buildings and improvements	1,767,310	142,601	-	1,909,911
Equipment	1,320,329	73,015	135,903	1,257,441
Vehicles	335,287	29,718	81,546	283,459
Total accumulated depreciation	<u>3,422,926</u>	<u>245,334</u>	<u>217,449</u>	<u>3,450,811</u>
Total capital assets being depreciated, net	<u>1,925,487</u>			<u>1,826,367</u>
Solid Waste Disposal capital assets, net	<u>\$ 2,628,556</u>			<u>\$ 2,529,436</u>
Depreciation Expense:				
Governmental activities:				
General Government	\$ 421,469			
Public Safety	657,453			
Economic and physical development	78,744			
Environmental Protection	2,717			
Human services	180,056			
Cultural and recreational	46,411			
Education	537,355			
Total depreciation expense	<u>\$ 1,924,205</u>			
Business-type activities:				
Solid Waste Disposal	\$ 245,334			
	<u>\$ 245,334</u>			

Construction commitments

The government has the following commitments with contractors for active construction projects as of June 30, 2009:

<u>Project</u>	<u>Spent-to date</u>	<u>Remaining Commitment</u>
Health Department addition	\$ 48,545	\$ 208,955
Rutherfordton Elementary	<u>11,781,695</u>	<u>1,384,944</u>
	<u>\$11,830,240</u>	<u>\$ 1,593,899</u>

Discretely presented component units	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Airport				
Capital assets not being depreciated:				
Land	\$ 423,979	\$ -	\$ -	\$ 423,979
Total capital assets not being depreciated	<u>423,979</u>	<u>-</u>	<u>-</u>	<u>423,979</u>
Capital assets being depreciated:				
Buildings and improvements	3,361,911	317,029	-	3,678,940
Equipment	<u>181,073</u>	<u>5,627</u>	<u>-</u>	<u>186,700</u>
Total capital assets being depreciated	<u>3,542,984</u>	<u>322,656</u>	<u>-</u>	<u>3,865,640</u>
Less accumulated depreciation for:				
Buildings and improvements	1,065,242	125,001	-	1,190,243
Equipment	<u>103,809</u>	<u>12,861</u>	<u>-</u>	<u>116,670</u>
Total accumulation depreciation	<u>1,169,051</u>	<u>137,862</u>	<u>-</u>	<u>1,306,913</u>
Rutherford County Regional Airport capital assets, net	<u>2,373,933</u>			<u>2,558,727</u>
	<u>\$ 2,797,912</u>			<u>\$ 2,982,706</u>
Transit				
Capital assets being depreciated:				
Equipment	\$ 17,167	\$ -	\$ -	\$ 17,167
Vehicles	<u>931,951</u>	<u>222,864</u>	<u>67,464</u>	<u>1,087,351</u>
Total capital assets being depreciated	<u>949,118</u>	<u>222,864</u>	<u>67,464</u>	<u>1,104,518</u>
Less accumulated depreciation for:				
Equipment	17,167	-	-	17,167
Vehicles	<u>734,101</u>	<u>58,454</u>	<u>64,192</u>	<u>728,363</u>
Total accumulated depreciation	<u>751,268</u>	<u>58,454</u>	<u>64,192</u>	<u>745,530</u>
Total capital assets being depreciated, net	<u>197,850</u>			<u>358,988</u>
Rutherford County Transit Administration capital assets, net	<u>\$ 197,850</u>			<u>\$ 358,988</u>

Note 3 – Liabilities

(A) **Payables**

Payables at the government-wide level at June 30, 2009, were as follows:

	<u>Vendors</u>	<u>Salaries and Accrued Benefits</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities				
General	\$ 311,242	\$ 38,426	\$ -	\$ 349,668
Other Governmental	<u>763,178</u>	<u>5,183</u>	<u>565,112</u>	<u>1,333,473</u>
Total-governmental activities	<u>\$ 1,074,420</u>	<u>\$ 43,609</u>	<u>\$ 565,112</u>	<u>\$ 1,683,141</u>
Business-type Activities				
Solid waste	<u>\$ 195,730</u>	<u>\$ 37,938</u>	<u>\$ -</u>	<u>\$ 233,668</u>
Total - business-type activities	<u>\$ 195,730</u>	<u>\$ 37,938</u>	<u>\$ -</u>	<u>\$ 233,668</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, 2009, 2008, and 2007 were \$1,521,800, \$1,469,271, and \$1,360,124, respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$23,972, \$22,237 and \$20,735, respectively. The Economic Development Commission's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$12,030, \$10,383, and \$9,736, 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, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Active plan members	<u>73</u>
Total	<u><u>80</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, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a percentage of pay on a closed basis. The remaining amortization period at December 31, 2008 was 22 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	\$ 92,012
Interest on net pension obligation	23,863
Adjustment to annual required contribution	<u>(20,801)</u>
Annual pension cost	95,074
Contributions made	<u>62,176</u>
Increase in net pension obligation	32,898
Net pension obligation beginning of year	<u>330,808</u>
Net pension obligation end of year	<u><u>\$ 363,706</u></u>

Three Year Trend Information

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>% of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/09	\$ 95,074	65.40%	\$ 363,706
6/30/08	85,358	92.37%	330,808
6/30/07	84,234	77.27%	324,303

Funded Status and Funding Progress.

As of December 31, 2008, 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 \$836,543. The covered payroll (annual payroll of active employees covered by the plan) was \$2,898,872 and the ratio of the UAAL to the covered payroll was 28.86%.

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, 2009 were \$182,585, which consisted of \$147,179 from the County and \$35,406 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, 2009 were \$724,883, which consisted of \$531,160 from the County and \$193,723 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2009 were \$16,709, which consisted of \$10,976 from the Rutherford County Transit Administration and \$5,733 from the employees. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2009 were \$6,526, which consisted of \$5,254 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, 2009, the County paid all annual required contributions to the Plan for postemployment healthcare benefits of \$572,034. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2009 were \$9,000. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2009 were \$4,517. These contributions represented 4.1% 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, 2009, the County made contributions to the State for death benefits of \$17,332. 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, 2009, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$263 and \$132, 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, 2009, the County's required and actual contributions were \$5,319.

Deferred Compensation Plans

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

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

(C) Deferred / Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 123,255
Prepaid taxes not yet earned (Special Revenue)	-	2,434
Taxes receivable, net (General)	2,478,540	-
Taxes receivable, net (Special Revenue)	190,714	-
Other receivable, (General)	352,440	-
	<u>\$ 3,021,694</u>	<u>\$ 125,689</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 \$1.7 million for workers’ compensation.

The County’s insurance through the North Carolina Association of County Commissioners Liability and Property Pool also covers losses due to flood with a \$25,000 deductible per occurrence. Because the County is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP.

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, all retired employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). The County pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical

Plan. As of June 30, 2009, the program had 501 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 20, 2009 were North Carolina State Health Plan for medical and United Concordia for dental.

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

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, 2009, 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:

Buildings	\$ 26,775,634
Vehicles	4,836,520
Equipment & Software	<u>2,463,873</u>
	<u>\$ 34,076,027</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, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Serviced by the General Fund:</u>				
Vehicle and equipment lease purchase agreement, 2006 \$651,300 issue, monthly payments of \$19,090, including interest at 3.52% through February, 2009	\$ 150,725	-	\$ 150,725	\$ -
Vehicle and equipment lease purchase agreement, 2006 \$484,000 issue, monthly payments of \$8,813, including interest at 3.54% through February, 2011	268,750	-	97,825	170,925
Equipment lease purchase agreement, 2007 \$1,236,400 issue, monthly payments of \$36,605, including interest at 4.03% through March, 2010	741,146	-	417,051	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	1,356,130	-	512,911	843,219
Software lease purchase agreement, 2008 \$400,000 issue, monthly payments of \$7,291, including interest at 2.94% through December, 2012	368,292	-	77,705	290,587
Vehicle and equipment lease purchase agreement, 2009 \$1,519,638 issue, monthly payments of \$43,926, including interest at 2.60% through February 2012	-	1,519,638	163,038	1,356,600
<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	920,742	-	194,231	726,511
Hardware and software lease purchase agreement, 2009 \$1,000,000 issue, monthly payments of \$18,149 including interest at 2.77% through January 2014	-	1,000,000	63,583	936,417
<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	98,841	-	55,689	43,152
Equipment lease purchase agreement, 2008 \$67,780 issue, monthly payments of \$1,968, including interest at 2.91% through January 2011	58,717	-	22,207	36,510
Equipment lease purchase agreement, 2009 \$34,200 issue, monthly payments of \$989, including interest at 2.60% through February 2012	-	34,200	3,679	30,521
Total capital leases	<u>\$ 3,963,343</u>	<u>\$ 2,553,838</u>	<u>\$ 1,758,644</u>	<u>\$ 4,758,537</u>

For Rutherford County, the future minimum payments as of June 30, 2009, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009/10	\$ 2,002,755	\$ 108,565
2010/11	1,408,860	56,600
2011/12	858,140	25,120
2012/13	362,902	7,972
2013/2014	125,880	1,165
Total	<u>\$ 4,758,537</u>	<u>\$ 199,422</u>

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Capital Leases -</u>				
<u>Solid Waste Enterprise Fund:</u>				
Equipment and building lease purchase agreement, 1996 \$1,500,000 issue, semi-annual payments of \$72,866, including interest at 5.25% through October, 2011	\$ 460,463	\$ -	\$ 123,154	\$ 337,309
Equipment lease purchase agreement, 2008 \$225,000 issue, monthly payments of \$4,100, including interest at 2.94% through December, 2012	207,169	-	43,681	163,488
Equipment lease purchase agreement, 2009 \$135,000 issue, monthly payments of \$3,902, including interest at 2.60% through February, 2012	-	135,000	14,498	120,502
	<u>\$ 667,632</u>	<u>\$ 135,000</u>	<u>\$ 181,333</u>	<u>\$ 621,299</u>
Total capital leases				

For Rutherford County, the future minimum payments as of June 30, 2009, including interest are:

	<u>Solid Waste Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2009/10	\$ 218,925	\$ 22,840
2010/11	228,329	13,437
2011/12	149,653	3,646
2012/13	24,392	210
2013/14	-	-
	<u> </u>	<u> </u>
Total	<u>\$ 621,299</u>	<u>\$ 40,133</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, 2009 by installment purchase.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Governmental Activities</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 semiannually to 2016.	\$ 2,125,000	\$ -	\$ 250,000	\$ 1,875,000
Public facilities project lease purchase agreement, 2006 \$4,873,000 issue, interest at 4.17%	4,449,089	-	297,543	4,151,546

Economic development lease purchase agreement, 2007 \$1,300,000 issue, interest at 5.59% due semiannually to 2022	1,213,334	-	86,666	1,126,668
Public facilities project certificates of participation, 2003 \$29,590,000 issue, interest at 1.5% to 5% due semiannually to 2023	24,075,000	-	1,475,000	22,600,000
Public facilities project certificates of participation, 2003 \$7,740,000 issue, interest at 2% to 5% due semiannually to 2023	6,315,000	-	425,000	5,890,000
Public facilities project certificates of participation, 2007 \$14,680,000 issue, interest at 4% to 5% due semiannually to 2027. A premium of \$741,007 is included and will be amortized over the life of the debt.	15,393,055	-	137,367	15,255,688
Public facilities project private placement, 2009 \$3,250,000 issue, interest at 3.66% Due semiannually to 2024	-	3,250,000	-	3,250,000
Public facilities project private placement, 2005 \$4,502,500 issue, interest at 3.55 due semiannually to 2020	4,097,979	-	172,035	3,925,954
Total installment purchases	<u>\$57,668,467</u>	<u>\$ 3,250,000</u>	<u>\$ 2,843,611</u>	<u>\$58,074,856</u>

For Rutherford County, the future minimum payments as of June 30, 2009, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009/10	\$ 3,163,584	\$ 2,566,615
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
2014/19	20,172,150	6,896,220
2019/24	15,699,133	2,529,723
2024/28	3,369,778	334,000
Total	<u>\$ 58,074,856</u>	<u>\$ 21,158,791</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, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</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	\$ 314,830	\$ -	\$ 16,570	\$ 298,260
Total Revolving Fund - DENR	<u>\$ 314,830</u>	<u>\$ -</u>	<u>\$ 16,570</u>	<u>\$ 298,260</u>

For Rutherford County, the future minimum payments as of June 30, 2009, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009/10	\$ 16,570	\$ 6,875
2010/11	16,570	6,493
2011/12	16,570	6,111
2012/13	16,570	5,729
2013/14	16,570	5,347
2014/19	82,850	21,007
2019/24	82,850	11,458
2024/28	49,710	2,292
Total	<u>\$ 298,260</u>	<u>\$ 65,312</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, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Refunding bonds, 2003A \$1,148,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023	\$ 1,185,000	\$ -	\$ 80,000	\$ 1,105,000
Refunding bonds, 2003B \$16,940,000 issue interest at 2.5% to 4.5%, payable semiannually, due serially 2011	5,865,000	-	2,025,000	3,840,000
General obligation bonds, 2006 \$1,520,000 issue interest at 4% to 6%, payable semiannually, due serially 2026	1,370,000	-	75,000	1,295,000
General obligation bonds, 2008 \$1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028	<u>1,555,000</u>	<u>-</u>	<u>75,000</u>	<u>1,480,000</u>
Total general obligation bonds	<u>\$ 9,975,000</u>	<u>\$ -</u>	<u>\$ 2,255,000</u>	<u>\$ 7,720,000</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>
2009/10	\$ 2,185,000	\$ 281,944
2010/11	2,115,000	212,844
2011/12	230,000	141,881
2012/13	230,000	132,731
2013/14	230,000	123,581
2014/19	1,150,000	476,969
2019/24	1,055,000	237,425
2024/28	525,000	49,725
Total	<u>\$ 7,720,000</u>	<u>\$ 1,657,101</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>Balance</u>
	<u>July 1, 2008</u>	<u>Additions</u>	<u>June 30, 2009</u>
North Carolina Rural Center	\$ -	\$ 426,735	\$ -
North Carolina Department of Commerce	-	420,000	-
Appalachian Regional Commission	-	170,614	-
			<u>170,614</u>
Total Economic Development Grant repayments	<u>\$ -</u>	<u>\$ 1,017,349</u>	<u>\$ -</u>
			<u>\$1,017,349</u>

Annual payment requirements for the grant repayments are as follows:

	<u>Governmental Activities</u>
	<u>Repayment</u>
2009/10	\$ 339,116
2010/11	339,116
2011/12	339,117
Total	<u>\$ 1,017,349</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, 2009:

	Long-Term Debt			Long-Term Debt	
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>	<u>Current Portion of Balance</u>
Governmental Activities					
By type of debt:					
Capital leases	\$ 3,963,343	\$ 2,553,838	\$ 1,758,644	\$ 4,758,537	\$ 2,002,755
Installment purchase	57,668,467	3,250,000	2,843,611	58,074,856	3,163,584
Revolving fund – DENR	314,830	-	16,570	298,260	16,570
General obligation bonds	9,975,000	-	2,255,000	7,720,000	2,185,000
Grant repayments	-	1,017,349	-	1,017,349	339,116
Pension liability	330,808	95,074	62,176	363,706	-
Vacation/compensation pay	965,257	926,644	846,725	1,045,176	1,045,176
Total	<u>\$73,217,705</u>	<u>\$ 7,842,905</u>	<u>\$ 7,782,726</u>	<u>\$73,277,884</u>	<u>\$ 8,752,201</u>
By purpose:					
School	\$54,543,013	\$ -	\$ 4,330,876	\$50,212,137	
General government:					
-equipment/vehicles/software	3,042,601	2,553,838	1,564,413	4,032,026	
-public facilities	8,922,791	3,250,000	666,479	11,506,311	
-economic development	5,413,235	1,017,349	312,057	6,118,527	
Pension liability	330,808	95,074	62,176	363,706	
Vacation/compensation pay	965,257	926,644	846,725	1,045,176	
Total	<u>\$73,217,705</u>	<u>\$ 7,842,905</u>	<u>\$ 7,782,726</u>	<u>\$73,277,884</u>	
Reconciliation:					
Current portion				\$ 8,752,201	
Subsequent years				<u>64,525,683</u>	
				<u>\$73,277,884</u>	
Business-type Activities					
	Long-Term Debt			Long-Term Debt	
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>	<u>Current Portion of Balance</u>
Capital lease -equipment	\$ 667,632	\$ 135,000	\$ 181,333	\$ 621,299	\$ 218,926
Accrued landfill	1,837,330	463,661	95,953	2,205,038	100,153
Total	<u>\$ 2,504,962</u>	<u>\$ 598,661</u>	<u>\$ 277,286</u>	<u>\$ 2,826,337</u>	<u>\$ 319,079</u>

Compensated absences typically have been liquidated in the general fund.

At June 30, 2009, the County had a legal debt margin of approximately \$400,735,389.

(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, 2009, there were two series of industrial revenue bonds outstanding, with issued amounts totaling \$8,000,000 and an aggregate principal amount payable of \$3,300,000.

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, 2009 is \$1,812,314.

In addition, the County is now under a corrective action plan for this landfill for which the County has accrued a projected cost of \$323,131 as of June 30, 2009. The combined postclosure and corrective action plan liability of \$2,135,445 represents the projected actual costs over the next 19 years based on what it would cost to perform all postclosure care and corrective action in 2009. 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 \$69,593 reported as of June 30, 2009 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 \$765,527 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2009. 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, 2009 consist of the following:

From	To	For	Amount
General Fund:			
General	Register of Deeds Automation	Accumulate resources for office automation	\$ 53,163
General	Grant	Local funds for public safety grant	8,800
General	Reappraisal	Contribution for reappraisal expenses	260,000
General	College Capital Reserve	Sales tax collections designated for college construction	169,468
General	Water & Sewer Project	Sales tax collections designated for utility construction	303,094
General	School Capital Reserve	Sales tax collections designated for school construction	4,336,345
General	Building Capital Reserve	Payment for building construction debt	46,367
General	Building Capital Reserve	Ad valorem collections designated for facilities	1,153,512
General	Building Capital Reserve	Sales tax collection designated for facilities	1,120,902
General	Debt Service	Payment of economic development debt	265,874
General	Sanitary District	Contribution for sanitary district operations	55,000
General	Solid Waste	Reimbursement of prior year transfer	<u>125,000</u>
			<u>\$ 7,897,525</u>

Major Governmental Funds:			
School Capital Projects	School Capital Reserve	Transfer unexpended project balance to reserve	\$ 615,291
			<u>\$ 615,291</u>
Non-major Governmental Funds:			
Capital Projects Fund-			
Other	General	Transfer unexpended project balance to reserve	\$ 72,899
Emergency Telephone	General	Transfer for information technology support services	10,060
College Capital Reserve	General	College	170,221
Water & Sewer Reserve	Debt Service	Payment of utility construction debt	297,902
Water & Sewer Reserve	Capital Projects Fund-Other	Transfer funds for water/sewer projects	447,924
School Capital Reserve	General	School technology	291,284
School Capital Reserve	General	School special project	243,101
School Capital Reserve	Debt Service	Payment of school construction debt & trustee fee	6,350,430
Building Capital Reserve	General	County building projects	217,917
Building Capital Reserve	Grant	Provide local share for airport improvements	16,667
Building Capital Reserve	Debt Service	Payment of building construction debt	1,053,778
Building Capital Reserve	Capital Projects-Other	Transfer funds for project not financed	2,234,731
Fire Districts	General	Contribution for deputy fire marshal	18,098
Fire Districts	Debt Service	Hollis VFD contribution to debt service for payment	3,475
			<u>\$ 11,428,487</u>

Contributions to/from other funds at June 30, 2009 consist of the following:

From	To	For	Amount
Fiduciary Funds:			
Postemployment Healthcare Plan	General	Transfer funds due to change in insurance payment provisions as a member of the State Health Plan*	\$ 1,003,200
			<u>\$ 1,003,200</u>

*The Rutherford Polk Mental Health Authority officially dissolved June 30, 2005. As of December 31, 2003, the Rutherford Polk Mental Health Authority ceased employment and Western Highlands LME served as the local management entity to coordinate services in the area. An actuarial study was performed in October, 2003 that determined the actuarially-determined value of the promised benefits to retirees were \$965,000. Following discussion with the Rutherford County Commissioners and Rutherford Polk Mental Health Authority, the boards agreed that \$1,061,500 would be sent to the County from the existing Rutherford Polk Mental Health Authority to pay retiree health benefits. In December, 2003, the County established a fiduciary fund to account for the funding and costs to provide health insurance for twelve mental health retirees. Effective July 1, 2008, the Local Government Employees' Retirement System required the County to adopt their retiree health insurance eligibility criteria and to begin contributing a percentage of payroll for retiree health insurance coverage as a member of the State Health Plan. (See Postemployment healthcare benefits note on page 43.) Previous to this, the County had been following its own retiree health insurance eligibility criteria and paying fixed premiums to the State Health Plan for each retiree. As the cost for the Mental Health Authority's retirees health insurance is no longer premium based but it is based on a percent of the County's payroll, and due to the fact that a large majority of the payroll is paid by the General Fund, the County transferred the Fiduciary Fund's assets to the General Fund during Fiscal Year 2009. Coverage for these retirees will now be provided by the County's monthly payroll contribution to the Local Governmental Employees' Retirement System.

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, 2009. The County contributed \$102,168 to the Authority to fund operations during fiscal year June 30, 2009. 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, 2009. The County contributed \$277,151 to the District to fund operations during fiscal year June 30, 2009. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

(C) Community College

The County, in conjunction with the State of North Carolina and the Rutherford County Board of Education, participates in a joint venture to operate the Isothermal Community College. The County appoints four members of the fifteen-member Board of Trustees of the Community College. The Community College is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$2,090,336 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2009. 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, 2009. 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 \$12,689 to the Council during the fiscal year ended June 30, 2009.

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	\$ 85,234,919
Food stamps program	12,695,846
Temporary assistance to needy families	1,260,665
State/County special assistance	1,022,538
Energy assistance	539,251
Title IV-E adoption/foster care	758,681
	<u>\$ 101,511,900</u>

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)	Covered Payroll for Year Ending On Val Date (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/1999	-	\$ 285,944	\$ 285,944	0.00%	\$ 1,719,678	16.63%
12/31/2000	-	466,434	466,434	0.00%	1,877,528	24.84%
12/31/2001	-	493,420	493,420	0.00%	1,986,208	24.84%
12/31/2002	-	502,384	502,384	0.00%	2,001,798	25.10%
12/31/2003	-	627,648	627,648	0.00%	2,034,242	30.85%
12/31/2004	-	719,776	719,776	0.00%	2,125,885	33.86%
12/31/2005	-	728,116	728,116	0.00%	2,401,758	30.32%
12/31/2006	-	721,048	721,048	0.00%	2,442,030	29.53%
12/31/2007	-	838,788	838,788	0.00%	2,717,526	30.87%
12/31/2008	-	836,543	836,543	0.00%	2,898,872	28.86%

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2000	\$ 37,521	\$ 10,133	27.01%
2001	45,550	13,541	29.73%
2002	58,912	23,620	40.09%
2003	62,120	26,497	42.65%
2004	68,524	43,204	63.05%
2005	75,293	55,199	73.31%
2006	85,168	56,782	66.67%
2007	84,234	65,090	77.27%
2008	85,358	78,853	92.37%
2009	95,074	62,176	65.40%

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	12/31/08
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5 – 12.3 % per year
*Includes inflation at cost of living adjustment	3.75%

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 13,749,868	\$ 10,219,722
Receivables (net):		
Taxes	2,478,240	1,655,279
Governmental agencies	2,973,087	3,981,314
Accounts	706,733	413,361
Due from other funds	-	3,150,000
Inventories	34,384	29,181
Prepaid items	238,214	39,770
	\$ 20,180,526	\$ 19,488,627
Total assets	\$ 20,180,526	\$ 19,488,627
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 349,368	\$ 384,360
Unearned revenues	123,255	213,993
Deferred revenues	2,830,980	2,064,860
	3,303,603	2,663,213
Total liabilities	3,303,603	2,663,213
 Fund Balances:		
Reserved:		
By State statute	3,327,081	7,135,094
For inventories and prepaid items	272,597	68,951
For court facilities	81,166	140,573
Unreserved:		
Designated for subsequent years' budget	1,762,881	1,196,867
Undesignated	11,433,198	8,283,929
	16,876,923	16,825,414
Total fund balances	16,876,923	16,825,414
Total liabilities and fund balances	\$ 20,180,526	\$ 19,488,627

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2009
 (With comparative actual amounts for the year ended June 30, 2008)

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 29,350,415	\$ 29,112,455	\$ (237,960)	\$ 29,213,344
Prior years	950,000	835,554	(114,446)	940,841
Penalties and interest	257,500	276,836	19,336	295,943
Total	30,557,915	30,224,845	(333,070)	30,450,128
Local option sales taxes	11,604,625	10,593,902	(1,010,723)	12,788,036
Restricted intergovernmental revenues:				
ABC net revenues	12,000	12,532	532	12,569
Court facilities	187,142	145,923	(41,219)	166,148
Federal and state grants	10,110,159	9,392,823	(717,336)	9,261,733
Total	10,309,301	9,551,278	(758,023)	9,440,450
Permits and fees:				
Building permits	312,340	267,686	(44,654)	400,181
Register of deeds	325,000	329,211	4,211	412,499
Marriage license	12,000	12,700	700	12,900
Revenue stamps	208,000	189,723	(18,277)	288,887
Cable franchise fees	40,000	45,232	5,232	42,259
Other fees	18,000	17,168	(832)	20,564
Total	915,340	861,720	(53,620)	1,177,290
Sales and services:				
Rents, concessions and fees	143,614	185,719	42,105	168,721
Sheriff's fees	367,285	310,391	(56,894)	325,537
Senior Center meals	82,000	85,140	3,140	88,608
EMS fees	1,704,000	1,822,871	118,871	1,702,027
Court costs, fees and charges	91,000	75,630	(15,370)	86,976
Detention Center fees	438,600	446,789	8,189	658,525
Tax collection fees	50,000	47,314	(2,686)	54,452
Animal shelter fees	38,090	30,714	(7,376)	31,438
Airport revenues	51,595	50,695	(900)	17,811
Total	2,966,184	3,055,263	89,079	3,134,095
Investment earnings	375,000	246,121	(128,879)	635,000
Miscellaneous	311,423	209,885	(101,538)	566,613
Sale of county property	40,200	16,309	(23,891)	115,683
Total revenues	57,079,988	54,759,323	(2,320,665)	58,307,295

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Expenditures:				
General Government:				
Governing body	293,617	291,609	2,008	279,079
Manager	149,887	146,853	3,034	139,962
Board of Elections	249,577	246,689	2,888	280,256
Finance and purchasing	381,798	374,256	7,542	370,335
Information technology	1,726,117	1,014,388	711,729	1,335,389
Tax listing	714,349	654,832	59,517	692,196
Tax collections	341,918	330,827	11,091	308,203
Legal	135,500	132,494	3,006	74,912
Register of Deeds	284,427	277,615	6,812	263,002
Personnel	127,935	126,045	1,890	126,982
Public buildings / recreation	1,732,799	1,568,902	163,897	1,432,259
County garage	107,494	106,319	1,175	100,606
Court facilities	206,943	158,963	47,980	133,176
Special allocations	569,802	479,053	90,749	724,818
Total general government	7,022,163	5,908,845	1,113,318	6,261,175
Public Safety:				
Sheriff's Department	5,036,016	4,904,005	132,011	4,509,313
College Security Officer	37,000	32,398	4,602	-
Detention Center	2,244,788	2,197,585	47,203	2,068,987
Communications	1,099,146	1,080,594	18,552	929,803
Inspections	563,494	544,234	19,260	556,779
Coroner	60,400	54,862	5,538	59,200
Emergency Services	3,007,995	2,665,741	342,254	2,439,862
Special allocations	260,111	231,615	28,496	215,687
Animal control	194,942	179,770	15,172	218,811
Total public safety	12,503,892	11,890,804	613,088	10,998,442
Environmental Protection:				
Soil conservation	105,095	89,812	15,283	96,573
Watershed	21,119	13,501	7,618	13,854
Total environmental protection	126,214	103,313	22,901	110,427

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2009
 (With comparative actual amounts for the year ended June 30, 2008)

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Economic and Physical Development:				
Agricultural extension	219,626	210,874	8,752	203,036
Farmers market	3,404	2,406	998	2,015
Forestry	78,403	54,925	23,478	63,234
Airport Authority	195,114	85,751	109,363	94,315
Economic Development Commission	478,987	435,264	43,723	588,385
Total economic and physical development	975,534	789,220	186,314	950,985
Human Services:				
Contribution to District Health	277,151	277,151	-	269,079
Contribution to Mental Health	111,168	102,168	9,000	102,168
Drug Court	21,854	19,048	2,806	25,000
Veterans Service Officers	72,200	71,569	631	69,123
Special appropriation	162,001	159,057	2,944	201,788
Social Services Administration	6,194,531	6,018,891	175,640	5,974,709
Social Services programs	8,839,439	7,406,702	1,432,737	9,217,402
Senior Citizens Center	266,854	256,921	9,933	245,380
Meals program	430,277	424,669	5,608	417,064
Total human services	16,375,475	14,736,176	1,639,299	16,521,713
Cultural and recreational:				
Libraries	585,699	564,683	21,016	549,705
Heritage, culture and recreation	91,633	86,124	5,509	113,144
Total cultural	677,332	650,807	26,525	662,849
Education:				
Public schools:				
Current expenditures	12,146,850	12,146,850	-	11,793,059
Capital outlay	243,101	243,101	-	231,525
Community college:				
Current expenditures	1,920,115	1,920,115	-	1,722,936
Capital outlay	232,221	170,221	62,000	219,700
Total education	14,542,287	14,480,287	62,000	13,967,220

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2009
 (With comparative actual amounts for the year ended June 30, 2008)

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Debt Service:				
Principal retirement		1,677,069		1,200,496
Interest and fees		120,186		95,969
Total debt service	1,835,821	1,797,255	38,566	1,296,465
Total expenditures	54,058,718	50,356,707	3,702,011	50,769,276
Revenues over expenditures	3,021,270	4,402,616	1,381,346	7,538,019
Other Financing Sources (Uses):				
Transfers:				
From other funds	1,180,331	1,023,580	(156,751)	1,008,408
To other funds	(8,470,808)	(7,897,525)	573,283	(8,704,929)
Contribution from fiduciary fund	1,000,000	1,003,200	3,200	-
Debt issued	1,519,638	1,519,638	-	1,965,483
Appropriated fund balance	1,749,569	-	(1,749,569)	-
Total other financing sources (uses)	(3,021,270)	(4,351,107)	(1,329,837)	(5,731,038)
Net change in fund balance	\$ -	51,509	\$ 51,509	1,806,981
Fund balances:				
Beginning of year		16,825,414		15,018,433
End of year		\$ 16,876,923		\$ 16,825,414

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, 2009

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues:					
Sales tax refund	\$ -	\$ -	\$ 301,627	\$ 301,627	\$ 301,627
Investment earnings	486,564	398,529	157,264	555,793	69,229
Total revenues	486,564	398,529	458,891	857,420	370,856
Expenditures:					
Intergovernmental - education					
Rutherfordton Elementary building	15,848,777	3,721,653	9,727,500	13,449,153	2,399,624
Technology project	2,000,000	942,683	1,055,495	1,998,178	1,822
Total expenditures	17,848,777	4,664,336	10,782,995	15,447,331	2,401,446
Revenues under expenditures	(17,362,213)	(4,265,807)	(10,324,104)	(14,589,911)	2,772,302
Other Financing Sources (Uses):					
Installment purchase obligations issued	17,421,007	16,421,007	1,000,000	17,421,007	-
Transfers from (to):					-
School Capital Reserve Fund	556,497	556,497	-	556,497	-
School Capital Reserve Fund	(615,291)	-	(615,291)	(615,291)	-
Total Other Financial Sources (Uses)	17,362,213	16,977,504	384,709	17,362,213	-
Revenues and other sources over expenditures:	\$ -	\$ 12,711,697	(9,939,395)	\$ 2,772,302	\$ 2,772,302
Fund balance, beginning of year			12,711,697		
Fund balance, end of year			\$ 2,772,302		

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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Bond principal payments	5,052,814	5,052,814	-	4,949,835
Bond interest payments	2,912,297	2,912,257	40	2,645,276
Bond issuance costs	6,388	6,388	-	6,642
Total expenditures	7,971,499	7,971,459	40	7,601,753
Revenues over (under) expenditures	(7,971,499)	(7,971,459)	40	(7,601,753)
Other Financing Sources:				
Transfers in				
Building Capital Reserve fund	1,053,778	1,053,778	-	1,065,709
School Capital Reserve fund	6,350,430	6,350,430	-	6,066,798
General fund	265,915	265,875	(40)	273,251
Water & Sewer Project fund	297,901	297,901	-	192,520
Fire district fund	3,475	3,475	-	3,475
Total other financing sources	7,971,499	7,971,459	(40)	7,601,753
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, 2009

	Capital Projects - Other Fund	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Emergency Telephone System Fund
Assets:					
Cash and cash equivalents	\$ -	\$ 961,311	\$ 213,345	\$ 1,411,611	\$ 334,463
Cash and cash equivalents, restricted	1,339,253	-	-	236	-
Taxes receivable, net	-	-	-	-	-
Intergovernmental receivable	4,534	-	1,394	-	48,486
Prepaid items	-	-	-	-	-
Other receivables	-	-	-	-	-
Total assets	\$ 1,343,787	\$ 961,311	\$ 214,739	\$ 1,411,847	\$ 382,949
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 80,885	\$ -	\$ 6,660	\$ -	\$ 1,347
Unearned revenues	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	80,885	-	6,660	-	1,347
Fund Balances:					
Reserved for:					
State Statute	4,534	-	1,394	-	48,486
Unreserved:					
Designated for subsequent year's budget	1,258,368	-	49,570	958,594	-
Designated for future capital outlay	-	961,311	-	453,253	-
Undesignated	-	-	157,115	-	333,116
Total fund balance	1,262,902	961,311	208,079	1,411,847	381,602
Total liabilities and fund balances	\$ 1,343,787	\$ 961,311	\$ 214,739	\$ 1,411,847	\$ 382,949

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
\$ 349,857	\$ 524,086	\$ 1,077,812	\$ 145,744	\$ 757,153	\$ 203,608	\$ -	\$ 5,978,990
-	-	-	-	113,143	-	-	1,452,632
-	-	190,714	-	-	-	-	190,714
-	4,690	1,960	398	-	233,647	-	295,109
-	21,454	-	-	-	-	-	21,454
-	-	-	-	9,750	-	-	9,750
<u>\$ 349,857</u>	<u>\$ 550,230</u>	<u>\$ 1,270,486</u>	<u>\$ 146,142</u>	<u>\$ 880,046</u>	<u>\$ 437,255</u>	<u>\$ -</u>	<u>\$ 7,948,649</u>
\$ -	\$ 18,045	\$ 53	\$ -	\$ -	\$ 252,348	\$ -	\$ 359,338
-	-	2,434	-	-	-	-	2,434
-	-	190,714	-	-	-	-	190,714
-	18,045	193,201	-	-	252,348	-	552,486
-	26,144	1,960	398	9,750	233,647	-	326,313
-	52,700	960,000	-	-	-	-	3,279,232
349,857	-	-	-	-	-	-	1,764,421
-	453,341	115,325	145,744	870,296	(48,740)	-	2,026,197
<u>349,857</u>	<u>532,185</u>	<u>1,077,285</u>	<u>146,142</u>	<u>880,046</u>	<u>184,907</u>	<u>-</u>	<u>7,396,163</u>
<u>\$ 349,857</u>	<u>\$ 550,230</u>	<u>\$ 1,270,486</u>	<u>\$ 146,142</u>	<u>\$ 880,046</u>	<u>\$ 437,255</u>	<u>\$ -</u>	<u>\$ 7,948,649</u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2009

	Capital Projects - Other Fund	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Emergency Telephone System Fund
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales tax	-	-	-	-	-
Other taxes and licenses	3,167	-	-	-	-
Restricted intergovernmental	-	77,162	-	1,750,000	546,043
Charges for services	-	-	-	-	-
Investment earnings	471	-	-	31,137	-
Total revenues	<u>3,638</u>	<u>77,162</u>	<u>-</u>	<u>1,781,137</u>	<u>546,043</u>
Expenditures:					
General government	275,297	-	414,741	-	-
Public safety	3,000	-	-	-	314,658
Environmental protection	-	-	-	-	-
Economic and physical development	692,104	-	-	-	-
Human services	107,836	-	-	-	-
Cultural and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	81,575
Interest and other charges	16,648	-	-	-	4,657
Total expenditures	<u>1,094,885</u>	<u>-</u>	<u>414,741</u>	<u>-</u>	<u>400,890</u>
Revenues over (under) expenditures	<u>(1,091,247)</u>	<u>77,162</u>	<u>(414,741)</u>	<u>1,781,137</u>	<u>145,153</u>
Other Financing Sources (Uses):					
Transfers:					
From other funds	2,682,655	2,320,781	260,000	4,951,636	-
To other funds	(72,899)	(3,523,093)	-	(6,884,815)	(10,060)
Debt issued	3,250,000	-	-	-	34,200
Total other financing sources (uses)	<u>5,859,756</u>	<u>(1,202,312)</u>	<u>260,000</u>	<u>(1,933,179)</u>	<u>24,140</u>
Net change in fund balance	4,768,509	(1,125,150)	(154,741)	(152,042)	169,293
Fund balance, beginning of year	<u>(3,505,607)</u>	<u>2,086,461</u>	<u>362,820</u>	<u>1,563,889</u>	<u>212,309</u>
Fund balance, end of year	<u>\$ 1,262,902</u>	<u>\$ 961,311</u>	<u>\$ 208,079</u>	<u>\$ 1,411,847</u>	<u>\$ 381,602</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
\$ -	\$ -	\$ 1,894,149	\$ -	\$ -	\$ -	\$ -	\$ 1,894,149
-	-	681,824	-	-	-	-	681,824
-	523,292	-	-	-	-	-	526,459
-	-	8,000	-	-	1,237,235	157,000	3,775,440
-	5,232	-	-	59,251	201	-	64,684
6,440	9,474	-	-	20,847	-	-	68,369
6,440	537,998	2,583,973	-	80,098	1,237,436	157,000	7,010,925
-	-	-	16,304	-	-	-	706,342
-	-	2,469,783	-	-	189,814	-	2,977,255
-	-	61,269	-	-	-	-	61,269
-	620,171	-	-	-	1,823,345	157,000	3,292,620
-	-	-	-	-	-	-	107,836
-	-	-	-	-	86,830	-	86,830
-	-	-	-	-	-	-	81,575
-	-	-	-	-	-	-	21,305
-	620,171	2,531,052	16,304	-	2,099,989	157,000	7,335,032
6,440	(82,173)	52,921	(16,304)	80,098	(862,553)	-	(324,107)
169,468	-	55,000	53,163	303,094	25,467	-	10,821,264
(170,221)	-	(21,573)	-	(745,826)	-	-	(11,428,487)
-	-	-	-	-	-	-	3,284,200
(753)	-	33,427	53,163	(442,732)	25,467	-	2,676,977
5,687	(82,173)	86,348	36,859	(362,634)	(837,086)	-	2,352,870
344,170	614,358	990,937	109,283	1,242,680	1,021,993	-	5,043,293
\$ 349,857	\$ 532,185	\$ 1,077,285	\$ 146,142	\$ 880,046	\$ 184,907	\$ -	\$ 7,396,163

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, 2009

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ 24,498	\$ 31,988	\$ 471	\$ 32,459	\$ 7,961
Sales tax refund	17,592	17,592	3,167	20,759	3,167
Total revenues	<u>42,090</u>	<u>49,580</u>	<u>3,638</u>	<u>53,218</u>	<u>11,128</u>
Expenditures:					
General government:					
Offsite Storage Facility	546,676	333,665	211,820	545,485	1,191
Daniel Road land purchase	4,505,430	4,445,564	58,677	4,504,241	1,189
Parking Lot	65,000	-	4,800	4,800	60,200
Contingency	25,448	-	-	-	25,448
Public Safety:					
Henrietta EMS Satellite Station/Disaster Recovery Site	3,000	-	3,000	3,000	-
Economic and physical development:					
Corporate 74 Industrial Park	1,255,687	1,233,248	22,438	1,255,686	1
Municipal/Authority water and sewer	3,479,265	1,860,019	669,666	2,529,685	949,580
Human Services:					
Health Department Expansion	308,649	-	107,836	107,836	200,813
Debt issuance costs	87,691	57,691	16,648	74,339	13,352
Total expenditures	<u>10,276,846</u>	<u>7,930,187</u>	<u>1,094,885</u>	<u>9,025,072</u>	<u>1,251,774</u>
Revenues under expenditures	<u>(10,234,756)</u>	<u>(7,880,607)</u>	<u>(1,091,247)</u>	<u>(8,971,854)</u>	<u>1,262,902</u>
Other Financing Sources (Uses):					
Installment purchase obligations- Corp 74	1,300,000	1,300,000	-	1,300,000	-
Installment purchase obligations- 2009 projects	3,250,000	-	3,250,000	3,250,000	-
Two thirds general obligation bonds issued	3,075,000	3,075,000	-	3,075,000	-
Transfers in:					
Water and sewer capital reserve fund	447,924	-	447,924	447,924	-
Building capital reserve fund	2,234,731	-	2,234,731	2,234,731	-
Transfers out:					
General Fund	(72,899)	-	(72,899)	(72,899)	-
Total other financing sources (uses)	<u>10,234,756</u>	<u>4,375,000</u>	<u>5,859,756</u>	<u>10,234,756</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (3,505,607)</u>	4,768,509	<u>\$ 1,262,902</u>	<u>\$ 1,262,902</u>
Fund balance (deficit), beginning of year			(3,505,607)		
Fund balance, end of year			<u>\$ 1,262,902</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, 2009

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

	2009		Variance	2008
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Contribution from Health Department	\$ -	\$ 77,162	\$ 77,162	\$ -
Investment earnings	43,667	-	(43,667)	-
	43,667	77,162	33,495	-
Total revenues				
Expenditures:	-	-	-	-
Revenues over expenditures	43,667	77,162	33,495	-
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	2,461,603	2,320,781	(140,822)	2,369,294
Capital Projects fund	-	-	-	377,033
General fund	-	-	-	(312,830)
Debt Service fund	(1,053,778)	(1,053,778)	-	(1,065,709)
Capital Projects fund	(2,528,875)	(2,452,648)	76,227	(89,602)
Grant fund	(16,668)	(16,667)	1	(16,667)
Fund balance appropriated	1,094,051	-	(1,094,051)	-
	(43,667)	(1,202,312)	(1,158,645)	1,261,519
Total other financing sources (uses)				
Net change in fund balance	\$ -	(1,125,150)	\$ (1,125,150)	1,261,519
Fund balance, beginning of year		2,086,461		824,942
Fund balance, end of year		\$ 961,311		\$ 2,086,461

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Reappraisal	229,524	222,188	7,336	206,148
Mapping	214,458	192,553	21,905	20,987
	<u>443,982</u>	<u>414,741</u>	<u>29,241</u>	<u>227,135</u>
Revenues over (under) expenditures	<u>(443,982)</u>	<u>(414,741)</u>	<u>29,241</u>	<u>(227,135)</u>
Other Financing Sources:				
Transfers in:				
General fund	260,000	260,000	-	260,000
Special revenue fund – 911	-	-	-	250,000
Fund balance appropriated	183,982	-	(183,982)	-
Total other financing sources	<u>443,982</u>	<u>260,000</u>	<u>(183,982)</u>	<u>510,000</u>
Net change in fund balance	<u>\$ -</u>	<u>(154,741)</u>	<u>\$ (154,741)</u>	282,865
Fund balance, beginning of year		<u>362,820</u>		<u>79,955</u>
Fund balance, end of year		<u>\$ 208,079</u>		<u>\$ 362,820</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
ADM State funds	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Lottery funds	750,000	750,000	-	-
Investment earnings	64,928	31,137	(33,791)	82,208
Total revenues	<u>1,814,928</u>	<u>1,781,137</u>	<u>(33,791)</u>	<u>1,082,208</u>
Expenditures	-	-	-	-
Revenues over expenditures	<u>1,814,928</u>	<u>1,781,137</u>	<u>(33,791)</u>	<u>1,082,208</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	4,727,628	4,336,345	(391,283)	5,091,957
Schools Capital Projects fund	615,291	615,291	-	652,950
Debt service fund	(6,350,430)	(6,350,430)	-	(6,066,797)
General fund	(552,909)	(534,385)	18,524	(322,645)
Schools Capital Projects fund	-	-	-	(415,261)
Fund balance appropriated	(254,508)	-	254,508	-
Total other financing sources (uses)	<u>(1,814,928)</u>	<u>(1,933,179)</u>	<u>(118,251)</u>	<u>(1,059,796)</u>
Net change in fund balance	<u>\$ -</u>	<u>(152,042)</u>	<u>\$ (152,042)</u>	22,412
Fund balance, beginning of year		<u>1,563,889</u>		<u>1,541,477</u>
Fund balance, end of year		<u>\$ 1,411,847</u>		<u>\$ 1,563,889</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Other taxes and licenses	\$ -	\$ -	\$ -	\$ 181,416
Restricted intergovernmental	540,000	546,043	6,043	378,604
Private road signs	-	-	-	1,825
Total revenues	<u>540,000</u>	<u>546,043</u>	<u>6,043</u>	<u>561,845</u>
Expenditures:				
Public safety	521,163	314,658	206,505	478,043
Debt service				
Principal	80,803	81,575	(772)	109,900
Interest and other charges	6,600	4,657	1,943	6,524
Total expenditures	<u>608,566</u>	<u>400,890</u>	<u>207,676</u>	<u>594,467</u>
Revenues over (under) expenditures	(68,566)	145,153	213,719	(32,622)
Other financial sources (uses):				
Transfers in (out):				
General fund	(10,060)	(10,060)	-	(472,608)
Reappraisal fund	-	-	-	(250,000)
Debt issued	34,200	34,200	-	67,780
Fund balance appropriated	44,426	-	(44,426)	-
Net change in fund balance	<u>\$ -</u>	<u>169,293</u>	<u>\$ 169,293</u>	<u>(687,450)</u>
Fund balance, beginning of year		<u>212,309</u>		<u>899,759</u>
Fund balance, end of year		<u>\$ 381,602</u>		<u>\$ 212,309</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 6,440	\$ 6,440	\$ 3,263
Expenditures	-	-	-	-
Revenues over expenditures	-	6,440	6,440	3,263
Other financial sources (uses):				
Transfers in (out):				
General fund (sales tax)	184,617	169,468	(15,149)	122,777
Building Capital Reserve fund	-	-	-	312,830
General fund	(232,221)	(170,221)	62,000	(94,700)
Fund balance appropriated	80,000	-	(80,000)	-
Future projects	(32,396)	-	32,396	-
	-	(753)	(753)	340,907
Net change in fund balance	<u>\$ -</u>	5,687	<u>\$ 5,687</u>	344,170
Fund balance, beginning		<u>344,170</u>		<u>-</u>
Fund balance, ending		<u>\$ 349,857</u>		<u>\$ 344,170</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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Other taxes and licenses	\$ 605,500	\$ 523,292	\$ (82,208)	\$ 581,265
Charges for services	4,800	5,232	432	4,800
Investment earnings	19,000	9,474	(9,526)	20,772
Total revenues	629,300	537,998	(91,302)	606,837
Expenditures:				
Economic and physical development	683,429	620,171	63,258	464,577
Reserve for future projects	84,371	-	84,371	-
Total expenditures	767,800	620,171	147,629	464,577
Revenues over (under) expenditures	(138,500)	(82,173)	56,327	142,260
Other financial sources:				
Fund balance appropriated	138,500	-	(138,500)	-
Net change in fund balance	\$ -	(82,173)	\$ (82,173)	142,260
Fund balance, beginning of year		614,358		472,098
Fund balance, end of year		\$ 532,185		\$ 614,358

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, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 1,865,936	\$ 1,811,210	\$ (54,726)	\$ 1,732,850
Prior years	44,115	63,994	19,879	56,568
Penalties and interest	-	18,945	18,945	18,903
	<u>1,910,051</u>	<u>1,894,149</u>	<u>(15,902)</u>	<u>1,808,321</u>
Other taxes and licenses:				
Local option sales tax	651,026	681,824	30,798	707,252
Restricted intergovernmental	8,000	8,000	-	32,000
	<u>659,026</u>	<u>689,824</u>	<u>30,798</u>	<u>739,252</u>
Total revenues	<u>2,569,077</u>	<u>2,583,973</u>	<u>14,896</u>	<u>2,547,573</u>
Expenditures:				
Public safety -				
Cliffside	152,929	152,929	-	157,763
Chimney Rock	53,272	53,272	-	49,417
Sandy Mush	169,194	169,194	-	152,138
Bills Creek	246,504	237,793	8,711	188,841
Shingle Hollow	123,600	123,600	-	126,003
Shiloh, Danielstown, and Oakland	254,025	254,025	-	241,839
Cherry Mountain	214,599	214,599	-	235,055
Hudlow	297,878	297,878	-	306,077
Rutherfordton	224,281	224,281	-	212,550
Ellenboro	232,415	232,415	-	246,746
Bostic	91,312	91,312	-	81,574
Union Mills	100,282	100,282	-	97,155
Green Hill	233,031	231,348	1,683	210,490
Contracted	108,774	78,381	30,393	94,868
Hollis Community	8,625	8,474	151	8,840
Fire Advisory Training Ground	912,566	-	912,566	-
	<u>3,423,287</u>	<u>2,469,783</u>	<u>953,504</u>	<u>2,409,356</u>
Environmental protection:				
Cliffside Sanitary District	61,269	61,269	-	16,823
Total expenditures	<u>3,484,556</u>	<u>2,531,052</u>	<u>953,504</u>	<u>2,426,179</u>
Revenues over (under) expenditures	<u>(915,479)</u>	<u>52,921</u>	<u>968,400</u>	<u>121,394</u>
Other Financing Sources (Uses):				
Transfers:				
General fund	55,000	55,000	-	-
General fund	(17,546)	(18,098)	(552)	(28,853)
Debt service fund	(3,475)	(3,475)	-	(3,475)
Appropriated fund balance	881,500	-	(881,500)	-
	<u>915,479</u>	<u>33,427</u>	<u>(882,052)</u>	<u>(32,328)</u>
Net change in fund balance	<u>\$ -</u>	<u>86,348</u>	<u>\$ 86,348</u>	<u>89,066</u>
Fund balance, beginning of year		<u>990,937</u>		<u>901,871</u>
Fund balance, end of year		<u>\$ 1,077,285</u>		<u>\$ 990,937</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, 2009
 (With comparative actual amounts for the year ended June 30, 2008)

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Administration	-	6,025	6,025	-
Automation equipment	48,900	10,279	(38,621)	43,100
Reserve for future projects	5,600	-	(5,600)	-
Debt service:				
Principal	-	-	-	34,133
Interest and other charges	-	-	-	306
	<u>54,500</u>	<u>16,304</u>	<u>(38,196)</u>	<u>77,539</u>
Revenues under expenditures	<u>(54,500)</u>	<u>(16,304)</u>	<u>(38,196)</u>	<u>(77,539)</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	<u>54,500</u>	<u>53,163</u>	<u>(1,337)</u>	<u>71,429</u>
Total other financing sources (uses)	<u>54,500</u>	<u>53,163</u>	<u>(1,337)</u>	<u>71,429</u>
Net change in fund balance	<u>\$ -</u>	<u>36,859</u>	<u>\$ 36,859</u>	<u>(6,110)</u>
Fund balance, beginning of year		<u>109,283</u>		<u>115,393</u>
Fund balance, end of year		<u>\$ 146,142</u>		<u>\$ 109,283</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, 2009

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

	2009			2008
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Water tap fees	\$ -	\$ 59,251	\$ 59,251	\$ 100,749
Investment earnings	20,000	20,847	847	39,058
	20,000	80,098	60,098	139,807
Expenditures:				
Economic and physical development:				
Administrative	15,000	-	15,000	-
	15,000	-	15,000	-
Revenues over expenditures	5,000	80,098	75,098	139,807
Other Financing Sources:				
Transfers in (out):				
General Fund	286,300	303,094	16,794	294,904
Capital Projects Fund	(447,924)	(447,924)	-	-
Debt Service Fund	(297,901)	(297,902)	(1)	(192,520)
Fund balance appropriated	454,525	-	(454,525)	-
	(5,000)	(442,732)	(437,732)	102,384
Net change in fund balance	\$ -	(362,634)	\$ (362,634)	242,191
Fund balance, beginning of year		1,242,680		1,000,488
Fund balance, end of year		\$ 880,046		\$ 1,242,679

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, 2009

	Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 4,344,216	\$ 2,355,091	\$ 1,237,235	\$ 3,592,326	\$ (751,890)
Miscellaneous	201	-	201	201	-
Total revenues	<u>4,344,417</u>	<u>2,355,091</u>	<u>1,237,436</u>	<u>3,592,527</u>	<u>(751,890)</u>
Expenditures:					
Public safety	470,493	278,850	189,814	468,664	1,829
Economic and physical development	3,902,184	1,144,343	1,823,345	2,967,688	934,496
Cultural and recreation	172,586	85,284	86,830	172,114	472
	<u>4,545,263</u>	<u>1,508,477</u>	<u>2,099,989</u>	<u>3,608,466</u>	<u>936,797</u>
Revenues (under) over expenditures	<u>(200,846)</u>	<u>846,614</u>	<u>(862,553)</u>	<u>(15,939)</u>	<u>184,907</u>
Other Financing Sources:					
Transfers in (out):					
General Fund	119,272	110,472	8,800	119,272	-
Building Capital Reserve Fund	81,574	64,907	16,667	81,574	-
	<u>200,846</u>	<u>175,379</u>	<u>25,467</u>	<u>200,846</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,021,993</u>	<u>(837,086)</u>	<u>\$ 184,907</u>	<u>\$ 184,907</u>
Fund balance, beginning of year			<u>1,021,993</u>		
Fund balance, end of year			<u>\$ 184,907</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, 2009

	<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:				
Highway 74 Corporation	\$ 420,000	\$ 420,000	\$ -	\$ 420,000
Scattered site housing - 2006	400,000	322,698	110,200	432,898
Thieman metals	476,200	352,723	9,584	362,307
IDA program	-	6,321	509	6,830
2007 water hookup	75,000	12,955	36,707	49,662
ARC Grant - Hwy 74 Corporate	200,000	170,614	-	170,614
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,571,200	1,285,311	157,000	1,442,311
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Highway 74 Corporation	420,000	420,000	-	420,000
Highway 74 Corporation -ARC	200,000	170,614	-	170,614
Scattered site housing - 2006	400,000	322,698	110,200	432,898
Thieman metals	476,200	352,723	9,584	362,307
IDA program	-	6,321	509	6,830
2007 water hookup	75,000	12,955	36,707	49,662
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,571,200	1,285,311	157,000	1,442,311
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<hr/>	
Fund balance, end of year			<u>\$ -</u>	

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2009

(With comparative totals for June 30, 2008)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2009	2008
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,164,931	\$ 753,841	\$ 1,918,772	\$ 2,189,987
Accounts receivable (net)	323,648	-	323,648	343,817
Total current assets	1,488,579	753,841	2,242,420	2,533,804
Capital assets, net of depreciation	2,529,436	-	2,529,436	2,628,556
Total assets	4,018,015	753,841	4,771,856	5,162,360
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	233,668	-	233,668	308,986
Current portion of long-term liabilities	218,926	100,153	319,079	246,313
Total current liabilities	452,594	100,153	552,747	555,299
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	-	2,104,885	2,104,885	1,757,873
Long-term debt	402,373	-	402,373	500,776
Total noncurrent liabilities	402,373	2,104,885	2,507,258	2,258,649
Total liabilities	854,967	2,205,038	3,060,005	2,813,948
Net Assets				
Invested in capital assets, net of related debt	1,908,137	-	1,908,137	1,960,924
Unrestricted (deficit)	1,254,911	(1,451,197)	(196,286)	387,488
Total net assets (deficit)	\$ 3,163,048	\$ (1,451,197)	\$ 1,711,851	\$ 2,348,412

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

(With comparative totals for the year ended June 30, 2008)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2009	2008
Operating Revenues:				
Charges for services	\$ 2,879,622	\$ -	\$ 2,879,622	\$ 3,069,095
Other operating revenues	319,272	-	319,272	206,493
Total operating revenues	<u>3,198,894</u>	<u>-</u>	<u>3,198,894</u>	<u>3,275,588</u>
Operating Expenses:				
Salaries	880,451	-	880,451	853,485
Employee benefits	277,050	-	277,050	302,559
Operating expenses	2,046,211	-	2,046,211	1,923,476
Landfill closure and postclosure care costs	-	424,552	424,552	46,278
Depreciation	245,334	-	245,334	266,970
Maintenance	99,094	-	99,094	115,411
Total operating expenses	<u>3,548,140</u>	<u>424,552</u>	<u>3,972,692</u>	<u>3,508,179</u>
Operating income	<u>(349,246)</u>	<u>(424,552)</u>	<u>(773,798)</u>	<u>(232,591)</u>
Nonoperating Revenues (Expenses):				
Interest income	41,445	-	41,445	82,157
Interest expense	(29,208)	-	(29,208)	(31,467)
Total nonoperating revenues (expenses)	<u>12,237</u>	<u>-</u>	<u>12,237</u>	<u>50,690</u>
Transfers:				
General Fund	-	125,000	125,000	125,000
Landfill postclosure expenditures	(56,844)	56,844	-	-
Total transfers	<u>(56,844)</u>	<u>181,844</u>	<u>125,000</u>	<u>125,000</u>
Increase (decrease) in net assets	(393,853)	(242,708)	(636,561)	(56,901)
Net assets (deficit), beginning of year	<u>3,556,901</u>	<u>(1,208,489)</u>	<u>2,348,412</u>	<u>2,405,313</u>
Net assets (deficit), end of year	<u>\$ 3,163,048</u>	<u>\$ (1,451,197)</u>	<u>\$ 1,711,851</u>	<u>\$ 2,348,412</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Operating Revenues:				
Charges for services	\$ 3,058,400	\$ 2,879,622	\$ (178,778)	\$ 3,069,095
Other operating revenues	300,500	319,272	18,772	206,493
Total operating revenues	3,358,900	3,198,894	(160,006)	3,275,588
Nonoperating Revenues:				
Interest income	41,445	41,445	-	82,157
Total revenues	3,400,345	3,240,339	(160,006)	3,357,745
Expenditures:				
Salaries		880,451		853,485
Employee benefits		277,050		302,559
Operating expenses		2,046,211		1,923,476
Landfill closure		56,844		66,962
Interest and fees		29,208		31,467
Debt principal		181,333		134,765
Capital outlay and maintenance		245,309		310,435
Total expenditures	4,201,109	3,716,406	484,703	3,623,149
Revenues over (under) expenditures	(800,764)	(476,067)	324,697	(265,404)
Other Financing Sources (Uses):				
Proceeds from debt	135,000	135,000	-	225,000
Appropriated fund balance	665,764	-	(665,764)	-
Total other financing sources (uses)	800,764	135,000	(665,764)	225,000
Revenues and other sources over (under) expenditures and other uses	\$ -	(341,067)	\$ (341,067)	(40,404)
Reconciling Items:				
Payment of debt principal		181,333		134,765
Capital outlay		146,215		195,024
Proceeds from debt		(135,000)		(225,000)
Depreciation		(245,334)		(266,970)
Total reconciling items		(52,786)		(162,181)
Increase (decrease) in net assets		\$ (393,853)		\$ (202,585)

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

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

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Revenues over expenditures before transfers	-	-	-	-
Transfer from General Fund	-	125,000	125,000	125,000
Increase in net assets	\$ -	\$ 125,000	\$ 125,000	\$ 125,000

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

Excess of revenues and other sources over (under) expenditures	\$ 125,000	\$ 125,000
Reconciling Items:		
Landfill closure and postclosure care cost accrual	(424,552)	(46,278)
Payment of landfill closure by Solid Waste Fund	56,844	66,962
Total reconciling items	(367,708)	20,684
Increase (decrease) in net assets	\$ (242,708)	\$ 145,684

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
 COMBINING SCHEDULE OF CASH FLOWS
 For the year ended June 30, 2009
 (With comparative totals for June 30, 2008)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2009	2008
Cash Flows from Operating Activities:				
Cash received from operating revenues	\$ 3,219,063	\$ -	\$ 3,219,063	\$ 3,260,624
Cash paid to employees for services	(880,451)	-	(880,451)	(853,485)
Cash paid for goods and services	(2,497,673)	(56,844)	(2,554,517)	(2,271,914)
Net cash provided (used) by operating activities	<u>(159,061)</u>	<u>(56,844)</u>	<u>(215,905)</u>	<u>135,225</u>
Cash Flows from Noncapital Financing Activities:				
Transfers to other funds	(56,844)	181,844	125,000	125,000
Net cash provided (used) by noncapital financing activities	<u>(56,844)</u>	<u>181,844</u>	<u>125,000</u>	<u>125,000</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(146,214)	-	(146,214)	(195,024)
Proceeds from debt	135,000	-	135,000	225,000
Principal paid on debt	(181,333)	-	(181,333)	(134,765)
Interest paid on debt	(29,208)	-	(29,208)	(31,467)
Net cash used by capital and related financing activities	<u>(221,755)</u>	<u>-</u>	<u>(221,755)</u>	<u>(136,256)</u>
Cash Flows from Investing Activities:				
Interest income	41,445	-	41,445	82,157
Net cash provided by investing activities	<u>41,445</u>	<u>-</u>	<u>41,445</u>	<u>82,157</u>
Net increase in cash and cash equivalents	(396,215)	125,000	(271,215)	206,126
Cash and cash equivalents at beginning of year	1,561,146	628,841	2,189,987	1,983,861
Cash and cash equivalents at end of year	<u>\$ 1,164,931</u>	<u>\$ 753,841</u>	<u>\$ 1,918,772</u>	<u>\$ 2,189,987</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:				
Operating income (loss)	\$ (349,246)	\$ (424,552)	\$ (773,798)	\$ (232,591)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	245,334	-	245,334	266,970
Landfill closure and postclosure care costs	-	367,708	367,708	(20,684)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	20,169	-	20,169	(14,964)
Increase (decrease) in accounts payable and accrued liabilities	(75,318)	-	(75,318)	136,494
Total adjustments	<u>190,185</u>	<u>367,708</u>	<u>557,893</u>	<u>367,816</u>
Net cash provided (used) by operating activities	<u>\$ (159,061)</u>	<u>\$ (56,844)</u>	<u>\$ (215,905)</u>	<u>\$ 135,225</u>

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING BALANCE SHEET
June 30, 2009

(With comparative totals for June 30, 2008)

	Agency					Totals	
	Social Service Fund	Agriculture Department Advisory Council Fund	Cities Tax Collection Fund	Detention Center Commissary Fund	Motor Vehicle Interest Fund	2009	2008
Assets							
Cash and cash equivalents	\$ 43,869	\$ 16,034	\$ 96,800	\$ 40,971	\$ 1,902	\$ 199,576	\$ 192,796
Accounts receivable	-	371	-	-	-	371	-
	<u>\$ 43,869</u>	<u>\$ 16,405</u>	<u>\$ 96,800</u>	<u>\$ 40,971</u>	<u>\$ 1,902</u>	<u>\$ 199,947</u>	<u>\$ 192,796</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 43,869	\$ 16,405	\$ 96,800	\$ 40,971	\$ 1,902	\$ 199,947	\$ 192,796
Total liabilities	<u>43,869</u>	<u>16,405</u>	<u>96,800</u>	<u>40,971</u>	<u>1,902</u>	<u>199,947</u>	<u>192,796</u>
Fund Balances	-	-	-	-	-	-	-
	<u>\$ 43,869</u>	<u>\$ 16,405</u>	<u>\$ 96,800</u>	<u>\$ 40,971</u>	<u>\$ 1,902</u>	<u>\$ 199,947</u>	<u>\$ 192,796</u>

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS - COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
For the year ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 58,255	\$ 200,196	\$ 214,582	\$ 43,869
Liabilities:				
Accounts payable	\$ 58,255	\$ 200,196	\$ 214,582	\$ 43,869
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	\$ 16,365	\$ 28,660	\$ 28,991	\$ 16,034
Accounts receivable	158	371	\$ 158	371
	<u>\$ 16,523</u>	<u>\$ 29,031</u>	<u>\$ 29,149</u>	<u>\$ 16,405</u>
Liabilities:				
Accounts payable	\$ 16,523	\$ 29,031	\$ 29,149	\$ 16,405
Other Taxing Units				
Assets:				
Cash and cash equivalents	\$ 77,731	\$ 6,907,083	\$ 6,888,014	\$ 96,800
Liabilities:				
Accounts payable	\$ 77,731	\$ 6,907,083	\$ 6,888,014	\$ 96,800
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	\$ 61,799	\$ 129,439	\$ 150,267	\$ 40,971
Liabilities:				
Accounts payable	\$ 61,799	\$ 129,439	\$ 150,267	\$ 40,971
Motor Vehicle Interest Fund				
Assets:				
Cash and cash equivalents	\$ 2,101	\$ 24,484	24,683	\$ 1,902
Liabilities:				
Accounts payable	\$ 2,101	\$ 24,484	24,683	\$ 1,902
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 216,251	\$ 7,289,862	\$ 7,306,537	\$ 199,576
Accounts receivable	-	371	-	371
	<u>\$ 216,251</u>	<u>\$ 7,290,233</u>	<u>\$ 7,306,537</u>	<u>\$ 199,947</u>
Liabilities:				
Accounts payable	\$ 216,409	\$ 7,290,233	\$ 7,306,695	\$ 199,947

RUTHERFORD COUNTY, NORTH CAROLINA

POSTEMPLOYMENT HEALTHCARE PLAN

STATEMENT OF NET ASSETS

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ -	\$ 1,003,156
Total assets	<u>-</u>	<u>1,003,156</u>
Liabilities	<u>-</u>	<u>-</u>
Net Assets		
Held for pension benefits - health insurance	<u>\$ -</u>	<u>\$ 1,003,156</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

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

	<u>2009</u>	<u>2008</u>
Additions		
Interest earnings	\$ -	\$ 50,956
Total additions	<u>-</u>	<u>50,956</u>
Deductions		
Benefits	(44)	34,435
Contribution to General Fund	<u>1,003,200</u>	<u>-</u>
Total deductions	<u>1,003,156</u>	<u>34,435</u>
Changes in net assets	(1,003,156)	16,521
Net assets, beginning	<u>1,003,156</u>	<u>986,635</u>
Net assets, ending	<u><u>\$ -</u></u>	<u><u>\$ 1,003,156</u></u>

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, 2009
 (With comparative actual amounts for the year ended June 30, 2008)

	2009		Variance Positive (Negative)	2008
	Budget	Actual		Actual
Revenues:				
Charges for services	\$ 534,300	\$ 512,202	\$ (22,098)	\$ 473,465
State transportation assistance grants	549,797	539,254	(10,543)	454,086
Total revenue	<u>1,084,097</u>	<u>1,051,456</u>	<u>(32,641)</u>	<u>927,551</u>
Expenditures:				
Salaries		504,507		462,167
Employee benefits		135,551		111,576
Operating expenses		78,008		71,170
Capital outlay and maintenance		370,186		300,218
Total expenditures	<u>1,159,529</u>	<u>1,088,252</u>	<u>71,277</u>	<u>945,131</u>
Revenue under expenditures	<u>(75,432)</u>	<u>(36,796)</u>	<u>38,636</u>	<u>(17,580)</u>
Other Financial Sources:				
Fund balance appropriated	37,716	-	(37,716)	-
Total	<u>37,716</u>	<u>-</u>	<u>(37,716)</u>	<u>-</u>
Revenues and other sources under expenditures	<u>\$ (37,716)</u>	<u>\$ (36,796)</u>	<u>\$ 920</u>	<u>\$ (17,580)</u>

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

Excess revenues and other sources over expenditures and other uses		<u>\$ (36,796)</u>	<u>\$ (17,580)</u>
Reconciling Items:			
Capital outlay - items capitalized		222,864	146,447
Depreciation		<u>(58,454)</u>	<u>(57,737)</u>
Total reconciling items		<u>164,410</u>	<u>88,710</u>
Net income		<u>\$ 127,614</u>	<u>\$ 71,130</u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
RUTHERFORD COUNTY TRANSIT ADMINISTRATION
STATEMENT OF CASH FLOWS
 For the year ended June 30, 2009
 (With comparative totals for June 20, 2008)

	2009	2008
Cash Flows from Operating Activities:		
Cash received from operating revenues	\$ 578,560	\$ 395,939
Cash paid to employees for services	(640,058)	(573,743)
Cash paid for goods and services	(302,028)	(147,968)
Net cash used by operating activities	(363,526)	(325,772)
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(219,592)	(146,447)
Grants	539,254	454,086
Net cash provided by capital and related financing activities	319,662	307,639
Net increase (decrease) in cash and cash equivalents	(43,864)	(18,133)
Cash and cash equivalents at beginning of year	129,438	147,571
Cash and cash equivalents at end of year	\$ 85,574	\$ 129,438
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:		
Operating income (loss)	\$ (411,640)	\$ (382,956)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	58,454	57,737
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	66,358	(77,526)
Increase (decrease) in accounts payable and accrued liabilities	(76,697)	76,973
Total adjustments	48,115	57,184
Net cash provided (used) by operating activities	\$ (363,525)	\$ (325,772)

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2009

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

	2009		Variance	2008
	Budget	Actual	Positive (Negative)	Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Economic and physical development:				
Salaries and benefits	147,725	142,638	5,087	126,453
Operating	331,262	292,626	38,636	461,932
	<u>478,987</u>	<u>435,264</u>	<u>43,723</u>	<u>588,385</u>
Revenue over (under) expenditures	(478,987)	(435,264)	43,723	(588,385)
Other Financial Sources (Uses):				
Contribution from primary government	<u>478,987</u>	<u>435,264</u>	<u>(43,723)</u>	<u>588,385</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, 2009

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

	2009			2008
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services	\$ 51,595	\$ 50,695	\$ (900)	\$ 17,811
Operating grants	143,519	35,056	(108,463)	76,503
Capital grants	322,656	322,656	-	205,128
	517,770	408,407	(109,363)	299,442
Expenditures:				
Economic and physical development				
Current	195,114	85,751	109,363	94,314
Capital outlay	322,656	322,656	-	205,128
Total expenditures	517,770	408,407	109,363	299,442
Revenue over (under) expenditures	\$ -	\$ -	\$ -	\$ -
 Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Excess of revenues oand other sources over expenditures		\$ -		\$ -
 Reconcilaing items:				
Capital outlay		322,656		205,128
Depreciation		(137,862)		(124,233)
Total reconciling items		184,794		80,895
Net income		\$ 184,794		\$ 80,895

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, 2009

Fiscal Year	Uncollected Balance July 1, 2008	Additions	Collections And Credits	Uncollected Balance June 30, 2009
2008-2009	\$ -	\$ 31,288,661	\$ 29,544,277	\$ 1,744,384
2007-2008	1,101,058	-	649,992	451,066
2006-2007	321,568	-	106,928	214,640
2005-2006	207,000	-	43,052	163,948
2004-2005	155,853	-	21,116	134,737
2003-2004	118,889	-	14,579	104,310
2002-2003	130,881	-	7,470	123,411
2001-2002	93,620	-	5,987	87,633
2000-2001	69,271	-	4,345	64,926
1999-2000	53,142	-	2,957	50,185
1998-1999	45,997	-	45,997	-
	<u>\$ 2,297,279</u>	<u>\$ 31,288,661</u>	<u>\$ 30,446,700</u>	<u>3,139,240</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>661,000</u>
Ad valorem taxes receivable - net				<u>\$ 2,478,240</u>
Reconcilement with revenues:				
Ad valorem taxes - General fund				<u>\$ 30,224,845</u>
Reconciling items:				
Interest collected				(256,354)
Discounts/adjustments				432,212
Taxes written off				45,997
Total reconciling items				<u>221,855</u>
Total collections and credits				<u>\$ 30,446,700</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

GENERAL FUND

For the year ended June 30, 2009

			Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 5,884,058,302	0.53	\$ 31,185,509	\$ 29,293,608	\$ 1,891,901
Registered motor vehicles taxed at prior year's rate	35,189,623	0.53	186,505	-	186,505
Penalties	-		33,005	33,005	-
Total	5,919,247,925		31,405,019	29,326,613	2,078,406
Discoveries:					
Current year taxes	11,084,717	0.53	58,749	58,749	-
Advertising costs			11,822	11,822	-
Abatements	(35,269,623)		(186,929)	(137,908)	(49,021)
Total property valuation	\$ 5,895,063,019				
Net levy			31,288,661	29,259,276	2,029,385
Uncollected taxes at June 30, 2009			1,744,384	1,375,745	368,639
Current year's taxes collected			\$ 29,544,277	\$ 27,883,531	\$ 1,660,746
Current levy collection percentage			94.42%	95.30%	81.83%

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE

June 30, 2009

Fiscal Year	Uncollected Balance July 1, 2008	Additions	Collections And Credits	Uncollected Balance June 30, 2009
2007-2008	\$ -	\$ 1,925,263	\$ 1,818,370	\$ 106,893
2007-2008	80,206	-	49,332	30,874
2006-2007	21,874	-	7,972	13,902
2005-2006	12,987	-	3,131	9,856
2004-2005	8,613	-	1,612	7,001
2003-2004	6,777	-	1,094	5,683
2002-2003	5,920	-	503	5,417
2001-2002	4,996	-	386	4,610
2000-2001	3,963	-	284	3,679
1999-2000	3,007	-	209	2,798
1998-1999	2,320	-	2,320	-
	\$ 150,663	\$ 1,925,263	\$ 1,885,213	
Ad valorem taxes receivable				\$ 190,713
Reconciliation with revenues:				
Ad valorem taxes - Special districts				\$ 1,894,149
Reconciling items:				
Interest collected				(17,469)
Discounts/adjustments				6,213
Taxes written off				2,320
Total reconciling items				(8,936)
Total collections and credits				\$ 1,885,213

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2009

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Chimney Rock Fire					
Property taxed at current years rate	\$ 79,062,000	\$ 0.05	\$ 39,531	\$ 39,010	\$ 521
Motor vehicles taxed at prior years rate	75,000	0.04	30	-	30
Sandy Mush Fire					
Property taxed at current years rate	255,374,000	0.05	127,687	114,191	13,496
Motor vehicles taxed at prior years rate	2,965,000	0.04	1,186	-	1,186
Cliffside Sanitary					
Property taxed at current years rate	6,000,000	0.08	4,800	4,508	292
Motor vehicles taxed at prior years rate	56,250	0.08	45	-	45
Bills Creek Fire					
Property taxed at current years rate	206,011,250	0.08	164,809	160,054	4,755
Motor vehicles taxed at prior years rate	407,500	0.08	326	-	326
Shingle Hollow Fire					
Property taxed at current years rate	91,635,000	0.10	91,635	83,869	7,766
Motor vehicles taxed at prior years rate	644,000	0.10	644	-	644
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current years rate	357,324,000	0.05	178,662	161,118	17,544
Motor vehicles taxed at prior years rate	3,578,000	0.05	1,789	-	1,789
Cherry Mountain Fire					
Property taxed at current years rate	175,372,222	0.09	157,835	149,354	8,481
Motor vehicles taxed at prior years rate	836,667	0.09	753	-	753
Hudlow Fire					
Property taxed at current years rate	271,042,500	0.08	216,834	200,713	16,121
Motor vehicles taxed at prior years rate	2,005,000	0.08	1,604	-	1,604
Rutherfordton Fire					
Property taxed at current years rate	198,920,000	0.08	159,136	145,155	13,981
Motor vehicles taxed at prior years rate	1,356,250	0.08	1,085	-	1,085
Cliffside Fire					
Property taxed at current years rate	160,567,143	0.07	112,397	99,708	12,689
Motor vehicles taxed at prior years rate	1,875,714	0.07	1,313	-	1,313
Ellenboro Fire					
Property taxed at current years rate	280,278,333	0.06	168,167	149,552	18,615
Motor vehicles taxed at prior years rate	3,470,000	0.06	2,082	-	2,082

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2009

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Bostic Fire					
Property taxed at current years rate	110,511,667	0.06	66,307	59,537	6,770
Motor vehicles taxed at prior years rate	1,084,000	0.05	542	-	542
Union Mills Fire					
Property taxed at current years rate	151,746,000	0.05	75,873	69,926	5,947
Motor vehicles taxed at prior years rate	1,042,000	0.05	521	-	521
Green Hill Fire					
Property taxed at current years rate	233,738,571	0.07	163,617	152,826	10,791
Motor vehicles taxed at prior years rate	1,584,286	0.07	1,109	-	1,109
Hollis Fire					
Property taxed at current years rate	28,993,333	0.03	8,698	8,067	631
Motor vehicles taxed at prior years rate	226,667	0.03	68	-	68
Contracted Fire					
Property taxed at current years rate	925,980,000	0.02	185,196	174,746	10,450
Motor vehicles taxed at prior years rate	5,490,000	0.02	1,098	-	1,098
Total			1,935,379	1,772,334	163,045
Penalties			1,922	1,922	-
Discoveries			3,751	3,751	-
Gross tax levy			1,941,052	1,778,007	163,045
Releases			(15,789)	(11,827)	(3,962)
Net levy			1,925,263	1,766,180	159,083
Less: uncollected taxes at June 30, 2009			(106,893)	(78,130)	(28,763)
Current year taxes collected			\$ 1,818,370	\$ 1,688,050	\$ 130,320
Percent current year collected			94.45%	95.58%	81.92%

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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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)

Table 1

	Fiscal Year						
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 8,497,747	\$ 14,236,085	\$ 7,126,314	\$ 8,155,717	\$ 5,031,401	\$ 2,667,572	\$ 4,204,392
Restricted	3,300,045	9,527,682	3,899,057	4,515,334	3,342,114	6,325,190	23,924,954
Unrestricted	(1,445,625)	(15,304,122)	(8,665,225)	(11,690,321)	(14,451,333)	(19,208,792)	(31,672,266)
Total Governmental activities net assets	<u>\$ 10,352,167</u>	<u>\$ 8,459,645</u>	<u>\$ 2,360,146</u>	<u>\$ 980,730</u>	<u>\$ (6,077,818)</u>	<u>\$ (10,216,030)</u>	<u>\$ (3,542,920)</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 1,908,137	\$ 1,960,924	\$ 2,123,105	\$ 2,157,762	\$ 1,781,898	\$ 1,728,497	\$ 1,830,412
Restricted	-	-	-	-	-	-	-
Unrestricted	(196,286)	387,488	282,208	131,008	275,914	1,883,020	1,585,325
Total business-type activities net assets	<u>\$ 1,711,851</u>	<u>\$ 2,348,412</u>	<u>\$ 2,405,313</u>	<u>\$ 2,288,770</u>	<u>\$ 2,057,812</u>	<u>\$ 3,611,517</u>	<u>\$ 3,415,737</u>
Primary government							
Invested in capital assets, net of related debt	\$ 10,405,884	\$ 16,197,009	\$ 9,249,419	\$ 10,313,479	\$ 6,813,299	\$ 4,396,069	\$ 6,034,804
Restricted	3,300,045	9,527,682	3,899,057	4,515,334	3,342,114	6,325,190	23,924,954
Unrestricted	(1,641,911)	(14,916,634)	(8,383,017)	(11,559,313)	(14,175,419)	(17,325,772)	(30,086,941)
Total primary government net assets	<u>\$ 12,064,018</u>	<u>\$ 10,808,057</u>	<u>\$ 4,765,459</u>	<u>\$ 3,269,500</u>	<u>\$ (4,020,006)</u>	<u>\$ (6,604,513)</u>	<u>\$ (127,183)</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 2000 through 2002.

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

Table 2

Expenses	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Governmental activities:							
General government	\$ 7,047,611	\$ 6,765,566	\$ 6,350,808	\$ 5,986,407	\$ 5,467,270	\$ 4,544,885	\$ 4,656,686
Public safety	14,914,757	14,150,480	12,888,356	11,805,593	11,402,836	10,821,652	9,856,540
Environmental protection	169,467	123,385	127,640	133,673	124,741	98,217	102,089
Economic & Physical Development	4,518,449	4,237,268	4,193,841	3,491,223	2,512,395	3,134,384	1,090,193
Human Services	15,091,631	17,038,627	16,684,710	15,666,923	14,979,133	13,865,856	13,354,244
Cultural & Recreational	898,237	848,479	696,619	496,255	468,023	440,354	415,717
Education	16,164,309	15,161,837	16,610,237	14,909,359	13,355,725	23,473,409	18,562,891
Interest on long-term debt	2,923,219	2,712,352	2,414,789	2,503,590	2,286,910	2,322,059	1,938,582
<i>Total governmental activities expenses</i>	<u>61,727,680</u>	<u>61,037,994</u>	<u>59,967,000</u>	<u>54,993,023</u>	<u>50,597,033</u>	<u>58,700,816</u>	<u>49,976,942</u>
Business-type activities:							
Solid Waste Disposal	4,001,900	3,539,647	3,384,899	3,219,636	3,438,732	3,235,872	3,126,418
<i>Total business-type activities</i>	<u>4,001,900</u>	<u>3,539,647</u>	<u>3,384,899</u>	<u>3,219,636</u>	<u>3,438,732</u>	<u>3,235,872</u>	<u>3,126,418</u>
<i>Total primary governmental expenses</i>	<u>\$ 65,729,580</u>	<u>\$ 64,577,641</u>	<u>\$ 63,351,899</u>	<u>\$ 58,212,659</u>	<u>\$ 54,035,765</u>	<u>\$ 61,936,688</u>	<u>\$ 53,103,360</u>
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 516,270	\$ 613,421	\$ 612,210	\$ 546,488	\$ 568,640	\$ 652,769	\$ 599,353
Public Safety	3,631,922	3,940,854	3,697,528	3,022,527	3,112,715	2,952,281	2,342,527
Environmental protection	-	-	-	-	-	-	26,271
Economic & Physical Development	59,250	100,750	31,250	32,000	-	-	-
Human Services	85,140	88,608	82,754	90,516	82,698	80,063	63,148
Operating grants and contributions	10,775,927	10,287,537	10,404,592	9,480,758	8,864,479	7,962,549	8,152,455
Capital grants and contributions	1,895,968	3,262,444	1,833,975	1,522,561	1,709,923	944,225	772,701
<i>Total governmental activities program revenues</i>	<u>16,964,477</u>	<u>18,293,614</u>	<u>16,662,309</u>	<u>14,694,850</u>	<u>14,338,455</u>	<u>12,591,887</u>	<u>11,956,455</u>
Business-type activities:							
Charges for services:							
Solid Waste Disposal	3,047,944	3,139,076	3,154,068	3,208,508	3,377,143	3,227,006	3,330,561
Operating grants and contributions	150,950	136,512	182,374	129,721	117,345	213,493	-
<i>Total business-type activities program revenues</i>	<u>3,198,894</u>	<u>3,275,588</u>	<u>3,336,442</u>	<u>3,338,229</u>	<u>3,494,488</u>	<u>3,440,499</u>	<u>3,330,561</u>
<i>Total primary governmental program revenues</i>	<u>\$ 20,163,371</u>	<u>\$ 21,569,202</u>	<u>\$ 19,998,751</u>	<u>\$ 18,033,079</u>	<u>\$ 17,832,943</u>	<u>\$ 16,032,386</u>	<u>\$ 15,287,016</u>
Net (expense)/revenue							
Governmental activities	\$ (44,763,203)	\$ (42,744,380)	\$ (43,304,691)	\$ (40,298,173)	\$ (36,258,578)	\$ (46,108,929)	\$ (38,020,487)
Business-type activities	(803,006)	(264,059)	(48,457)	118,593	55,756	204,627	204,143
<i>Total primary governmental net expense</i>	<u>\$ (45,566,209)</u>	<u>\$ (43,008,439)</u>	<u>\$ (43,353,148)</u>	<u>\$ (40,179,580)</u>	<u>\$ (36,202,822)</u>	<u>\$ (45,904,302)</u>	<u>\$ (37,816,344)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 32,982,004	\$ 32,293,717	\$ 27,438,875	\$ 26,822,856	\$ 25,426,291	\$ 25,192,052	\$ 25,454,307
Local Option Sales Tax	11,275,726	13,495,288	13,357,581	12,492,114	11,743,695	11,278,753	9,107,457
Other Taxes and Licenses	778,778	935,485	1,118,992	952,574	634,370	1,588,027	1,392,173
Investment earnings, unrestricted	530,073	1,078,129	1,286,059	1,020,453	518,211	443,135	664,437
Dissolution of Fiduciary Fund	1,003,200	-	-	-	-	-	-
Donated real estate	-	1,006,204	1,658,309	5,700,000	-	-	-
Loss on disposal of capital assets	-	-	(577,585)	-	-	-	-
Miscellaneous, unrestricted	210,944	160,056	526,876	449,090	429,586	889,217	161,498
Transfers	(125,000)	(125,000)	(125,000)	(80,365)	(80,365)	44,635	30,000
<i>Total governmental activities</i>	<u>46,655,725</u>	<u>48,843,879</u>	<u>44,684,107</u>	<u>47,356,722</u>	<u>38,671,788</u>	<u>39,435,819</u>	<u>36,809,872</u>
Business-type activities:							
Investment earnings	41,445	82,158	40,000	32,000	35,174	35,788	8,344
Miscellaneous, unrestricted	-	-	-	-	-	-	(55,490)
Transfers	125,000	125,000	125,000	80,365	80,365	(44,635)	(30,000)
<i>Total business-type activities</i>	<u>166,445</u>	<u>207,158</u>	<u>165,000</u>	<u>112,365</u>	<u>115,539</u>	<u>(8,847)</u>	<u>(77,146)</u>
<i>Total primary government</i>	<u>\$ 46,822,170</u>	<u>\$ 49,051,037</u>	<u>\$ 44,849,107</u>	<u>\$ 47,469,087</u>	<u>\$ 38,787,327</u>	<u>\$ 39,426,972</u>	<u>\$ 36,732,726</u>
Change in Net Assets							
Governmental activities	\$ 1,892,522	\$ 6,099,499	\$ 1,379,416	\$ 7,058,549	\$ 2,413,210	\$ (6,673,110)	\$ (1,210,615)
Business-type activities	(636,561)	(56,901)	116,543	230,958	171,295	195,780	126,997
<i>Total primary government</i>	<u>\$ 1,255,961</u>	<u>\$ 6,042,598</u>	<u>\$ 1,495,959</u>	<u>\$ 7,289,507</u>	<u>\$ 2,584,505</u>	<u>\$ (6,477,330)</u>	<u>\$ (1,083,618)</u>

(1) Rutherford County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. Therefore, data is not available for fiscal years 2000 through 2002.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund			
Reserved	\$ 3,680,844	\$ 4,074,203	\$ 4,126,704
Unreserved	13,196,079	12,751,211	10,891,729
Total General Fund	\$ 16,876,923	\$ 16,825,414	\$ 15,018,433
 All other governmental funds			
Reserved	\$ 676,722	\$ 556,972	\$ 1,805,359
Unreserved, reported in:			
Debt service fund	-	-	-
Special revenue funds	5,456,539	8,080,868	4,246,534
Capital projects funds	4,035,204	9,117,150	2,883,906
Total all other governmental funds	\$ 10,168,465	\$ 17,754,990	\$ 8,935,799

Table 3

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 3,920,463	\$ 3,915,909	\$ 3,780,885	\$ 3,415,837	\$ 2,841,403	\$ 3,373,943
10,519,641	9,010,221	8,931,431	7,011,749	5,245,650	4,949,487
<u>\$ 14,440,104</u>	<u>\$ 12,926,130</u>	<u>\$ 12,712,316</u>	<u>\$ 10,427,586</u>	<u>\$ 8,087,053</u>	<u>\$ 8,323,430</u>
\$ 1,324,037	\$ 1,429,110	\$ 1,487,151	\$ 983,201	\$ 91,224	\$ 244,615
-	-	10,518	-	737,739	753,735
3,959,633	3,701,003	4,021,431	4,944,120	2,711,221	2,876,433
3,375,401	2,202,181	4,855,762	23,068,333	1,182,914	3,724,389
<u>\$ 8,659,071</u>	<u>\$ 7,332,294</u>	<u>\$ 10,374,862</u>	<u>\$ 28,995,654</u>	<u>\$ 4,723,098</u>	<u>\$ 7,599,172</u>

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

Revenues	2009	2008	2007	2006
Ad Valorem Taxes	\$ 32,118,994	\$ 32,258,449	\$ 27,326,881	\$ 26,792,167
Local Option Sales Taxes	11,275,726	13,369,301	13,240,333	12,262,177
Other Taxes and Licenses	526,459	707,252	683,615	623,110
Unrestricted Intergovernmental				
Restricted Intergovernmental	13,326,718	13,698,050	12,480,558	11,213,535
Permits and Fees	861,720	1,177,290	1,435,366	1,439,013
Sales and Services	3,119,947	3,801,501	3,674,300	2,882,979
Investment Earnings	471,754	1,084,487	1,243,368	1,012,369
Miscellaneous	527,821	729,808	590,273	415,034
<i>Total revenues</i>	<u>62,229,139</u>	<u>66,826,138</u>	<u>60,674,694</u>	<u>56,640,384</u>
Expenditures				
Current:				
General government	6,615,187	11,334,882	6,609,488	5,641,902
Public safety	14,868,059	14,220,359	12,897,402	11,541,916
Environmental Protection	164,582	127,250	125,124	130,655
Economic and Physical Development	4,081,840	4,856,946	3,849,835	3,913,258
Human Services	14,844,012	16,521,713	16,037,237	15,521,178
Cultural and Recreational	737,637	757,187	647,449	444,650
Intergovernmental:				
Education	14,480,287	13,967,220	13,053,968	12,513,922
Capital Outlay	10,782,995	5,249,596	6,372,376	3,856,087
Debt service				
Principal	6,811,458	6,294,364	5,644,457	5,031,194
Interest	3,060,136	2,754,717	2,363,101	2,282,307
<i>Total expenditures</i>	<u>76,446,193</u>	<u>76,084,234</u>	<u>67,600,437</u>	<u>60,877,069</u>
Excess of revenues over (under) expenditures	(14,217,054)	(9,258,096)	(6,925,743)	(4,236,685)
Other financing sources (uses)				
Transfers From Other Funds	20,371,579	18,941,579	14,482,382	14,356,170
Transfers To Other Funds	(19,493,379)	(19,066,579)	(14,607,382)	(14,436,533)
Transfers From Component Units	-	-	-	-
Transfers To Component Units	-	-	-	-
Installment Purchase Obligations Issued	5,803,838	18,454,270	7,905,800	5,637,800
General Obligation Debt Issued	-	1,555,000	-	1,520,000
Refunding Bonds Issued	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,682,038</u>	<u>19,884,270</u>	<u>7,780,800</u>	<u>7,077,437</u>
Net change in fund balances	<u>\$ (7,535,016)</u>	<u>\$ 10,626,174</u>	<u>\$ 855,057</u>	<u>\$ 2,840,752</u>
Debt services as a percentage of noncapital expenditures	43.03%	29.06%	25.07%	25.83%

* Capital asset information not available from 2000 through 2002, due to implementation of GASB34.

Table 4

Fiscal Year											
2005		2004		2003		2002		2001		2000	
\$	25,585,444	\$	24,992,262	\$	25,272,124	\$	21,839,759	\$	20,370,817	\$	18,373,139
	11,743,695		11,837,956		9,532,653		8,763,472		8,778,747		8,422,527
	255,577		251,735		261,408		307,056		282,709		270,027
							1,221,268		1,820,061		1,818,825
	10,834,718		9,109,617		9,031,207		6,729,260		12,469,970		13,678,284
	1,151,302		1,012,848		1,092,816		852,716		734,623		680,697
	2,700,089		2,978,520		2,687,527		2,103,194		1,877,079		2,487,025
	473,461		443,136		664,437		610,534		1,095,420		1,221,417
	412,112		228,642		116,888		199,176		136,076		181,153
	53,156,398		50,854,716		48,659,060		42,626,435		47,565,502		47,133,094
	5,703,555		4,800,673		4,560,320		4,356,056		4,244,612		5,162,891
	11,476,343		10,421,427		9,852,175		9,020,892		9,089,757		8,571,300
	122,584		118,839		100,813		107,310		110,388		108,555
	2,443,409		2,101,815		1,055,040		564,103		2,849,302		478,063
	14,791,299		13,754,017		13,119,093		12,220,518		11,828,810		11,068,478
	424,877		398,368		361,562		343,050		377,697		415,102
	12,081,683		11,311,729		10,830,042		11,009,323		10,210,333		9,741,755
	3,281,177		18,381,582		10,503,729		3,562,597		7,325,546		8,957,508
	4,290,159		4,828,539		3,068,213		3,212,748		3,116,752		3,028,939
	2,428,712		1,885,760		3,295,329		1,765,405		1,827,945		1,939,956
	57,043,798		68,002,749		56,746,316		46,162,002		50,981,142		49,472,547
	(3,887,400)		(17,148,033)		(8,087,256)		(3,535,567)		(3,415,640)		(2,339,453)
	12,292,044		(5,642,601)		14,932,692		10,964,208		11,257,197		15,988,069
	(12,372,409)		5,687,236		(13,052,692)		(10,934,208)		(11,227,197)		(15,958,069)
	-		-		5,000		31,150		28,455		24,704
	-		-		-		(358,415)		(212,092)		(280,649)
	1,139,009		767,336		40,243,372		3,753,000		536,658		1,198,115
	-		-		-		-		-		-
	-		-		18,420,000		-		-		-
	-		-		(25,848,027)		-		-		-
	1,058,644		811,971		34,700,345		3,455,735		383,021		972,170
\$	(2,828,756)	\$	(16,336,062)	\$	26,613,089	\$	(79,832)	\$	(3,032,619)	\$	(1,367,283)

21.50%

15.24%

16.73% *

*

*

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	
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
2000	1,718,385	330,002	340,065	490,945	207,819

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>
\$ 5,895,063	\$ 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
3,087,216	0.57	3,886,713	79.43

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>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>	<u>2000</u>
County Direct Rate	\$ 0.530	\$ 0.530	\$ 0.610	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.620	\$ 0.660	\$ 0.630	\$ 0.570
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	0.115	0.115	0.115	0.115	0.125	0.140	0.140	0.140
Ellenboro	0.220	0.220	0.250	0.250	0.250	0.250	0.250	0.280	0.280	0.280
Forest City	0.300	0.290	0.300	0.300	0.280	0.260	0.240	0.240	0.240	0.240
Lake Lure	0.210	0.210	0.280	0.280	0.280	0.280	0.270	0.320	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	0.540	0.540	0.490	0.490	0.490	0.490	0.490	0.490
Spindale	0.560	0.510	0.510	0.510	0.510	0.450	0.450	0.450	0.420	0.420
Special Districts										
Bill's Creek Fire	0.080	0.080	0.080	0.080	0.070	0.070	0.070	0.070	0.070	0.070
Bostic Fire	0.060	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.060	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	0.040	0.060	0.060	0.060	0.060	0.060	0.080	0.080	0.080
Cliffside Fire	0.080	0.070	0.055	0.055	0.045	0.045	0.040	0.040	0.040	0.040
Cliffside Sanitary	0.070	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.020	0.020	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Ellenboro Fire	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
Green Hill Fire	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
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	0.070	0.070	0.070	0.070	0.070	0.070
Sandy Mush Fire	0.050	0.040	0.040	0.040	0.040	0.040	0.030	0.030	0.030	0.030
Shiloh Danieltown Oakland Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Shingle Hollow Fire	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.090	0.100
Union Mills Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050

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

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

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Fiscal Year 2009</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
Watts Regulator	Manufacturing	9,363	8	0.14
Simeus Foods	Manufacturing	8,071	9	0.14
Eaton Corporation	Manufacturing	8,101	10	0.14
Cone Mills Corporation	Textiles			
Stonecutter Mills	Textiles			
MC Acquisition Group	Textiles			
National Textiles Inc	Textiles			
Total		<u><u>\$ 362,340</u></u>		<u><u>6.13</u></u>

Source: Rutherford County Tax Department

Table 7

Fiscal Year 2000		
<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
\$ 137,355	1	4.45
32,227	6	1.04
21,500	9	0.70
19,670	10	1
30,464	7	0.99
33,859	3	1.10
79,827	2	2.59
32,714	5	1.06
33,604	4	1.09
27,083	8	0.88
<u>\$ 448,303</u>		<u>14.54</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
2009	\$ 33,214,431	\$ 31,363,154	94.4	\$ -	\$ 31,363,154	94.4
2008	32,461,482	31,280,218	96.4	699,324	31,979,542	98.5
2007	27,557,905	26,491,335	96.1	838,028	27,329,363	99.2
2006	26,864,829	25,786,091	96.0	904,934	26,691,025	99.4
2005	25,833,919	24,843,268	96.2	848,913	25,692,181	99.5
2004	25,510,187	24,333,704	95.4	1,066,490	25,400,194	99.6
2003	25,696,721	24,565,452	95.6	1,002,441	25,567,893	99.5
2002	22,245,921	21,218,393	95.4	935,285	22,153,678	99.6
2001	20,680,487	19,787,900	95.7	823,982	20,611,882	99.7
2000	18,567,515	17,774,198	95.7	740,332	18,514,530	99.7

(1) Includes general fund and special districts.

Source: Rutherford County Tax Department

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

Fiscal Year	Population in thousands (Estimated)	Governmental Activities		
		General Obligation Bonds	Installment Purchase (1)	Capital Leases
2000	60	\$ 23,950,000	\$ 8,860,000	\$ 1,988,725
2001	63	21,365,000	8,670,000	1,823,631
2002	63	19,145,000	11,920,000	1,333,883
2003	63	18,420,000	40,642,500	1,482,549
2004	64	16,050,000	39,707,500	1,382,678
2005	63	13,765,000	38,395,000	1,704,028
2006	64	13,010,000	41,104,419	1,876,214
2007	64	10,675,000	44,953,677	2,274,211
2008	63	9,975,000	57,668,467	3,963,343
2009	63	7,720,000	58,074,856	4,758,537

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>		
\$	-	\$	1,246,270	\$	36,044,995	2.83%	600.75
	-		1,079,228		32,937,859	2.45%	522.82
	-		1,079,228		33,478,111	2.42%	531.40
	-		988,986		61,534,035	4.41%	976.73
	-		893,944		58,034,122	4.03%	906.78
	-		793,847		54,657,875	3.67%	867.59
	-		688,426		56,679,059	3.70%	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	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)
2000	\$ 23,950,000	\$ -	\$ 23,950,000	0.42%	398.24
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

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 97 for property value data.

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

Rutherford County, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Ellenboro	\$ 164,500	100.00	\$ <u>164,500</u>
Subtotal, overlapping debt			164,500
Rutherford County direct debt - general obligation	7,720,000	100.00	7,720,000
Rutherford County direct debt - other outstanding (1)	63,131,653	100.00	<u>63,131,653</u>
			<u>70,851,653</u>
Total direct and overlapping debt			<u>\$ 71,016,153</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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Assessed value of property	\$ 3,087,216,060	\$ 3,134,189,340	\$ 3,211,673,362	\$ 3,929,689,345
Debt limit	246,977,285	250,735,147	256,933,869	314,375,148
Total net debt applicable to limit	23,590,000	21,365,000	19,145,000	60,556,191
Legal debt margin	<u>\$ 223,387,285</u>	<u>\$ 229,370,147</u>	<u>\$ 237,788,869</u>	<u>\$ 253,818,957</u>
Total net debt applicable to the limit as a percentage of debt limit	9.55%	8.52%	7.45%	19.26%

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 3,900,697,986	\$ 3,952,493,750	\$ 4,101,537,258	\$ 4,268,223,139	\$ 5,763,453,025	\$ 5,895,063,019
312,055,839	316,199,500	328,122,981	341,457,851	461,076,242	471,605,042
57,140,177	53,864,028	55,990,633	58,234,288	71,921,640	70,851,653
<u>\$ 254,915,662</u>	<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>
18.31%	17.03%	17.06%	17.05%	15.60%	15.02%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value - January 1, 2008	<u>\$ 5,895,063,019</u>
Debt Limit (8% of total assessed value)	\$ 471,605,042
Debt applicable to limit:	
General obligation bonds	7,720,000
Other outstanding debt	<u>63,131,653</u>
Net debt applicable to limit	<u>70,851,653</u>
Legal debt margin	<u>\$ 400,753,389</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)
2000	60,140	\$ 1,275,797	\$ 21,214	38.10	10,088	7.5
2001	62,899	1,341,746	21,332	38.50	10,069	7.2
2002	63,397	1,385,954	21,862	38.87	10,079	11.3
2003	63,432	1,396,617	22,071	39.15	10,038	10.0
2004	63,861	1,438,323	22,646	39.49	9,967	10.9
2005	63,397	1,491,218	23,731	39.87	9,882	8.7
2006	63,771	1,529,934	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	<i>not available</i>		39.69	9,298	15.3

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

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

(3) NC Office of State Budget and Management.

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

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

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

Table 14

Employer	<u>2009</u>			<u>2000</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>
Watts Regulator Co	347	1	1.13%			
AGI Schutz - Forest City	250	2	0.81%			
Timken - Shiloh Plant	250	3	0.81%			
First Choice Armor	210	4	0.68%			<i>information not available</i>
Trelleborg - Grace Plant (formerly Reeves)	196	5	0.64%			
United Southern Industries, Inc	185	6	0.60%			
Parker Hannifin Corporation	180	7	0.58%			
Tanner Companies LLC	154	8	0.50%			
Truck Service, Inc	140	9	0.45%			
Eaton	136	10	0.44%			
Sonoco Molded Plastics	135	10	0.44%			
Total	2,183		7.09%			

NON-MANUFACTURING

Employer	<u>2009</u>			<u>2000</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)	1,450	1	4.71%			
Rutherford Hospital	852	2	2.77%			
State of North Carolina	657	3	2.13%			<i>information not available</i>
Rutherford County - Local Government	495	4	1.61%			
Walmart	380	5	1.23%			
Total	3,834		12.45%			

Source: Economic Development Commission October 2009

(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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government	68.73	66.00	64.00	65.00	63.00
Public safety	175.27	174.00	159.00	142.00	141.00
Environmental Protection	2.00	3.00	3.00	3.00	3.00
Economic and Physical Development	12.00	11.00	10.00	11.00	11.00
Human Services	118.27	118.00	115.00	115.50	109.50
Cultural and Recreational	9.00	9.00	8.00	6.00	5.00
Enterprise Fund - Transit	9.00	8.00	8.00	8.00	8.00
Enterprise Fund - Solid Waste	17.00	17.00	17.00	17.00	17.00
Total	<u><u>411.27</u></u>	<u><u>406.00</u></u>	<u><u>384.00</u></u>	<u><u>367.50</u></u>	<u><u>357.50</u></u>

Source: Rutherford County Finance Office

Table 15

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
61.00	61.00	63.00	62.00	61.00
138.00	136.00	136.00	132.00	134.00
2.00	2.00	2.00	2.00	2.00
11.00	11.00	10.00	10.00	10.00
106.50	104.50	104.50	99.00	98.38
5.00	5.00	5.00	6.00	6.00
7.00	7.00	7.00	6.00	6.00
18.00	18.00	18.00	17.00	17.00
<u>348.50</u>	<u>344.50</u>	<u>345.50</u>	<u>334.00</u>	<u>334.38</u>

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

Table 16

Function	Fiscal Year		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<i>General Government</i>			
# Deeds/Deeds of Trusts Processed	6,420	8,717	10,177
Parcel Count	53,904	53,590	52,598
<i>Public Safety</i>			
# Inmates Processed	5,255	5,971	5,576
# Arrests	2,953	3,627	3,093
# Building Permits Issued	469	786	797
<i>Economic and Physical Development</i>			
# of Subdivision Plan Reviews*	34	23	50
<i>Human Services</i>			
# Senior Center Meals Served	83,889	89,453	93,499
# of Medicaid Recipients	12,927	15,454	11,430
<i>Culture</i>			
Library Book Circulation	357,898	330,125	307,922
<i>Enterprise Fund - Transit</i>			
# Trips	56,151	56,317	53,354
<i>Enterprise Fund - Landfill</i>			
Total Tonnage	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>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>	<u>2000</u>
General Government										
County Buildings	33	32	31	31	31	28	28	28	26	26
County Vehicles	230	219	226	235	235	221	226	187	181	172
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	36	36	36	36	36
Public Libraries	3	3	3	3	3	3	3	3	3	3
Education (Not included in the Reporting Entity)										
Elementary Schools	11	11	11	12	12	12	12	12	12	12
Middle Schools	3	3	3	3	3	3	3	3	3	3
High Schools	3	3	3	3	3	3	3	3	3	3
Community Colleges	1	1	1	1	1	1	1	1	1	1
Airport										
Acreage	250	250	250	250	250	250	250	250	250	250
Solid Waste										
Convenience Centers	9	9	9	9	9	9	9	8	7	7
Manned Green Box Sites	1	1	1	1	1	1	1	2	2	2

Sources: Various government departments.

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

To the Board of County Commissioners
Rutherford County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Rutherford County, North Carolina as of and for the year ended June 30, 2009, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rutherford County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Board of Commissioners
Page Two

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

Gould Kellan CPA Group, P.A.

Asheville, North Carolina
November 30, 2009

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

To the Board of Commissioners
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2009. Rutherford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

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

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

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

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

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

Gould Kellan CPA Group, P.A.

Asheville, North Carolina
November 30, 2009

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

To the Board of Commissioners
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. Rutherford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

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

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

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

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

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

Gold Keller CPA Group, P.A.

Asheville, North Carolina
November 30, 2009

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

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:					
Food Stamp Cluster: ²					
Food Stamp Program - Direct Benefit Payment	10.551		\$ 12,695,846	\$ -	\$ -
State Administrative Matching Grants for the Food Stamp Program	10.561		352,991	-	348,162
Total Food Stamp Cluster			<u>13,048,837</u>	<u>-</u>	<u>348,162</u>
Total U.S. Dept. of Agriculture			<u>13,048,837</u>	<u>-</u>	<u>348,162</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Housing Finance Agency					
Community Development Block Grant	14.228		156,999	-	-
HOME Investment Partnerships Program	14.239		190,212	-	-
Total U.S. Dept. of Housing and Urban Development			<u>347,211</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of the Interior</u>					
<u>National Park Service</u>					
American Battlefield Protection Planning Grants	15.926		12,490	-	-
Total U.S. Dept. of the Interior			<u>12,490</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Bulletproof Vest Partnership Program	16.607		9,900	-	-
Partnership & Community Policing Grant	16.710		19,847	-	-
Total U.S. Dept. of Justice			<u>29,747</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
<u>Federal Aviation Administration</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106		162,907	-	-
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction	20.205		6,302	-	-
Formula Grants for Other Than Urbanized Areas	20.509		322,448	31,434	-
Total U.S. Dept. of Transportation			<u>491,656</u>	<u>31,434</u>	<u>-</u>
<u>U.S. Election Assistance Commission</u>					
Passed-through N.C. State Board of Elections					
Help America Vote Act	90.401		38,337	-	-
Total U.S. Election Assistance Commission			<u>38,337</u>	<u>-</u>	<u>-</u>
<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		28,146	-	-
Total U. S. Department of Homeland Security			<u>28,146</u>	<u>-</u>	<u>-</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

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>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		7,435	436	-
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		182,980	10,650	-
Special Programs for the Aging - Title III C					
Nutrition Services	93.045		194,314	11,309	-
Nutrition Services Incentive Program	93.053		46,555	-	-
Total Aging Cluster			431,284	22,395	-
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption</u> ²					
Title IV-E Foster Care - Administration	93.658		404,675	75,688	326,873
Foster Care - Direct Benefit Payments	93.658		235,373	44,046	64,993
Foster Care - Adoption	93.658		483,140	60,700	-
Title IV-E Adoption Assistance - Administration	93.659		89,731	-	89,253
Adoption Assistance - Direct Benefit Payments	93.659		404,367	74,895	103,482
Total Foster Care and Adoption			1,617,286	255,329	584,602
Work First /Temporary Assistance for Needy					
Families (TANF)	93.558		87,939	-	58,974
Work First/TANF-Direct Benefit Payments	93.558		1,260,562	2,659	321,139
AFDC - Direct Benefit Payments	93.560		(1,786)	(770)	(446)
CSE Incentive Recovery	93.563		3,704	(193,835)	195,744
IV-D Administration	93.563		377,212	193,831	491
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		47,505	-	-
Energy Assistance - Direct Benefit Payments	93.568		539,251	-	-
Crisis Intervention Program	93.568		409,135	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Direct Benefit Payments	93.645		-	154,871	51,624
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645		17,611	4,526	1,344
SSBG - Other Service and Training	93.667		229,327	23,770	84,365
Independent Living Grant	93.674		25,434	4,177	-
Family Preservation	93.556		1,665	-	-
Division of Aging and Adult Services:					
SSBG - State In Home Service Fund	93.667		50,337	-	7,191
SSBG - State Adult Day Care	93.667		15,533	13,267	4,114

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Child Development:					
Subsidized Child Care					
<u>Child Care Development Fund Cluster</u> ²					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		103,671	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		725,744	-	-
Child Care and Development Fund -- Mandatory	93.596		286,387	-	-
Child Care and Development Fund -- Match	93.596		548,580	425,971	-
Total Child Care Development Fund Cluster			<u>1,664,382</u>	<u>425,971</u>	-
Social Services Block Grant	93.667		35,065	-	-
TANF	93.558		286,185	7,108	-
Smart Start			-	462,714	-
Total Subsidized Child Care			<u>1,985,632</u>	<u>895,793</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		60,927,868	24,307,051	1,768,751
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		896,615	74,810	820,333
State Children's Insurance Program - N.C. Health Choice	93.767		21,793	2,579	4,631
Total U.S. Dept. of Health and Human Services			<u>68,943,906</u>	<u>26,186,425</u>	<u>3,902,855</u>
Total Federal Awards			<u>82,940,331</u>	<u>26,217,858</u>	<u>4,251,017</u>
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
State Aid to Public Libraries			-	129,728	-
N.C. Arts Council					
Grassroots Arts Program			-	24,517	-
Total N.C. Dept. of Cultural Resources			<u>-</u>	<u>154,245</u>	<u>-</u>
<u>N.C. Housing Finance Agency</u>					
Urgent Repair Program					
Housing Trust Funds			-	75,000	-
Total N.C. Housing Finance Agency			<u>-</u>	<u>75,000</u>	<u>-</u>
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program			-	3,528	-
Scap Tire Program			-	57,849	-
Clean Water Management Trust Fund			-	179,113	-
Division of Pollution Prevention and Environmental Assistance					
Recycling Grants			-	1,521	-
Total N.C. Dept. of Environmental and Natural Resources			<u>-</u>	<u>242,011</u>	<u>-</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Dept. of Health and Human Services</u>					
Passed-through Isothermal Planning and Development Commission:					
Division of Aging and Adult Services					
Senior Center Outreach			-	1,178	-
Senior Center General Fund			-	4,363	-
Total Division of Aging and Adult Services			-	5,541	-
Division of Social Services:					
State Foster Care Benefits Program			-	178,133	125,452
State/County Special Assistance - Administration			-	-	29,283
State/County Special Assistance - Direct Benefit Payments			-	1,022,538	1,022,538
CPS Expansion State			-	245,133	-
DCD Smart Start			-	52,750	-
State Adult Protective Service			-	38,047	-
State Aid to Counties			-	38,482	-
Other County Funded Programs			-	-	359,471
Total Division of Social Services			-	1,575,083	1,536,745
Total N. C. Department of Health and Human Services			-	1,580,624	1,536,745
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs			-	182,036	-
Total N.C. Dept. of Juvenile Justice and Delinquency Prev.			-	182,036	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund					
Corporate Income Tax Collections			-	1,000,000	-
Lottery Proceeds			-	750,000	-
Total N.C. Dept. of Public Instruction			-	1,750,000	-
<u>N.C. Dept. of Transportation</u>					
State Aid to Airports		DOT-8	-	65,926	-
Rural Operating Assistance Program (ROAP)					
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	90,176	-
ROAP Rural General Public Program		DOT-16CL	-	92,841	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	17,462	-
Cherry Mtn. Vol. Firestation Road Access		DOT-18	-	8,000	-
Total N.C. Dept. of Transportation			-	274,405	-
<u>N.C. Dept. of Commerce</u>					
Passed-through N.C. Rural Economic Development Center, Inc.					
Building Re-use and Restoration Grant			-	213,650	-
Total N.C. Dept. of Commerce			-	213,650	-
<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			-	88,576	-
Total N.C. Dept. of Corrections			-	88,576	-
Total State Awards			-	2,523,897	1,536,745
Total Federal and State Awards			\$ 82,940,331	\$ 28,741,755	\$ 5,787,762

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Carolina County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:
Subsidized Child Care, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting List Services,
and Substance Abuse Services.

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? X yes _____none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 X yes _____no

Major federal programs for Rutherford County for the fiscal year ended June 30, 2009 are:

<u>Program Name</u>	<u>CFDA #</u>
Child Care Development Cluster	93.575, 93.596
Title XIX Medicaid	93.778

The threshold for determining Federal Type A programs for Rutherford County is \$2,488,210.

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, 2009

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes X no

- Significant Deficiency(s) identified
that are not considered to be
material weaknesses X yes ___none reported

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

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act X yes ___no

Major State programs (over \$300,000) for Rutherford County for the fiscal year ended June 30, 2009 are:

Program Name

Subsidized Child Care
Title XIX Medicaid
State/County Special Assistance

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

Finding 09-1

Centers for Medicare and Medicaid Services

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

Criteria: Clients must meet certain eligibility requirements in order to receive funding assistance from the Medical Assistance Program.

Condition: Upon review of a sample of active Medicaid participants, we determined that one of the clients received Medicaid assistance without meeting certain eligibility requirements

Questioned Costs: \$105. This amount was determined by requesting from the state of North Carolina the amount of Medicaid expenditures for the ineligible participants for the month in question.

Effect: Two participants received services for which they were not eligible.

Recommendation: Additional staff training and additional file reviews are needed to insure that all clients receiving funding meet all eligibility requirements.

Current Status / Corrective Action plan: The County agrees with this finding. Additional staff training has already taken place as of November 9, 2009 in order to insure all staff members are aware of documentation requirements. The Family and Children’s Supervisor, Pat Brown (828-287-6165), provided this training and is also reviewing additional entry records to insure that the correct program guidelines are being followed.

IV. State Award Findings and Questioned Costs

Finding 09-1 described above.

RUTHERFORD COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the year ended June 30, 2009

Finding: 08-1

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

Status: Current year testing revealed that prior year corrective actions were successful.

