Rutherford County, North Carolina

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

Prepared By

Rutherford County Finance Department

RUTHERFORD COUNTY • NORTH CAROLINA
BLCHTLER
1
RUTHERFORD
APRIL 14 • 1779

INTRODUCTORY SECTION

TABLE OF CONTENTS

	Exhibit	Page(s)
INTRODUCTORY SECTION		
• Letter of Transmittal		i – vi
• Area Map		vii
• Organization Chart		viii
• GFOA Certificate of Achievement		ix
• Principal Officials		x
FINANCIAL SECTION		
• Independent Auditors' Report		1 – 3
• Management's Discussion and Analysis		4 – 15
• Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Fund Net Position	1	16 – 17
Statement of Activities	2	18 – 19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	20 – 21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	22 – 23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	5	24
Statement of Net Position - Proprietary Fund	6	25
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	7	26
Statement of Cash Flows - Proprietary Fund	8	27 – 28
Statement of Fiduciary Net Position - Fiduciary Funds	9	29
Notes to the Financial Statements		30 – 59
Required Supplemental Financial Data		
• Law Enforcement Officers' Special Separation Allowance-Required Supplementary Information		60
Combining and Individual Fund Financial Statements and Schedules:		
• General Fund:		
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual		61 – 64
• Other Major Funds – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:		

Page(s)

- Debt Service Fund 65
- Grant Fund 66
- Grey Rock Capital Project Fund 67
- Queen's Gap Capital Project Fund 68

- Nonmajor Governmental Funds:
  - Combining Balance Sheet 69 – 70
  - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Funds 71 – 72
  - Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:
    - Capital Projects - Other 73
    - Capital Projects – Isothermal Community College Fund 74
    - Emergency Telephone System Fund 75
    - Fire Districts Fund 76
    - Register of Deeds Automation Enhancement Fund 77
    - Grant CDBG Project Fund 78
- Proprietary Fund Types:
  - Enterprise Fund:
    - Combining Schedule of Revenues, Expenses, and Changes in Net Position 79
    - Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) 80
    - Solid Waste Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) 81
    - Internal Service Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) 82
- Agency Funds:
  - Combining Statement of Changes in Assets and Liabilities 83
- Component Unit - Proprietary Fund:
  - Rutherford County Transit Administration - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) 84
  - Statement of Cash Flows 85
- Discretely Presented Component Units:
  - Schedule of Revenues, Expenditures and Changes in Fund Balance:
    - Rutherford County Airport Authority 86
- Other Schedules:
  - Schedule of General Fund Ad Valorem Taxes Receivable 87
  - Analysis of Current Tax Levy - General Fund 88
  - Schedule of Special Districts Ad Valorem Taxes Receivable 89
  - Analysis of Current Tax Levy - Special Districts Levy 90 – 92

STATISTICAL SECTION

	Table	Page(s)
• Net Position By Component	1	93
• Changes in Net Position	2	94
• Fund Balances of Governmental Funds	3	95
• Changes in Fund Balances of Governmental Funds	4	96
• Assessed Value and Actual Value of Taxable Property	5	97
• Direct and Overlapping Property Tax Rates	6	98
• Principal Property Taxpayers	7	99
• Property Tax Levies and Collections	8	100
• Ratio of Outstanding Debt by Type	9	101
• Ratios of General Bonded Debt Outstanding	10	102
• Direct and Overlapping Governmental Activities Debt	11	103
• Legal Debt Margin	12	104
• Demographic and Economic Statistics	13	105
• Principal Employers	14	106
• Full-Time Equivalent County Government Employees by Function	15	107
• Operating Indicators by Function	16	108
• Capital Assets Statistics by Function	17	109

COMPLIANCE SECTION

• 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*	110 – 111
• Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementations Act	112 – 114
• 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	115 – 117
• Schedule of Expenditures of Federal and State Awards	118 – 121
• Schedule of Findings and Questioned Costs	122 – 123
• Summary Schedule of Prior Year Audit Findings	124

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779

BRYAN KING
Chairman
ALAN TONEY
Vice Chairman
MICHAEL BENFIELD
Commissioner
GREG LOVELACE
Commissioner
EDDIE HOLLAND
Commissioner

CARL CLASSEN
County Manager
HAZEL S. HAYNES
Clerk to the Board
PAULA ROACH
Finance Director

Rutherford County

289 North Main Street
Rutherfordton, NC 28139
(828) 287-6060
(828) 287-6262 FAX

December 31, 2014

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, 2014. 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 Transit Authority
Rutherford County Tourism Development 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
Smoky Mountain Center

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

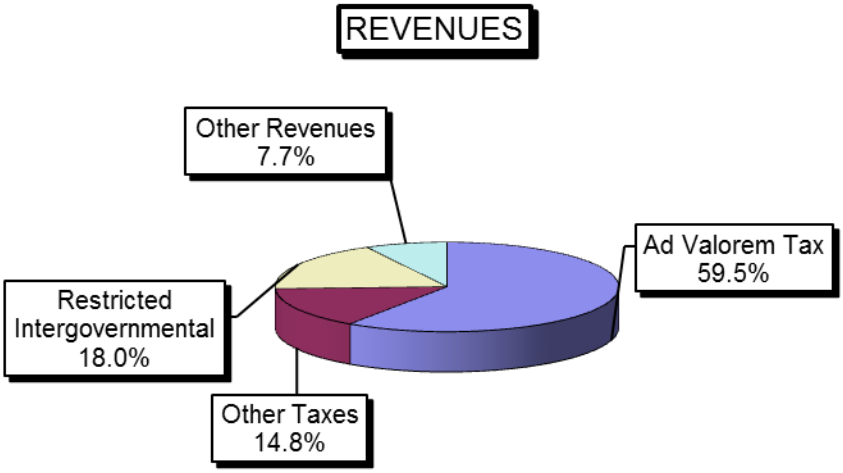
The County's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial 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, 2014. 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 emergency telephone system fund, school capital projects and the fire districts tax distribution.

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

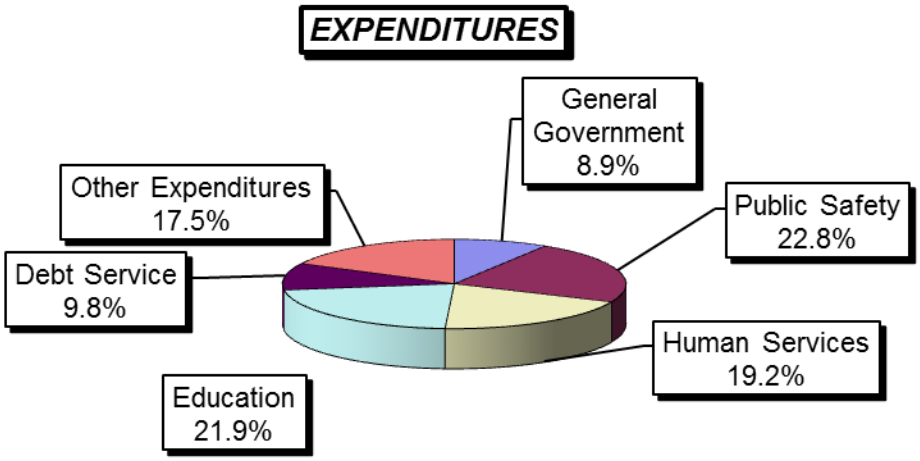


Rutherford County's general governmental sources of revenue decreased by approximately 14.79%, or $11,626,835, mainly due to one-time bond proceeds received in the prior year for Queens Gap.

Ad valorem and restricted intergovernmental revenues are the largest source of revenues for the County accounting for 77.5% of total revenues. Ad valorem taxes account for 59.5% of revenues and increased by $4,699,387 or 13.37% due to increased valuation of the County's top taxpayer Andale LLC and an increased property tax collection rate of 96.45%. The fiscal year 2013-2014 budget was adopted based on a tax rate of 60.7 cents per $100 of value.

Other taxes increased by 2.35% or $228,301. As the economy continues to recover, sales tax revenues have shown a steady increase this past year. The County experienced decreases in the areas of permits and fees and investment earnings during FY 2013-14. Permits and fees increased 8.82%, or $79,679, due largely to the completion and close out of building permit fees related to the construction of Horsehead. In addition, sales and services have increased by 10.02 %, or $360,678, due to EMS fees collected.

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 64% of all expenditures. The following graph illustrates the County's general governmental expenditures in the general, special revenue and debt service funds only:



Total expenditures increased 1.41% as compared to FY 2013-14. This increase was largely a result of the economic development incentive grant for Andale LLC. Debt service expenditures decreased approximately $532,341, or 7%. Debt service decreased mainly due to the additional savings from the 2013 refinancing.

The County’s fund balance available for appropriation as of June 30, 2014 of approximately $14.9 million or 27.9% of general fund expenditures remains comparable to the State-wide average and that of other North Carolina counties in our population group. One of the many reasons that governments retain fund balances is for unforeseen events. The current recession, being described by many as the worst recession since the Great Depression, is one instance where a healthy fund balance for a government can be useful in weathering the economy while still providing the services to its citizens that they have come to expect.

THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 66,956 with a work force of 26,000. The population has decreased by 1.3% since the 2010 census. The goods-producing industry employment has declined over the last decade, while the service industry employment has

increased. The median age has increased to 43.18 as compared to 39.87 a decade ago. The County trend in jobs and population seems to be following the national trends in rural America.

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

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

Other recent announcements included the location of Sunrise USA, Bonita Pioneer and Team Air Inc, as well as, industry expansions at Alliance Precision Plastics, Ameridial and Trelleborg Coated Systems US. 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 peaked at 17.9% in January, 2010 and has been in decline each month since that time with 8.7% being the rate in June, 2014.

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

Another significant industry in the County is travel and tourism. The County tourism industry employs 1,080 people and generates over $119 million in revenues. Over 1,300 rentable units are available to visitors for overnight stays. In addition to traditional hotels, cabins, cottages and houses are for rent –B&Bs are here, as well. Utilizing the 5% occupancy tax revenue to promote the area as a travel, tourism, retirement and convention destination, the Rutherford County Tourism Development Authority (TDA) is the destination management organization for Rutherford County. The TDA invites visitors who are longing to live more simply to come "revisit their senses" here, where "remembered pleasures thrive in abundance." 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."

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, 2013. This was the twenty-fifth 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,

Carl Classen
County Manager

Paula Roach
Finance Director

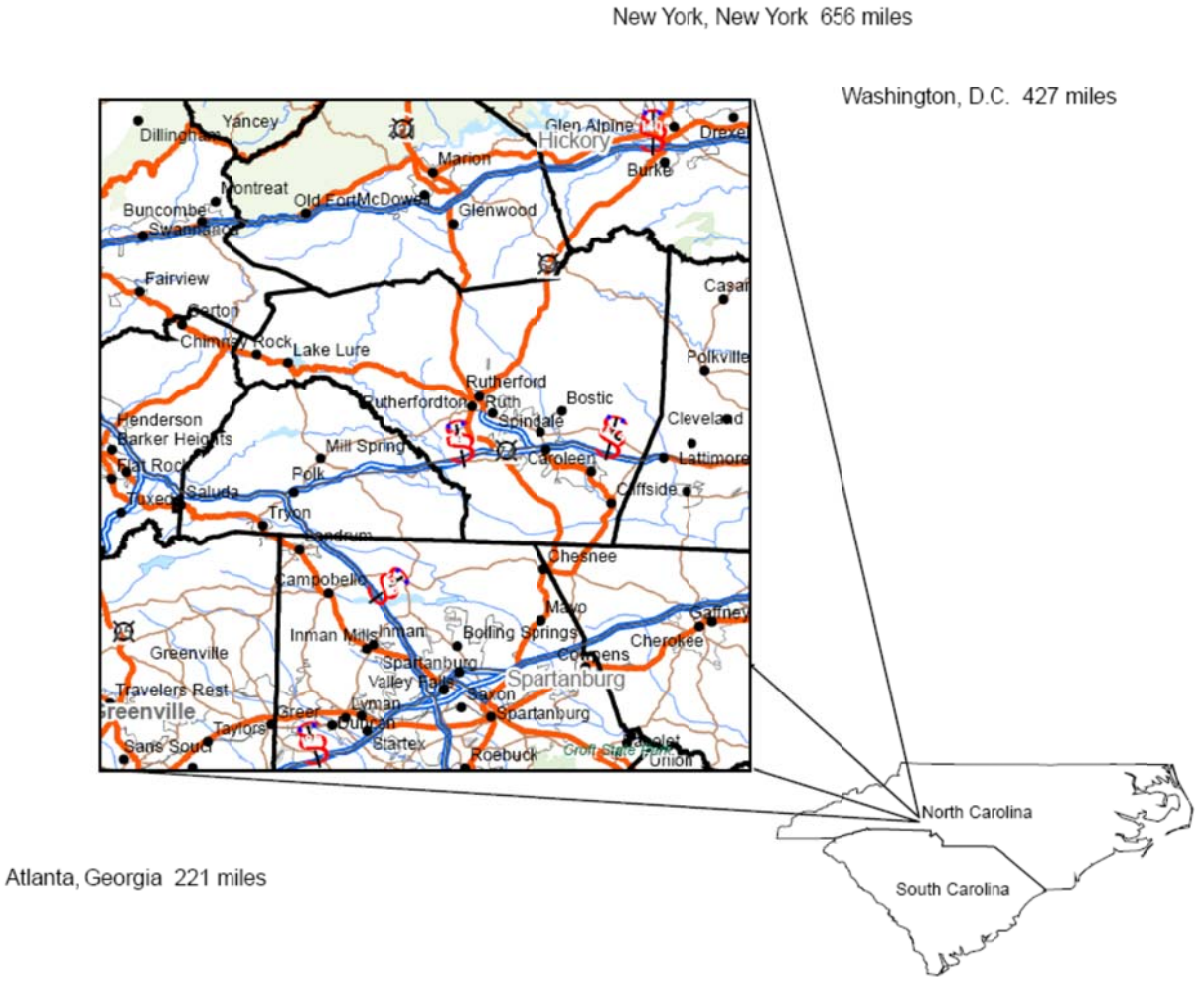
THE COUNTY

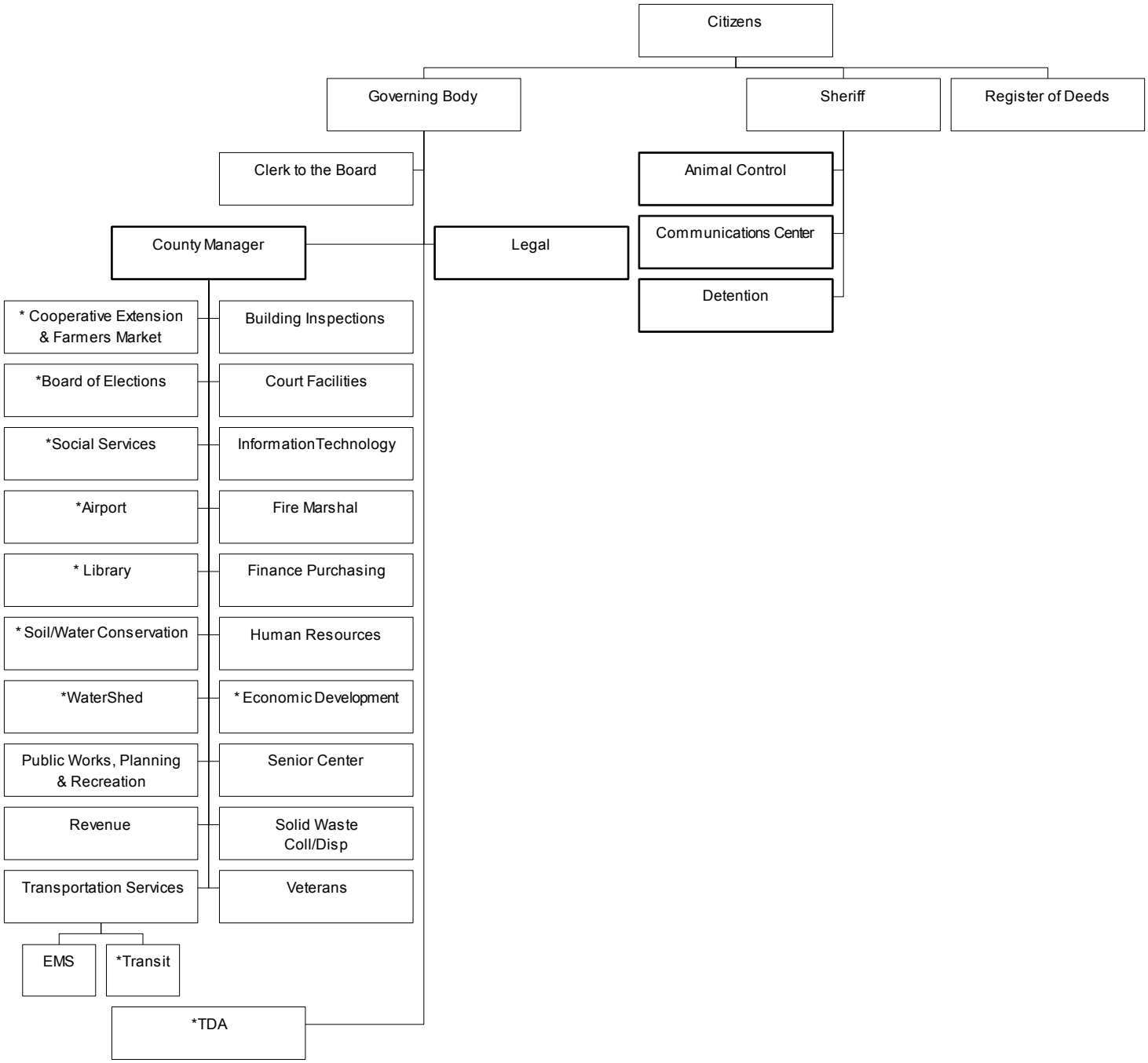
General Description

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

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

50 MILE RADIUS





Note: * Appointed in whole or in part by others

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Rutherford

North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2014

Board of County Commissioners

William Eckler, Chairman

Eddie Holland, Vice Chairman

Greg Lovelace

Julius Owens

Roger Richard

County Manager

Carl Classen

Finance Director

Paula Roach

Assistant Finance Director
RaeAnn Turner

FINANCIAL SECTION

Independent Auditors' Report

Board of Commissioners
Rutherford County
Rutherfordton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Rutherford County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance on pages 4 through 15 and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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 basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2015 on our consideration of Rutherford County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rutherford County's internal control over financial reporting and compliance.

Asheville, North Carolina
January 2, 2015

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779

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, 2014. We encourage readers to review 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

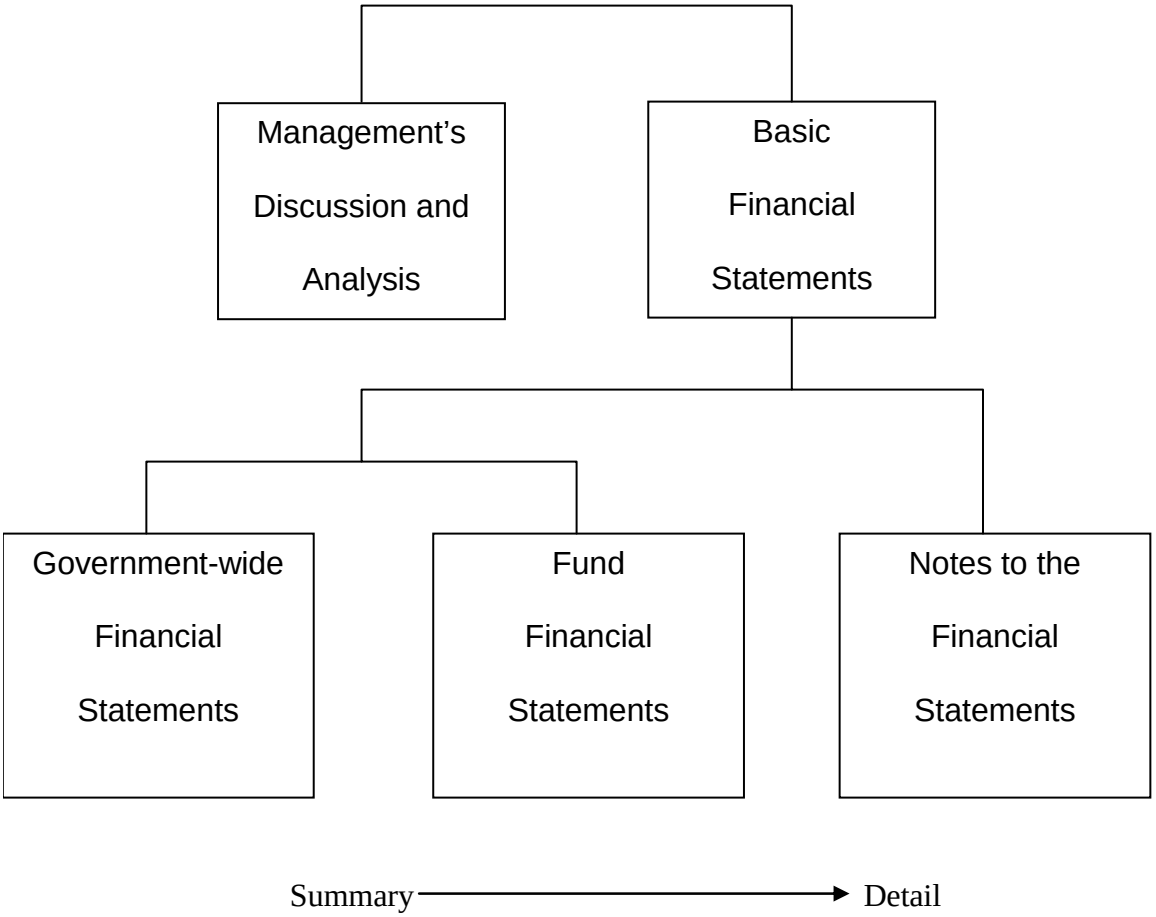
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of $41,333,819 a decrease of $4,573,954 in comparison with the prior year. The combined fund balance consisted of: general fund - $19,953,642 compared to $18,319,784 (2013); nonmajor special revenue funds $4,116,014 compared to $4,072,573 (2012); Grey Rock capital project funds $4,652,698; Queen's Gap capital project fund $10,392,022; grant fund $147,847; and debt service fund $2,071,596.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $12,931,162, or 24% of total general fund expenditures.
- The assets and deferred outflows of resources of Rutherford County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year resulting in a surplus of $44,823,407 (*net position).* This compares to a June 30, 2013 surplus of $45,842,358. In accordance with North Carolina law, liabilities of the County include $7,286,014 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County has reported a net deficit in unrestricted net assets in prior years.
- The government's long-term debt, excluding pension liability, compensated absences and landfill post-closure accrual decreased by $3,707,006.
- The government's total net position decreased by $903,109.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

The government-wide financial statements are divided into the following three 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 tourism development authority, 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 Position 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 Position and the Statement of Activities.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 30 through 59 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 60 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $47,625,018 as of June 30, 2013. The County's net position decreased by $903,159 for the fiscal year ended June 30, 2014, compared to an increase of $13,244,959 in 2013. One of the largest portions $20,127,003 (43.5%) reflects the County's net investment in capital assets (e.g. land, buildings, intangible assets, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County's net position $24,007,228 (53.4%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2014, total unrestricted balance in the amount of $3,694,357 is primarily attributable to the governmental activities unrestricted balance of $3,501,452. In 2013, the amount of net assets investment in capital assets was $16,296,897, with restricted net position standing at $37,395,989, leaving an unrestricted deficit of $5,164,759.

Figure 2

RUTHERFORD COUNTY'S NET POSITION

	Governmental Activities		Business-type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 49,520,483	$ 53,445,349	$ 3,234,315	$ 2,861,765	$ 52,754,798	$ 56,307,114
Capital assets	45,673,717	47,272,692	2,914,144	2,787,465	48,587,861	50,060,157
Total assets	95,194,200	100,718,041	6,148,459	5,649,230	101,342,659	106,367,271
Total deferred outflows of resources	1,342,131	-	-	-	1,342,131	-
Long-term liabilities outstanding	47,693,751	51,272,885	3,108,304	2,645,706	50,802,055	53,918,591
Other liabilities	3,873,730	3,452,499	238,544	317,755	4,112,274	3,770,254
Total liabilities	51,567,481	54,725,384	3,346,848	2,963,461	54,914,329	57,688,845
Total deferred inflows of resources	145,443	150,299	-	-	145,443	150,299
Net position:						
Net investment in capital assets	17,518,297	13,509,432	2,608,706	2,787,465	20,127,003	16,296,897
Restricted	24,007,228	37,395,989	-	-	24,007,228	37,395,989
Unrestricted (deficit)	3,297,882	(5,063,063)	192,905	(101,696)	3,490,787	(5,164,759)
Total net position	$ 44,823,407	$ 45,842,358	$ 2,801,611	$ 2,685,769	$ 47,625,018	$ 48,528,127

The County's unrestricted net position reflects the portion of the County's outstanding debt incurred for the County Board of Education (the "School System"). Under North Carolina law, the County is responsible for providing capital funding for the School System. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets

funded by the County, however, are owned and utilized by the School System. When the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in assets. Sunshine Elementary, Dunbar Elementary, the Isothermal Community College Lifelong Learning Center, and Rutherfordton Elementary are exceptions where the County owns the building. At the end of the fiscal year, $7,286,014 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.

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by increase the County's collection percentage of 96.45% despite a declining economy. This represents a 1.14% increase from fiscal year 2013 when the tax collection percentage for the County was 95.36%.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.
- Continued low cost of debt due to the County's reaffirmed bond ratings and recent refinancings.

Figure 3

RUTHERFORD COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 5,177,801	$ 4,856,999	$ 3,458,856	$ 3,899,557	$ 8,636,657	$ 8,756,556
Operating grants and contributions	11,114,428	9,885,852	635,990	478,885	11,750,418	10,364,737
Capital grants and contributions	862,206	6,393,151	-	198,234	862,206	6,591,385
General revenues:						
Property taxes	39,589,058	35,066,855	-	-	39,589,058	35,066,855
Other taxes	9,925,498	9,697,197	-	-	9,925,498	9,697,197
Other	673,906	12,906,234	6,162	9,570	680,068	12,915,804
Total revenues	67,342,897	78,806,288	4,101,008	4,586,246	71,443,905	83,392,534
Expenses:						
General government	7,100,490	6,247,570	-	-	7,100,490	6,247,570
Public safety	16,891,797	16,148,372	-	-	16,891,797	16,148,372
Environmental protection	132,581	126,715	-	-	132,581	126,715
Economic and physical development	11,783,097	11,752,358	-	-	11,783,097	11,752,358
Human services	13,784,275	13,360,955	-	-	13,784,275	13,360,955
Cultural and recreation	657,004	664,187	-	-	657,004	664,187
Education	16,583,654	15,608,596	-	-	16,583,654	15,608,596
Interest on long-term debt	1,304,665	1,751,472	-	-	1,304,665	1,751,472
Landfill	-	-	4,109,451	4,101,824	4,109,451	4,101,824
Total expenses	68,237,563	65,660,225	4,109,451	4,101,824	72,347,014	69,762,049
Increase (decrease) in net assets before transfers and special items	(894,666)	13,146,063	(8,443)	484,422	(903,109)	13,630,485
Gain (Loss) on disposal of capital assets	-	-	-	-	-	-
Transfers	(124,285)	(125,000)	124,285	125,000	-	-
Increase (decrease) in net assets	(1,018,951)	13,021,063	115,842	609,422	(903,109)	13,630,485
Net Position, July 1	45,842,358	33,420,721	2,685,769	2,076,347	48,528,127	35,497,068
Prior period adjustment	-	(599,426)	-	-	-	(599,426)
Net Position, June 30	$ 44,823,407	$ 45,842,358	$ 2,801,611	$ 2,685,769	$ 47,625,018	$ 48,528,127

Governmental activities. Governmental activities decreased the County's net position by $1,018,951. This compares to an increase of $12,421,637 in 2013. The key elements of this decrease include continued completion of road and utility construction at the Grey Rock and Queen's Gap Developments The government's long-term debt, excluding pension liability, compensated absences, landfill post-closure accrual, and grant repayments decreased by approximately $3,700,000.

Business-type activities. Business-type activities increased Rutherford County's net position by $115,842. The key element of this increase in net position was the County's completion of a renovated transfer station/recycling facility.

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

The County operates a Construction and Demolition (C&D) landfill. As of June 30, 2014 it is estimated that the County has used 59.02 percent of the total estimated capacity of the current phase of this landfill. The County is reviewing options for maximizing the space available for continued C&D landfill operations.

The County has established the following tipping fee system. The tipping fee for C&D is $35 per ton and the tipping fee for all other municipal solid waste is $57 per ton. There is also a $35 per ton tipping fee for brush and $45 per ton fee for metal. In addition, the State established a fee of $2 per ton on municipal solid waste and construction and demolition debris as a result of the North Carolina General Assembly passing the Solid Waste Act of 2007. The statewide solid waste disposal tax must be collected at the Landfill and submitted to the State. The County's household fee is $120 per household per year with a reduced homestead exemption fee of $30 per household per year. Nine convenience centers and one manned green box site are now in operation throughout the County.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Rutherford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Rutherford County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, Rutherford County's fund balance available in the General Fund was $14,871,902, while total fund balance was $19,953,642. The Governing Body of Rutherford County has an informal goal that the County should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 27.6% of General Fund expenditures, while total fund balance represents 37% of that same amount. The County's fund balance as of June 30, 2014 remains comparable to the State-wide average and that of other North Carolina counties in our population group.

At June 30, 2014, the governmental funds of Rutherford County reported a combined fund balance of $41,333,819, a 9.9 percent decrease as compared to last year. The primary reason for this decrease is largely due construction related to the surety bond settlement received for road and utility construction in the Queen's Gap and Grey Rock Developments.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total budget amendments to the General Fund increased revenues by $4,205,414 which represents 7.3% of the original revenue budget.

The main amended increases in the budget were in general government, public safety and human services. Amendments in the areas of general government and public safety were primarily due to capital expenditures that had been appropriated in the previous year but were unexpended in FY 2012-2013 and were therefore carried "re-budgeted" into FY 2013-2014 after the Budget Ordinance was adopted. Amendments in the area of economic and physical development included industrial incentives to Duke Power. The increases in Human Services largely relates to re-budgeted adoption funds and additional program expenditures that were funded through the Department of Social Services. Funds were also appropriated to establish a voice over internet protocol fund to upgrade the County phone system. Expenditures in some functional areas experienced notable positive variances as compared to the budget due to expenditures being curtailed due to the economy. The positive variance in Human Services expenditures correlates with the negative variance in Restricted Intergovernmental Revenue due to lower than anticipated expenditures and therefore, reduced revenues from Federal and State funds in that area. Growth in sales tax and increases ad valorem tax collections helped to offset previously appropriated fund balance.

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 position of the Solid Waste Fund at the end of the fiscal year amounted to $192,905. The total increase in net position was $115,842. 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, 2014, totals $48,587,861 (net of accumulated depreciation). These assets include buildings, land, intangible assets, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchase of new vehicles for Public Safety, General Government and Human Services;
- Purchase of heavy equipment and completion of the transfer station renovation and enhanced recycling project for Solid Waste.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 6,023,099	$ 6,023,099	$ 708,869	$ 708,869	$ 6,731,968	$ 6,731,968
Buildings and system	36,366,041	37,741,863	1,492,075	1,014,679	$ 37,858,116	$ 38,756,542
Improvements other than buildings	269,009	281,907	-	549,683	$ 269,009	$ 831,590
Machinery and equipment	872,736	1,062,132	538,340	275,834	$ 1,411,076	$ 1,337,966
Intangibles	837,124	890,844	-	-	$ 837,124	$ 890,844
Vehicles and motorized equipment	1,305,708	1,272,847	174,860	238,400	$ 1,480,568	$ 1,511,247
Total	$ 45,673,717	$ 47,272,692	$ 2,914,144	$ 2,787,465	$ 48,587,861	$ 50,060,157

Additional information on the County's capital assets can be found in note 2(E) of the Basic Financial Statements beginning on page 42.

Long-term Debt. As of June 30, 2014, Rutherford County had total bonded debt outstanding of $3,932,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation bonds, capital leases, installment purchase and revolving fund debt outstanding is as follows:

Figure 5

RUTHERFORD COUNTY'S OUTSTANDING DEBT

	Governmental Activities		Business-ype Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	$ 3,932,000	$ 4,160,000	$ -	$ -	$ 3,932,000	$ 4,160,000
Capital leases	1,279,409	1,494,993	305,438	-	$ 1,584,847	$ 1,494,993
Installment purchases	40,483,026	43,729,878	-	-	$ 40,483,026	$ 43,729,878
Revolving fund - NCDENR	215,410	231,980	-	-	215,410	231,980
Total	$ 45,909,845	$ 49,616,851	$ 305,438	$ -	$ 46,215,283	$ 49,616,851

Rutherford County's total debt (excluding pension liability, vacation and compensatory pay, landfill postclosure accruals and grant repayments) decreased approximately $4,700,000 during the past fiscal year.

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Rutherford County is approximately $431,000,000. The County has no un-issued authorized bonds at June 30, 2014.

Additional information regarding Rutherford County's long-term debt can be found in note 4 beginning on page 51 of this Comprehensive Annual Financial Report.

Economic Factors and Next Year's Budgets and Rates

In November, 2010 Facebook announced that it would be building a large data center in the County and investing a minimum of $450 million and in October, 2011 Facebook announced the construction of the second data center and additional investment of $450 million. Facebook estimates that it employed approximately 200-250 people during construction of the data centers and that once complete, it will employ at least 50 people in the two data centers. The completion of the Facebook project has also resulted in an increase in industrial incentive payments (budgeted at $4.3 million) which is offset by an increase in property taxes.

In October 2011, Horsehead Corporation, a leading U.S. environmental services provider and producer of specialty zinc and zinc-based products, plans to build a state-of-the-art zinc production facility in Rutherford County. The company plans to create 250 jobs and make a

capital investment of more than $410 million near Forest City. Construction of the plant is complete and production is online. Grants and subsequent reimbursements related to the Horsehead project have been received.

The County has positioned itself for other business expansion opportunities. The County and private developers have developed industrial/business sites and buildings for sale. The County has completed a site-readiness program sponsored by Duke Energy for the shell building in Riverstone Business Park, Rutherford 221 Corporate Center, as well as the county-owned Gateway West site. The current year budget appropriated $650 thousand for grading at Gateway West to provide The County continues to review other sites that offer opportunity for economic growth and sites marketed as a data center location.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The tax rate adopted for fiscal year 2014-2015 was 60.7 cents.

The FY 2014-15 General Fund budget anticipates relatively flat property values reflecting little change in overall values, with the exception of Facebook, and budgeted at a collection rate of 95.36%. The County may only budget property tax revenues based upon the prior fiscal tax collection by State law as compared to the Fiscal Year 2013-14 actual collection rate of 96.45%. Sales tax revenues are projected to increase moderately by 2.5%. Budgeted expenditures and transfers in the General Fund are expected to increase to $57,650,040.

The County expects to maintain its fund balance in the fiscal year ending June 30, 2015 due to conservative revenue estimates and the stabilization of the local economy. As of the fiscal year ended June 30, 2014, Rutherford County has fund balance available for appropriation of approximately $15.03 million or 28.12% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 29.34% of FY 2012-2013 general fund expenditures and, on average state-wide, other North Carolina counties were at 26.77%.

Business – Type Activities: The County rates for landfill services were increased effective August, 2013 and remain the same for tipping fees and annual household user fees in the approved FY 2014-15 budget. The tipping fee structure was analyzed and adjusted in conjunction with the expiration of the contract for MSW transportation out of County which expired December 2010. The current contract expires June 30, 2015. Construction for the transfer station renovation enhanced recycling building was completed summer 2013. Reserves and grant funding were budgeted to complete the project.

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 2014-15 budget the County appropriated some of these funds to continue an extensive recycling program in the County public school system and throughout the County. This includes retaining a part-time recycling coordinator in addition to using these funds as a match to a grant which will be used to purchase two additional recycling compactors for the convenience centers.

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. You can also call (828) 287-6085 or visit our website at www.rutherfordcountync.gov for more information.

BASIC FINANCIAL STATEMENTS

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779

Rutherford County, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Cash and cash equivalents	$ 22,634,180	$ 2,743,952	$ 25,378,132
Receivables (net)	4,581,876	473,173	5,055,049
Due from other governments	4,247,984	17,190	4,265,174
Prepaid items	420,685	-	420,685
Inventories	436,016	-	436,016
Cash and cash equivalents - restricted	16,899,742	-	16,899,742
Note receivable	300,000	-	300,000
Capital assets:			
Land and construction in progress	6,023,099	708,869	6,731,968
Other capital assets, net of depreciation	39,650,618	2,205,275	41,855,893
Total capital assets	45,673,717	2,914,144	48,587,861
Total assets	95,194,200	6,148,459	101,342,659
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	1,342,131	-	1,342,131
LIABILITIES			
Accounts payable and accrued expenses	3,475,246	238,544	3,713,790
Accrued interest payable	398,484	-	398,484
Long-term liabilities:			
Due within one year	6,587,735	117,341	6,705,076
Due in more than one year	41,106,016	2,990,963	44,096,979
Total long-term debt	47,693,751	3,108,304	50,802,055
Total liabilities	51,567,481	3,346,848	54,914,329
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	145,443	-	145,443
NET POSITION			
Net investment in capital assets	17,518,297	2,608,706	20,127,003
Restricted for:			
Stabilization by State statute	4,512,470	-	4,512,470
Debt service	1,907,700	-	1,907,700
Court facilities	86,929	-	86,929
Capital projects	16,676,190	-	16,676,190
Emergency communications	285,453	-	285,453
Register of deeds	242,149	-	242,149
Fire protection	296,337	-	296,337
Unrestricted	3,297,882	192,905	3,490,787
Total net position	$ 44,823,407	$ 2,801,611	$ 47,625,018

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

Exhibit 1

Component Units		
Tourism Development Authority	**Rutherford County Airport Authority**	**Transit Administration**
$ 210,769	$ -	$ 322,043
84,453	-	58,521
-	36,779	1,677
-	23,467	-
-	30,137	-
-	-	-
-	-	-
-	925,804	-
217,680	3,234,996	326,151
217,680	4,160,800	326,151
512,902	4,251,183	708,392
-	-	-
18,445	76,935	72,576
-	-	-
-	-	-
-	-	-
-	-	-
18,445	76,935	72,576
-	440	-
217,680	4,160,800	326,151
84,453	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
192,324	13,008	309,665
$ 494,457	$ 4,173,808	$ 635,816

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

Rutherford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2014

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 7,100,490	$ 1,036,112	$ 1,122,053	$ -
Public safety	16,891,797	3,882,349	337,956	4,382
Environmental protection	132,581	-	24,516	-
Economic and physical development	11,783,097	7,500	176,087	255,371
Human services	13,784,275	251,840	9,383,521	-
Cultural and recreation	657,004	-	70,296	-
Education	16,583,654	-	-	602,453
Interest on long-term debt	1,304,665	-	-	-
Total governmental activities	68,237,563	5,177,801	11,114,429	862,206
Business-type activities:				
Solid waste disposal	4,109,451	3,458,856	635,990	-
Total business-type activities	4,109,451	3,458,856	635,990	-
Total primary government	$ 72,347,014	$ 8,636,657	$ 11,750,419	$ 862,206
Component units:				
Tourism Development Authority	$ 695,045	$ -	$ 604,707	$ -
Rutherford County Airport Authority	754,733	416,390	128,007	58,858
Transit Administration	1,102,445	620,598	398,081	-
Total component units	$ 2,552,223	$ 1,036,988	$ 1,130,795	$ 58,858

General revenues:
Taxes:
Property taxes, levied for general purpose
Local option sales tax
Other taxes and licenses
Investment earnings, unrestricted
Miscellaneous, unrestricted
Total general revenues excluding transfers
Transfers
Total general revenues and transfers
Change in net position

Net position, beginning
Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Rutherford County Airport Authority	Transit Administration
$ (4,942,325)	$ -	$ (4,942,325)			
(12,667,110)	-	(12,667,110)			
(108,065)	-	(108,065)			
(11,344,139)	-	(11,344,139)			
(4,148,914)	-	(4,148,914)			
(586,708)	-	(586,708)			
(15,981,201)	-	(15,981,201)			
(1,304,665)	-	(1,304,665)			
(51,083,127)	-	(51,083,127)			
-	(14,605)	(14,605)			
-	(14,605)	(14,605)			
(51,083,127)	(14,605)	(51,097,732)			
			$ (90,338)	$ -	$ -
			-	(151,478)	-
			-	-	(83,766)
			(90,338)	(151,478)	(83,766)
39,589,058	-	39,589,058	-	-	-
9,925,498	-	9,925,498	-	-	-
263,118	-	263,118	-	-	-
15,268	6,162	21,430	-	-	-
395,519	-	395,519	-	-	-
50,188,461	6,162	50,194,623	-	-	-
(124,285)	124,285	-	-	-	-
50,064,176	130,447	50,194,623	-	-	-
(1,018,951)	115,842	(903,109)	(90,338)	(151,478)	(83,766)
45,842,358	2,685,769	48,528,127	584,795	4,325,286	719,582
$ 44,823,407	$ 2,801,611	$ 47,625,018	$ 494,457	$ 4,173,808	$ 635,816

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

Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major		
	General	**Debt Service**	**Grant Fund**
ASSETS			
Cash and cash equivalents	$ 16,484,225	$ 1,282,414	$ -
Receivables, net	3,472,483	154,803	-
Due from other governments	3,262,895	-	922,472
Due from other funds	647,151	-	-
Prepaid items	411,592	9,093	-
Inventories	436,016	-	-
Cash and cash equivalents - restricted	496,957	625,286	-
Total assets	$ 25,211,319	$ 2,071,596	$ 922,472
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,880,045	$ -	$ 127,474
Due to other funds	-	-	647,151
Total liabilities	1,880,045	-	774,625
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	142,306	-	-
Property taxes and other receivables	3,235,326	-	-
Total deferred inflows of resources	3,377,632	-	-
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	847,608	9,093	-
Restricted:			
Stabilization by State statute	4,147,203	154,803	147,847
Debt service	-	1,907,700	-
Court facilities	86,929	-	-
Capital projects	-	-	-
Emergency communications	-	-	-
Register of deeds	-	-	-
Fire protection	-	-	-
Assigned:			
Subsequent year's expenditures	1,438,799	-	-
HVAC replacement	333,785	-	-
Roof replacement	168,156	-	-
Unassigned	12,931,162	-	-
Total fund balances	19,953,642	2,071,596	147,847
Total liabilities, deferred inflows of resources and fund balances	$ 25,211,319	$ 2,071,596	$ 922,472

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different:
Total fund balances - total governmental funds
Reconciliation to full accrual basis of accounting (see Note 1)
Net position of governmental activities

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

Major (Con't)		Non-major	
Grey Rock Capital Project	**Queen's Gap Capital Project**	**Other Governmental Funds**	**Total Governmental Funds**
$ -	$ -	$ 4,394,061	$ 22,160,700
-	-	315,050	3,942,336
-	-	62,617	4,247,984
-	-		647,151
-	-	-	420,685
-	-	-	436,016
5,195,428	10,582,071	-	16,899,742
$ 5,195,428	$ 10,582,071	$ 4,771,728	$ 48,754,614
$ 542,730	$ 190,049	$ 337,527	$ 3,077,825
-	-	-	647,151
542,730	190,049	337,527	3,724,976
-	-	3,137	145,443
-	-	315,050	3,550,376
-	-	318,187	3,695,819
-	-	-	856,701
-	-	62,617	4,512,470
-	-	-	1,907,700
-	-	-	86,929
4,652,698	10,392,022	1,631,470	16,676,190
-	-	285,453	285,453
-	-	242,149	242,149
-	-	296,337	296,337
-	-	1,597,988	3,036,787
-	-	-	333,785
-	-	-	168,156
-	-	-	12,931,162
4,652,698	10,392,022	4,116,014	41,333,819
$ 5,195,428	$ 10,582,071	$ 4,771,728	$ 48,754,614
			$ 41,333,819
			3,693,158
			$ 45,026,977

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

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major		
	General	**Debt Service**	**Grant Fund**
REVENUES			
Ad valorem taxes	$ 37,177,744	$ -	$ -
Local option sales taxes	3,448,002	5,776,237	-
Restricted intergovernmental	9,593,675	602,453	1,296,068
Permits and fees	823,972	-	-
Sales and services	3,931,785	-	-
Investment earnings	11,254	747	-
Miscellaneous	327,266	-	20,000
Total revenues	55,313,698	6,379,437	1,316,068
EXPENDITURES			
Current:			
General government	6,397,491	-	-
Public safety	13,123,604	-	325,364
Environmental protection	129,024	-	-
Economic and physical development	3,548,319	-	1,018,780
Human services	13,773,350	-	-
Cultural and recreational	589,621	-	30,190
Intergovernmental:			
Education	14,457,301	-	-
Capital outlay:			
Education	1,224,890	-	-
Debt service:			
Principal	583,028	4,711,626	-
Interest and other charges	12,530	1,732,206	-
Total expenditures	53,839,158	6,443,832	1,374,334
Revenues over (under) expenditures	1,474,540	(64,395)	(58,266)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	263,020	43,603	103,097
Transfers to other funds	(850,455)	-	-
Economic loan payments received	100,000	-	-
Proceeds from sale of capital assets	48,253	-	-
Capital lease financing	598,500	-	-
Refunding bond issued	-	11,473,000	-
Payment to refunded bond escrow agent	-	(11,366,646)	-
Total other financing sources (uses)	159,318	149,957	103,097
Net changes in fund balances	1,633,858	85,562	44,831
Fund balances, beginning	18,319,784	1,986,034	103,016
Fund balances, ending	$ 19,953,642	$ 2,071,596	$ 147,847

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different:
Net changes in fund balances - total governmental funds
Reconciliation to full accrual basis of accounting (see Note 1)
Total change in net assets of governmental activities

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

Major (Con't)		Non-major	
Grey Rock Capital Project	**Queen's Gap Capital Project**	**Other Governmental Funds**	**Total Governmental Funds**
$ -	$ -	$ 2,678,941	$ 39,856,685
-	-	701,259	9,925,498
-	-	591,778	12,083,974
-	-	-	823,972
-	-	27,405	3,959,190
-	3,229	37	15,267
-	-	-	347,266
-	3,229	3,999,420	67,011,852
-	-	5,085	6,402,576
-	-	2,903,519	16,352,487
-	-	5,951	134,975
5,030,802	1,354,073	808,054	11,760,028
-	-	-	13,773,350
-	-	-	619,811
-	-	-	14,457,301
-	-	-	1,224,890
-	-	-	5,294,654
-	-	-	1,744,736
5,030,802	1,354,073	3,722,609	71,764,808
(5,030,802)	(1,350,844)	276,811	(4,752,956)
-	-	72,329	482,049
-	-	(305,699)	(1,156,154)
-	-	-	100,000
-	-	-	48,253
-	-	-	598,500
-	-	-	11,473,000
-	-	-	(11,366,646)
-	-	(233,370)	179,002
(5,030,802)	(1,350,844)	43,441	(4,573,954)
9,683,500	11,742,866	4,072,573	45,907,773
$ 4,652,698	$ 10,392,022	$ 4,116,014	$ 41,333,819
			$ (4,573,954)
			3,555,003
			$ (1,018,951)

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

Exhibit 5

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	$ 35,314,060	$ 35,584,909	$ 37,177,744	$ 1,592,835
Local option sales taxes	3,065,889	3,065,897	3,448,002	382,105
Restricted intergovernmental	9,465,477	10,334,589	9,593,675	(740,914)
Permits and fees	806,000	802,947	823,972	21,025
Sales and services	3,846,281	3,569,602	3,931,785	362,183
Investment earnings	35,000	35,000	11,254	(23,746)
Miscellaneous	134,565	230,205	327,266	97,061
Total revenues	52,667,272	53,623,149	55,313,698	1,690,549
Expenditures:				
Current:				
General government	6,818,823	7,329,862	6,397,491	932,371
Public safety	13,208,985	13,740,557	13,123,604	616,953
Environmental protection	95,625	139,384	129,024	10,360
Economic and physical development	3,283,176	3,776,888	3,548,319	228,569
Human services	13,727,791	14,508,482	13,773,350	735,132
Cultural and recreational	659,787	603,518	589,621	13,897
Intergovernmental:				
Education	15,458,316	15,711,516	15,682,191	29,325
Total current expenditures	53,252,503	55,810,207	53,243,600	2,566,607
Debt service:				
Principal retirement			583,028	
Interest and other charges			12,530	
Total debt service	72,443	726,455	595,558	130,897
Total expenditures	53,324,946	56,536,662	53,839,158	2,697,504
Revenues over (under) expenditures	(657,674)	(2,913,513)	1,474,540	4,388,053
Other financing sources (uses):				
Transfers from other funds	1,005,928	1,411,531	263,020	(1,148,511)
Transfers to other funds	(665,435)	(1,668,709)	(850,455)	818,254
Economic loan payments received	-	100,000	100,000	-
Capital lease financing	-	598,500	598,500	-
Proceeds from sale of fixed assets	-	23,600	48,253	24,653
Appropriated fund balances	317,181	2,448,591	-	(2,448,591)
Total other financing sources (uses)	657,674	2,913,513	159,318	(2,754,195)
Revenues and other financing sources over expenditures and other financing uses	$ -	$ -	1,633,858	$ 1,633,858
Fund balance, beginning			18,319,784	
Fund balance, ending			$ 19,953,642	

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

Exhibit 6

Rutherford County, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

	Enterprise Fund	Internal Service Fund
	Solid Waste Disposal Fund	Voice Over Internet Protocol
ASSETS		
Current assets:		
Cash and cash equivalents	2,743,952	473,480
Receivables, net	473,173	2,717
Due from other governments	17,190	-
Total current assets	3,234,315	476,197
Capital assets:		
Land, improvements, and construction in progress	708,869	-
Other capital assets, net of depreciation	2,205,275	-
Total capital assets	2,914,144	-
Total assets	6,148,459	476,197
LIABILITIES		
Current liabilities:		
Accounts payable	238,544	397,421
Current portion of long-term liabilities	117,341	-
Total current liabilities	355,885	397,421
Long-term liabilities:		
Accrued landfill closure and postclosure care costs	2,768,561	-
Long-term debt	222,402	-
Total long-term liabilities	2,990,963	-
Total liabilities	3,346,848	397,421
NET ASSETS		
Net investment in capital assets	2,608,706	-
Unrestricted	192,905	78,776
Total net assets	$ 2,801,611	$ 78,776

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

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779

Exhibit 7

Rutherford County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund	Internal Service Fund
	Solid Waste Disposal Fund	Voice Over Internet Protocol
OPERATING REVENUES		
Charges for services	$ 3,458,856	$ 9,548
Miscellaneous	635,990	-
Total operating revenues	4,094,846	9,548
OPERATING EXPENSES		
Salaries, wages, and fringe benefits	1,206,561	39,220
Maintenance and repairs	139,610	-
Other operating expenses	2,240,014	441,372
Landfill closure and postclosure care costs	225,516	-
Depreciation	296,418	-
Total operating expenses	4,108,119	480,592
Operating income (loss)	(13,273)	(471,044)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	6,162	-
Interest and other charges	(1,332)	-
Total nonoperating revenue (expenses)	4,830	-
Income before transfers	(8,443)	(471,044)
Transfers from other funds, net	124,285	549,820
Change in net position	115,842	78,776
Total net position, beginning	2,685,769	-
Total net position, ending	$ 2,801,611	$ 78,776

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, 2014

	Enterprise Fund	Internal Service Fund
	Solid Waste Disposal Fund	Voice Over Internet Protocol
Cash flows from operating activities:		
Cash received from customers	$ 4,066,321	$ 6,831
Cash paid to employees for services	(1,203,318)	(39,220)
Cash paid for goods and services	(2,530,431)	(43,951)
Net cash provided by (used by) operating activities	332,572	(76,340)
Cash flows from noncapital financing activities:		
Transfers in	124,285	549,820
Due from other governments	1,406	-
Net cash provided by noncapital financing activities	125,691	549,820
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(422,846)	-
Principal paid on long-term debt	(48,562)	-
Proceeds from the issuance of debt	354,000	-
Interest paid on long-term debt	(1,332)	-
Net cash used by capital and related financing activities	(118,740)	-
Cash flows from investing activities:		
Interest and investment revenue	6,162	-
Net cash provided by investing activities	6,162	-
Net increase in cash and cash equivalents	345,685	473,480
Cash and cash equivalents, beginning of year	2,398,267	-
Cash and cash equivalents, end of year	$ 2,743,952	$ 473,480

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

Exhibit 8

	Enterprise Fund	Internal Service Fund
	Solid Waste Disposal Fund	**Voice Over Internet Protocol**
Reconciliation of operating loss to net cash provided by operating activities activities:		
Operating loss	$ (13,273)	$ (471,044)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	296,418	-
Landfill closure and postclosure care costs	157,241	-
Changes in assets and liabilities:		
Increase in receivables	(28,525)	(2,717)
(Decrease) increase in accounts payable and accrued liabilities	(79,289)	397,421
Total adjustments	345,845	394,704
Net cash provided by (used by) operating activities	$ 332,572	$ (76,340)

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

Exhibit 9

Rutherford County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 210,032
Accounts receivable	423
Total assets	210,455
LIABILITIES	
Accounts payable	131,184
Due to other taxing units	79,271
Total liabilities	210,455
NET POSITION	$ -

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

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 ("Financing Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Financing 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 Financing Authority with or without cause. The Financing Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Financing 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.

Rutherford County Airport Authority

The County appoints a majority of the Board of Directors of the Rutherford County Airport Authority (“Authority”). Operations of the Authority are budgeted and administered as a part of the general fund. The Authority does not issue separate financial statements. The Statement of Net Position and Statement of Activities for this governmental activity component unit 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 Position and Statement of Activities include a separate column for this business-type activity.

Rutherford County Tourism Development Authority

The Rutherford County Tourism Development Authority ("Development Authority") was established as a component unit on June 9, 2011 when the North Carolina General Assembly passed Session Law 2011-115, House Bill 414, An Act to Modify the Rutherford County Occupancy Tax. As a result of this amendment, the Tourism Development Authority has issued separate financial statements as a discretely presented component unit of Rutherford County beginning with the fiscal year ended June 30, 2012. The Statement of Net Position and the Statement of Activities for this governmental activity component unit are discretely presented in the separate columns in the government-wide financial statements.

Component Unit	Reporting Method	Separate Financial Statements
Rutherford County Industrial Facility and Pollution Control Financing Authority	Discrete	None issued (no amounts have been presented because no financial transactions or account balances exist).
Rutherford County Airport Authority	Discrete	None issued.
Rutherford County Transit Administration	Discrete	None issued.
Rutherford County Tourism Development Authority	Discrete	Tourism Development Authority 130 West Sixth Street Rutherfordton, NC 28139

(B) **Basis of Presentation – Basis of Accounting**

Basis of Presentation, Measurement Focus - Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (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. 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 non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party

receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

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

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

Grant Fund. This fund accounts for various governmental grants that are restricted for specific purposes.

Grey Rock Capital Project Fund. This fund accounts for the surety bond settlement received and payments made to construct infrastructure in the Grey Rock Development and administration costs. When completed, assets will not be owned by the County.

Queen's Gap Capital Project Fund. This fund accounts for the surety bond settlement received and payments made to construct infrastructure in the Queen's Gap Development and administration costs. When completed, assets will not be owned by the County.

The County reports the following major enterprise fund:

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

The County also reports the following fund types:

Voice Over Internet Protocol Fund. This internal service fund is used to account for the accumulation and allocation of costs associated with the County's voice over internet protocol system and the telecommunications administrator.

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

Non-major Funds. The County maintains six legally budgeted funds. The Capital Projects – Other Fund and the ICC Capital Projects Fund are reported as capital projects funds. The Emergency Telephone System Fund, the Fire Districts Fund, the Register of Deeds Automation Enhancement Fund and the CDBG Grant Fund are reported as non-major special revenue funds.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Enterprise Fund. 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 non-operating revenues and expenses.

Internal Service Fund. The County has appropriated funds for the purpose of acquiring a voice over internet protocol (VOIP). A portion of these funds are also allocated to administrative support related to the VOIP system.

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, 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 is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

(C) **Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Debt Service Fund, Fire Districts Fund, Register of Deeds Automation Enhancement Fund, Isothermal Community College Capital Project Fund, and Solid Waste Disposal Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Fund, Grey Rock Capital Project Fund, Queen's Gap Capital Project Fund, Capital Projects – Other Fund, and the CDBG Grant 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 immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

(D) **Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity**

(1) **Deposits and Investments**

The deposits of the County, Airport Authority, Transit Administration, and Tourism Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, Airport Authority, Transit Administration, and Tourism Development Authority may designate, as an official depository, any bank, or savings association whose principal office is located in North Carolina. The County, Airport Authority, Transit Administration, and Tourism Development Authority 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, Airport Authority, Transit Administration, and Tourism Development Authority 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, Airport Authority, Transit Administration, and Tourism Develop Authority'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:

General Fund:	
Unspent bond proceeds	$ 496,957
Debt Service Fund:	
Unspent bond proceeds	39,341
Reserved for water and sewer	585,945
	$ 625,286
Grey Rock Capital Project Fund:	
Surety bond settlement	$ 5,195,428
Queen's Gap Capital Project Fund:	
Surety bond settlement	$10,582,071

(4) **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, 2013. 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.

(5) **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 and evaluating potential collectability issues for certain troubled receivables.

(6) **Inventories and Prepaid Items**

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(7) **Capital Assets**

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

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

Board of Education. Sunshine Elementary, Dunbar Elementary, the Isothermal Community College Lifelong Learning Center, and Rutherfordton Elementary are exceptions in that the County owns the buildings.

Capital assets of the County, Airport Authority, and Transit Administration are depreciated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	20-50
Improvements	25-39
Intangibles	20
Furniture and equipment	5-7
Vehicles	5
Computer equipment	3

(8) **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only three items that meet the criterion for this category: prepaid taxes, property taxes receivable, and other receivable.

(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 position.

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 and its component units 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 Position/Fund Balances**

Net Position

Net position in government-wide and proprietary fund financial statements are classified net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or

regulations of other governments or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The general fund is the only fund that reports a positive unassigned fund balance amount. The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance- This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Expenditures – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

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

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

Restricted for Debt Service – portion of fund balance that can only be used for debt service payments.

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

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

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

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

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

HVAC replacement – portion of fund balance that has been budgeted by the board for replacement of County HVAC systems throughout the County.

Roof replacement – portion of fund balance that has been budgeted by the board for replacement of various County building roofs throughout the County.

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

Rutherford County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the County.

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of $3,693,158 consists of the following:

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)	$ 74,367,744
Less accumulated depreciation	(28,694,027)
Net capital assets	45,673,717
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	636,823
Long term note receivable recorded on government-wide statement of net position but not on fund statements because it is not a current financial source of funds.	300,000
Net position of internal service fund. .	78,776
Liabilities for deferred inflows of resources recorded in the fund statements but not the government-wide.	3,550,376
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	(44,364,144)
Compensated absences and pension	(1,783,906)
Accrued interest payable	(398,484)
Total adjustment	$ 3,693,158

(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 reconciliation between net changes in fund balances – total governmental funds and changes in net

position of governmental activities as reported in the government-wide statement of activities. The net adjustment of $3,758,573 consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	$ 681,798
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(2,280,774)
Payments received on long term note receivable are recorded as a source of funds on the fund statements; they have no effect on the statements of activities.	(100,000)
New debt issued during the year is recorded as a source of funds on the find statements; it has no effect on the statement of activities – it affects only the government-wide statement of net position.	(12,071,500)
Principal payments on debt owed and payments to refunded bond escrow agent are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements.	16,661,300
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)	(19,264)
Amortization of debt premiums.	558,390
Amortization of deferred charge on refunding.	104,515
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(54,643)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(73,229)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Reversal of deferred interest revenue recorded at July 1, 2013.	(525,380)
Recording of interest revenue deferred in fund statements at June 30, 2014.	636,826
Reversal of deferred tax revenue recorded at July 1, 2013.	(3,065,580)

Recording of tax receipts deferred in the fund statements as of June 30, 2014.	2,686,467
Reversal of other revenues deferred in fund statements at July 1, 2013.	(323,037)
Recording of other revenues deferred in fund statements as of June 30, 2014.	863,908
Net revenues, including transfers, of internal funds determined to be governmental type.	78,776
Total adjustment	$ 3,758,573

(F) **Reclassifications**

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's, Airport Authority's, Transit Administration's, and Tourism Develop Authority'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, Airport Authority, Transit Administration, and Tourism Development Authority'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, Airport Authority, Transit Administration, and Tourism Development Authority, these deposits are considered to the 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, Airport Authority, Transit Administration, Tourism Develop Authority, 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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2014, the County's deposits had a carrying amount of $34,071,155 and a bank balance of $34,547,087. Of the bank balance, $750,000 was covered by federal depository insurance, and $33,797,087 was covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2014 of $2,040.

The Transit Administration's deposits had a carrying amount and bank balance of $322,043 all of which was covered by collateral held under the pooling method.

The Tourism Development Authority had a carrying amount and bank balance of $210,769 all of which was covered by collateral held under the pooling method.

The Fiduciary Funds' deposits had a carrying amount of $210,032 and bank balance of $210,032 all of which was covered by collateral held under the pooling method.

(B) **Investments**

At June 30, 2014, the County's investments consisted of $8,204,679 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, 2014, the County only invested in North Carolina Capital Cash Management Trust's Cash Portfolio and North Carolina Short-Term Investment Fund and as of June 30, 2014, had no investment securities with a counterparty.

A reconciliation of deposits and investments to the government-wide financial statements is as follows:

	Primary Government	Transit Administration	Tourism Development Authority	Fiduciary Funds	Total
Deposits	$ 34,071,155	$ 322,043	$ 210,769	$ 210,032	$ 34,813,999
Cash on hand	2,040	–	–	–	2,040
Investments	8,204,679	–	–	–	8,204,679
	$ 42,277,874	$ 322,043	$ 210,769	$ 210,032	$ 43,020,718

Reported on government-wide statement of net position:

	Primary Government	Transit Administration	Tourism Development Authority
Cash and cash equivalents	$ 25,378,132	$ 322,043	$ 210,769
Restricted cash	16,899,742	–	–
	$ 42,277,874	$ 322,043	$ 210,769

(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
2011	$ 665,810	$ 118,181	$ 783,992
2012	780,678	68,309	848,988
2013	874,171	-	874,171
2014	903,673	-	903,673
Total	$ 3,224,332	$ 186,490	$ 3,410,824

(D) **Receivables**

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental Activities:				
General	$ 3,110,309	$ 6,199,957	$ 3,262,895	$ 12,573,161

Other Governmental	154,803	315,050	985,089	1,454,942
Total receivables	3,265,112	6,515,007	4,247,984	14,028,103
Allowance for doubtful accounts	(2,009,243)	(3,189,000)	-	(5,198,243)
Total – governmental activities	$ 1,255,869	$ 3,326,007	$ 4,247,984	$8,829,860
Business-type Activities:				
Solid waste	$ 500,173	$ -	$ 17,190	$ 517,363
Allowance for doubtful accounts	(27,000)	-	-	(27,000)
Total – business-type activities	$ 473,173	$ -	$ 17,190	$ 490,363

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

Local option sales tax	$ 2,549,959
Other	1,698,025
Total	$ 4,247,984

(E) **Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 6,023,099	$ -	$ -	$ 6,023,099
Total capital assets not being depreciated	6,023,099	-	-	6,023,099
Capital assets being depreciated:				
Buildings	54,350,517	10,408	-	54,360,925
Other improvements	852,847	10,161	-	863,008
Intangibles	1,074,384	-	-	1,074,384
Equipment	6,222,114	194,844	59,777	6,357,181
Vehicles	5,869,078	466,386	646,317	5,689,147
Total capital assets being depreciated	68,368,940	681,799	706,094	68,344,645
Less accumulated depreciation for:				
Buildings	16,608,654	1,386,230	-	17,994,884
Other improvements	570,940	23,059	-	593,999
Intangibles	183,540	53,720	-	237,260
Equipment	5,159,982	384,240	59,777	5,484,445
Vehicles	4,596,231	433,525	646,317	4,383,439
Total accumulated depreciation	27,119,347	2,280,774	706,094	28,694,027
Governmental activities capital assets, net	41,249,593			39,650,618
	$ 47,272,692			$ 45,673,717

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

General government	$ 294,124
Public safety	778,539
Economic and physical development	7,689
Environmental protection	-
Human services	251,469
Cultural and recreational	47,490

Education	901,463
Total depreciation expense	$ 2,280,774

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Solid waste disposal				
Capital assets not being depreciated:				
Land	$ 708,869	$ -	$ -	$ 708,869
Construction in progress	549,683	-	549,683	-
Total capital assets not being depreciated	1,258,552	-	549,683	708,869
Capital assets being depreciated:				
Buildings and improvements	3,416,458	616,742	-	4,033,200
Equipment	1,659,690	356,038	-	2,015,728
Vehicles	595,387	-	-	595,387
Total capital assets being depreciated	5,671,535	972,780	-	6,644,315
Less accumulated depreciation for:				
Buildings and improvements	2,401,779	139,346	-	2,541,125
Equipment	1,383,856	93,532	-	1,477,388
Vehicles	356,987	63,540	-	420,527
Total accumulated depreciation	4,142,622	296,418	-	4,439,040
Total capital assets being depreciated, net	1,528,913			2,205,275
Solid Waste Disposal capital assets, net	$ 2,787,465			$ 2,914,144

Construction commitments

The County has the following commitments with contractors for active construction projects at June 30, 2014:

Project	Spent-to-date	Remaining Commitment
Grey Rock	$ 8,952,382	$ 1,760,155
Queens Gap	769,657	554,442
Total construction commitments	$ 9,722,039	$ 2,314,597

Discretely presented component units

	Beginning Balances	Increases	Decreases	Ending Balances
Airport Authority:				
Capital assets not being depreciated:				
Land	$ 925,804	$ -	$ -	$ 925,804
Construction in progress	27,450	-	27,450	-
Total capital assets not being depreciated	953,254	-	27,450	925,804
Capital assets being depreciated:				
Buildings and improvements	4,906,440	-	-	4,906,440
Equipment	265,801	27,450	-	293,251
Total capital assets being depreciated	5,172,241	27,450	-	5,199,691
Less accumulated depreciation for:				
Buildings and improvements	1,633,542	122,293	-	1,755,835
Equipment	179,969	28,891	-	208,860
Total accumulated depreciation	1,813,511	151,184	-	1,964,695
Airport Authority capital assets, net	3,358,730			3,234,996
	$ 4,311,984			$ 4,160,800

	Beginning Balances	Increases	Decreases	Ending Balances
Transit Administration:				
Capital assets being depreciated:				
Equipment	$ 17,167	$ -	$ -	$ 17,167
Vehicles	1,422,433	-	86,691	1,335,742
Total capital assets being depreciated	1,439,600	-	86,691	1,352,909
Less accumulated depreciation for:				
Equipment	17,167	-	-	17,167
Vehicles	914,824	181,458	86,691	1,009,591
Total accumulated depreciation	931,991	181,458	86,691	1,026,758
Total capital assets being depreciated, net	507,609			326,151
Transit Administration capital assets, net	$ 507,609			$ 326,151

	Beginning Balances	Increases	Decreases	Ending Balances
Tourism Development Authority (TDA):				
Capital assets not being depreciated:				
Construction in progress	$ 169,577	$ 72,290	$ 241,867	$ -
Total capital assets not being depreciated	169,577	72,290	241,867	-
Capital assets being depreciated:				
Buildings and Improvements	-	241,867	-	241,867
Total capital assets being depreciated	-	241,867	-	241,867
Less accumulated depreciation for:				
Buildings and improvements	-	24,187	-	24,187
Equipment	-	-	-	-
Total accumulated depreciation	-	24,187	-	24,187
Total capital assets being depreciated, net	169,577			217,680
Rutherford County TDA net	$ 169,577			$ 217,680

Note 3 – Liabilities

(A) Payables

Payables at the government-wide level at June 30, 2014, were as follows:

	Vendors	Salaries and Accrued Benefits	Interest	Total
Governmental Activities				
General	$ 919,460	$ 960,585	$ -	$ 1,880,045
Other governmental	1,197,780	-	398,484	1,596,264
Internal service fund	397,421	-	-	397,421
Total – governmental activities	$ 2,514,661	$ 960,585	$ 398,484	$ 3,873,730
Business-type Activities				
Solid waste	$ 186,532	$ 52,012	$ -	$ 238,544
Total – business-type activities	$ 186,532	$ 52,012	$ -	$ 238,544

(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 Tourism Development Authority are required to contribute at an actuarially determined rate. For County employees not engaged in law enforcement, Rutherford County Transit Administration employees, and Tourism Development Authority employees, the current rate is 7.07% of annual covered payroll. For County law enforcement officers the current rate is 7.28% of annual covered payroll. The contribution requirements of members and of the County, Rutherford County Transit Administration, and Tourism Development Authority are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were $1,503,060 , $1,384,629, and $1,368,135, respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were $40,815, $29,784, and $30,074, respectively. The Tourism Development Authority contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were $10,068, $15,510, and $12,373, respectively. The Rutherford County Airport Authority's contribution to LGERS for the years ended June 30, 2014, 2013, and 2012 were $3,488, $0, and $0 respectively. The contributions made by the County, Rutherford County Transit Administration, Tourism Development Authority and the Rutherford County Airport Authority 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	77
Total	83

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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.0%. 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, 2012 was 18 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	$ 142,483
Interest on net pension obligation	29,804
Adjustment to annual required contribution	(48,564)
Annual pension cost	123,723
Contributions made	(69,080)
Increase in net pension obligation	54,643
Net pension obligation beginning of year	596,078
Net pension obligation end of year	$ 650,721

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
6/30/14	$ 123,723	55.83%	$ 650,721
6/30/13	122,358	45.66%	596,078
6/30/12	115,001	51.56%	529,590

Funded Status and Funding Progress:
As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $1,347,018. The covered payroll (annual payroll of active employees covered by the plan) was $3,169,636 and the ratio of the UAAL to the covered payroll was 42.50%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2014 were $187,928, which consisted of $159,463 from the County and $28,465 from the law enforcement officers**.**

Supplemental Retirement Income Plan for General Employees

Plan Description: The County, Rutherford County Transit Administration and Rutherford County Tourism Development Authority voluntarily contribute to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees, for all full-time non-law enforcement employees. The Plan provides retirement benefits to employees of the County who are members of the Local Government Employees' Retirement System. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy: The County, Rutherford County Transit Administration, and Tourism Development Authority contribute each month an amount equal to 3.25% 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 Tourism Development Authority 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, 2014 were $583,318, which consisted of $376,262 from the County and $207,056 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2014 were $11,710, which consisted of $8,418 from the Rutherford County Transit Administration and $3,292 from the employees. Contributions for Tourism Development Authority employees for the fiscal year ended June 30, 2014 were $2,983, which consisted of $2,504 from the Tourism Development Authority and $479 from the employees. Contributions for Airport Authority employees were $2,145, which consisted of $867 from the Airport Authority and $1,278 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, 2014, the County paid all annual required contributions to the Plan for postemployment healthcare benefits of $798,233. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2014 were $16,863. Contributions for Tourism Development Authority employees for the fiscal year ended June 30, 2014 were $4,160. Contributions for Airport Authority employees for the fiscal year ended June 30, 2014 were $1,441. These contributions represented 5.40% of covered payroll.

Post-Employment Death Benefits

The County, Rutherford County Transit Administration, and Tourism Development Authority, 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 Tourism Development Authority 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, Airport Authority, nor Tourism Development Authority. The County, Rutherford County Transit Administration, Airport Authority, and Tourism Development Authority, do not determine the number of eligible participants. For the fiscal year ended June 30, 2014, the County made no contributions to the State for death benefits. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively. For the fiscal year ended June 30, 2014, the Rutherford County Transit Administration, Airport Authority, and Tourism Development Authority made no required contributions. 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, 2014, the County's required and actual contributions were $5,172.

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 Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	$ -	$ 142,306
Prepaid taxes not yet earned (Special Revenue)	-	3,137
EMS receivable	847,209	-
Taxes receivable, net (General), less penalties	2,371,417	-
Taxes receivable, net (Special Revenue)	315,050	-
Other receivable, net (General)	16,700	-
	$ 3,550,376	$ 145,443

(D) Risk Management

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

The County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of $250 million for any one occurrence, general, auto, and professional liability coverage of $2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime

coverage of $250,000 per occurrence, and worker's compensation coverage of $750,000 per occurrence. The pools are reinsured through commercial companies for single occurrence losses in excess of $500,000 up to $2 million limit for general liability coverage, physical damage, and crime coverage, and single losses in excess of $750,000 up to $2 million for workers' compensation.

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

The County also participates in the State's Comprehensive Major Medical Plan (also referred to as The State Health Plan), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Participants in the Plan include all full-time agency employees, retired employees, disabled employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). The County pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan. As of June 30, 2014, the program had 404 active participants in the Plan. The plan provides medical coverage with no lifetime maximum. Dental coverage is provided up to a maximum of $1,500 per employee per year other than orthodontics, which is a lifetime maximum of $2,000 per eligible employee. The Insurance Plan Administrators for the fiscal year ended June 30, 2014 were North Carolina State Health Plan for medical and Assurant for dental.

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

In accordance with G.S. 159-29, the County's employees that have access to $100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The finance officer, tax collector and DSS director are each individually bonded for $100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for $50,000.

(E) **Claims and Judgments**

At June 30, 2014, 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, 2014:

Buildings, net	$ 41,267,024
Vehicles, net	5,300,520
Equipment and software, net	3,084,367
	$ 49,651,911

(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:

	Balance July 1, 2013	Additions	Retirements	Balance June 30,2014
Governmental Activities				
Serviced by the General Fund:				
Software/Hardware lease purchase agreement, 2011 $366,902 issue, monthly payments of $6,527, including interest at 1.95% through December, 2015.	$ 190,957	$ -	$ 75,269	$ 115,688
Vehicle and equipment lease purchase agreement, 2011 $362,677 issue, monthly payments of $10,349, including interest at 1.75% through January, 2014	72,020	-	72,020	-
Vehicle and equipment lease purchase agreement, 2013 $1,066,500 issue, monthly payments of $30,036, including interest at 0.897% through January, 2016.	920,085	-	353,636	566,449
Serviced by Debt Service Fund:				
Vehicle and equipment lease purchase agreement, 2013 $1,066,500 issue, monthly payments of $30,036, including interest at 0.897% through January, 2016.	-	598,500	82,103	516,397
Hardware and software lease purchase agreement, 2009 $1,000,000 issue, monthly payments of $18,149 including interest at 2.77% through January, 2014.	125,879	-	125,879	-
Hardware and software lease purchase agreement, 2010 $500,000 issue, monthly payments of $9,093 including interest at 2.855% through March, 2015.	186,052	-	105,177	80,875
Total capital leases	$ 1,494,993	$ 598,500	$ 814,084	$ 1,279,409

For Rutherford County, the future minimum payments as of June 30, 2014, including interest are as follows:

	Governmental Activities	
	Principal	Interest
2015	$ 712,831	$ 10,222
2016	448,856	3,013
2017	117,722	375
Total	$ 1,279,409	$ 13,610

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

	Balance July 1, 2013	Additions	Retirements	Balance June 30,2014
Business-Type Activities				
Capital Leases – Solid Waste Enterprise Fund:				
Vehicle and equipment lease purchase agreement, 2014 $354,000 issue, monthly payments of $9,979 including interest at 0.956% through January 2017.				
Total Capital Lease	$ -	$ 354,000	$ 48,562	$ 305,438

For Rutherford County, the future minimum payments as of June 30, 2014, including interest are:

	Solid Waste Enterprise Fund	
	Principal	Interest
2015	$ 117,341	$ 2,405
2016	118,467	1,279
2017	69,630	222
2018	-	-
Total	$ 305,438	$ 3,906

(B) Installment Purchases

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County 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, 2014 by installment purchases, private placement, certificates of participation (COP's), or limited obligation bonds (LOB's).

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Governmental Activities Serviced by the Debt Service Fund				
Public facilities project certificates of participation, 2003 $7,740,000 issue, interest at 2% to 5.0% due semi-annually to 2023. A portion of this certificate of participation was paid to an escrow agent as part of the 2011 refunding certificates of participation.	$ 420,000	$ -	$ 420,000	$ -
Public facilities project certificates of participation, 2007 $14,680,000 issue, interest at 4% to 5% due semi-annually to 2027. A remaining premium of $174,239 is included and will be amortized over the life of the debt.	12,976,964	-	9,442,725	3,534,239
Refunding certificates of participation, 2011, $22,555,000 issue interest at 2.0% to 5.0%, payable semiannually to 2024. A premium of				

$2,276,960 is included and will be amortized over the life of the debt.	22,257,914	-	1,151,125	21,106,789
Refunding certificates of participation, 2013, $9,790,000 issue interest at 2.190%, payable semiannually, due semiannually to 2028. A discount of $1,347,246 is reported as an decrease to long-term debt and will be amortized over the life of the debt.	-	9,790,000	178,000	10,863,014
Refunding limited obligation bonds, 2012 $8,425,000 issue, interest at 2.0%, due semi-annually to 2024.	8,075,000	-	1,845,000	6,230,000
Total installment purchases	$ 43,729,878	$9,790,000	$ 13,036,852	$40,483,026

For Rutherford County, the future minimum payments as of June 30, 2014, including interest are:

	Governmental Activities	
	Principal	Interest
2015	$ 4,376,149	$ 1,358,185
2016	4,335,306	1,194,232
2017	4,344,270	1,021,276
2018	4,209,494	849,244
2019	4,062,713	688,069
2020/24	15,827,094	1,499,690
2025/28	3,328,000	143,182
Total	$ 40,483,026	$ 6,753,878

(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.

Governmental Activities Serviced by the Debt Service Fund:	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Public utilities DENR water quality loan, 2007 $331,400 issue, interest at 2.305% due semiannually to 2027 .	$ 231,980	$ -	$ 16,570	$ 215,410
Total Revolving Fund - DENR	$ 231,980	$ -	$ 16,570	$ 215,410

For Rutherford County, the future minimum payments as of June 30, 2014, including interest are:

	Governmental Activities	
	Principal	Interest
2015	$ 16,570	$ 4,965
2016	16,570	4,583
2017	16,570	4,201
2018	16,570	3,819

2019	16,570	3,437
2020/24	82,850	11,458
2024/27	49,710	2,292
Total	$ 215,410	$ 34,755

(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.

General Obligation Bonds	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Refunding bonds, 2003A $1,148,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2014 .	$ 785,000	$ -	$ 785,000	$ -
General obligation bonds, 2006 $1,520,000 issue interest at 4.0% to 6.0%, payable semiannually, due serially 2026.	995,000	-	845,000	150,000
General obligation bonds, 2008 $1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028.	1,180,000	-	75,000	1,105,000
Refunding bonds, 2013 $1,683,000 issue interest at 2.020%, payable semiannually, due serially 2026. A discount of $99,400 is reported as a decrease to long-term debt and will be amortized over the life of the debt.	-	1,683,000	106,000	1,577,000
General obligation bonds, 2010 $1,500,000 issue interest at 4.53%, payable semi-annually due serially to 2025.	1,200,000	-	100,000	1,100,000
Total general obligation bonds	$ 4,160,000	$ 1,683,000	$ 1,911,000	$ 3,932,000

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

	Governmental Activities	
	Principal	Interest
2015	$ 349,000	$ 130,210
2016	349,000	117,521
2017	349,000	104,494
2018	345,000	93,357
2019	867,000	224,441
2020/24	1,397,000	146,815
2025/29	276,000	8,674
Total	$ 3,932,000	$ 825,512

(E) Advance Refundings

On July, 23, 2013, the County issued $1,683,000 of Series 2013 General Obligation Bonds to provide resources that were placed in an irrevocable trust for the purpose of paying the principal and interest on an existing $1,654,524 General Obligation Bonds issued in 2002 and 2009. As a result, the

refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The advanced refunding was undertaken to reduce total debt service payments over the next 13 years by $136,794 and resulted in a net present value savings of $115,644. As of June 30, 2014, the defeased debt outstanding amounted to $1,577,000 of General Obligation Bonds. The reacquisition price exceeded the net carrying amount of the old debt by $99,400. This amount is considered and shown as deferred outflow of resources and is amortized over the life of the refunded debt.

On July, 23, 2013, the County issued $9,790,000 of Series 2013 Limited Obligation Bonds to provide resources that were placed in an irrevocable trust for the purpose of paying the principal and interest on an existing $9,712,123 Certificates of Participation issued in 2007. As a result, the refunded certificates are considered to be defeased and the liability has been removed from the statement of net assets. The advanced refunding was undertaken to reduce total debt service payments over the next 15 years by $759,349 and resulted in a net present value savings of $639,834. As of June 30, 2014, the defeased debt outstanding amounted to $9,612,000 of Certificates of Participation. The reacquisition price exceeded the net carrying amount of the old debt by $1,347,246. This amount is considered and shown as deferred outflow of resources and is amortized over the life of the refunded debt.

(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, 2014:

	Long-Term Debt June 30, 2013	Additions	Retirements	Long-Term Debt June 30, 2014	Current Portion of Balance
Governmental Activities					
By type of debt:					
Capital leases	$ 1,494,993	$ 598,500	$ 814,084	$ 1,279,409	$ 712,831
Installment purchase	43,729,878	9,790,000	13,036,850	40,483,026	4,376,149
Revolving fund – DENR	231,980	-	16,570	215,410	16,570
General obligation bonds	4,160,000	1,683,000	1,911,000	3,932,000	349,000
Pension liability	596,078	123,723	69,080	650,721	-
Compensated absences	1,059,956	1,056,641	983,412	1,133,185	1,133,185
Total	$ 51,272,885	$ 13,251,864	$ 16,830,998	$ 47,693,751	$ 6,587,735

	Long-Term Debt June 30, 2013	Additions	Retirements	Long-Term Debt June 30, 2014
By purpose:				
School	$ 36,012,717	$ 10,603,000	$ 13,176,623	$ 33,439,094
General government				
-equipment/vehicles/software	1,183,062	598,500	583,028	1,198,534
-public facilities	8,390,387	-	946,372	7,444,015
-economic development	4,030,685	870,000	1,072,483	3,828,202
Pension liability	596,078	123,723	69,080	650,721
Compensated absences	1,059,956	1,056,641	983,412	1,133,185
Total	$ 51,272,885	$ 13,251,864	$ 16,830,998	$ 47,693,751

Reconciliation:	
Current portion	$ 6,587,735
Subsequent years	41,106,016
	$ 47,693,751

Compensated absences typically have been liquidated in the General Fund. The liability for pension-related debt is fully liquidated by the General Fund.

	Long-Term Debt June 30, 2013	Additions	Retirements	Long-Term Debt June 30, 2014	Current Portion of Balance
Business-type Activities					
Capital lease-equipment	$ -	$ 354,000	$ 48,562	$ 305,438	$ 117,341
Accrued landfill	2,611,320	157,241	-	2,768,561	-
Compensated absences	34,386	26,375	26,456	34,305	-
Total	$ 2,645,706	$ 537,616	$ 75,018	$ 3,108,304	$ 117,341

At June 30, 2014, the County had a legal debt margin of approximately $431,000,000.

(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, 2014, there were no industrial revenue bonds outstanding.

Note 5 – Closure and Postclosure Care Costs

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

Closed Municipal Solid Waste (MSW) Landfill:

Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. Therefore, Rutherford County closed the Rutherford County Central Landfill on December 31, 1997. In accordance with state and federal laws and regulations, the County placed a final cover on this landfill upon its closure and is performing certain maintenance and monitoring functions at this site for thirty years after its closure. The projected postclosure care remaining at June 30, 2014 is $379,103. In addition, the County is now under a corrective action plan for this landfill for which the County has accrued a projected cost of $275,079 as of June 30, 2014. The combined postclosure and corrective action plan liability of $654,182 represents the projected actual costs over the next 16 years based on what it would cost to perform all postclosure care and corrective action in 2014. 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 $1,176,448 reported as of June 30, 2014 representing a cumulative amount reported to date based on the use of 59.02% of the total estimated capacity of this landfill. This amount is based on what it would cost to perform all closure and postclosure care in 2014. The County expects to operate this landfill until the year 2019. In addition, the County is now under a potential assessment and corrective action plan for this landfill for which the County has accrued a projected cost of $937,931 as of June 30, 2014. The projected assessment and corrective costs remaining to accrue as of June 30, 2014 is $1,092,070. This liability of $2,030,001 represents the projected actual costs over the next 30 years based on what it would cost to perform all corrective action in 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 – Interfund Balances and Activities

Transfers to/from other funds during the year ended June 30, 2014 consist of the following:

From	To	For	Amount
General Fund:			
General	Register of Deeds Automation	Accumulate resources for office automation	$ 47,329
General	Grant	Payment for grant matching purposes	63,893
General	Debt Service	Contribution for EMS station	40,128
General	Internal Service Fund	Contribution for phone system	549,105
General	Capital Projects Fund	Capital project contribution	25,000
General	Solid Waste	Transfer for landfill post closure costs	125,000
			$ 850,455
Other Governmental Funds:			
Emergency Telephone	General	Contribution for information technology services	$ 35,707
College Cap.Projects	General	Capital improvements at the community college	227,314
Fire Districts	Debt Service	Hollis VFD contribution to debt service payment	3,475
Capital Projects-Other	Grant	Local match for grants	39,203
			$ 305,699
Proprietary Funds			
Solid Waste Fund	Internal Service Fund	Contribution for phone system	$ 717

Note 7 – Fund Balance

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

Total fund balance – general fund	$ 19,953,642
Less:	
Prepaid items and inventories	847,608
Stabilization by State statute	4,147,203
Court facilities	86,929
Assigned – Subsequent year's expenditures	324,013
Assigned – HVAC replacement	333,785
Assigned – Roof replacement	168,156
Minimum fund balance informal policy	10,767,832
Remaining fund balance	$ 3,278,116

The County has an informal fund balance policy for the General Fund which instructs management to conduct business of the County in such a manner that available fund balance is at least equal to or greater than 20% of actual expenditures.

The County had no outstanding encumbrances at June 30, 2014.

Note 8 - Net Investment in Capital Assets

	Governmental	Business-Type
Capital assets, total	$ 45,673,717	$ 2,914,144
Less: long term debt (county related)	(28,155,420)	(305,438)
	$ 17,518,297	$ 2,608,706

Note 9 – Joint Ventures

(A) Mental Health

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

On September 30, 2013, Western Highlands Network's contract to manage Medicaid ended, meaning Western Highlands will no longer be the local administrator of mental health, substance abuse, and intellectual/developmental disability Medicaid services. Western Highlands Network is consolidating its operations in Buncombe, Henderson, Madison, Mitchell, Polk, Rutherford, Transylvania and Yancey counties with Smoky Mountain Center. Beginning October 1, 2013, Smoky Mountain Center is the new, local Medicaid Health Plan administrator for mental health, substance abuse, and intellectual/developmental disability Medicaid services. Smoky Mountain Center will serve residents of Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Cherokee,Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania,Watauga, Wilkes and Yancey counties.

The eight counties participating in the Smoky Mountain Center are represented by 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, 2014. The County contributed $102,168 to the Authority to fund operations during fiscal year June 30, 2014. Complete financial statements for the Authority may be obtained from the Center’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, 2014. The County contributed $329,700 to the District to fund operations during fiscal year June 30, 2014. 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 $2,181,463 to the Community College

for operating and capital expenditure purposes during the fiscal year ended June 30, 2014. 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, 2014. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

Note 10 – Region C Council of Government (Jointly Governed Organization)

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of $14,777 to the Council during the fiscal year ended June 30, 2014.

Note 11 – Federal and State Assisted Programs

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

Note 12 – Additional Social Welfare Expenditures

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

Medicaid	$ 97,062,418
Special Supplemental Nutrition Program for Women, Infants and Children	1,475,650
Temporary assistance to needy families	591,180
Title IV-E adoption/foster care	953,301
State/County special assistance	688,061
	$ 100,770,610

The Supplemental Nutrition Assistance Program (SNAP), formerly Food Stamp Program, has not been included. Although the County is involved in eligibility determinations, this program does not qualify as a federal award at the county level according to the awarding agency, the USDA, due to the method by which the assistance payments are delivered to recipients by the State.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

RUTHERFORD COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Payroll for Year Ending on Val Date (c)	Covered UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2004	$ -	$ 719,776	$ 719,776	0.00%	$ 2,125,885	33.86%
12/31/2005	-	728,116	728,116	0.00%	2,401,758	30.32%
12/31/2006	-	721,048	721,048	0.00%	2,442,030	29.53%
12/31/2007	-	838,788	838,788	0.00%	2,717,526	30.87%
12/31/2008	-	836,543	836,543	0.00%	2,898,872	28.86%
12/31/2009	-	1,205,264	1,205,264	0.00%	3,223,468	37.39%
12/31/2010	-	1,032,844	1,032,844	0.00%	2,952,299	34.98%
12/31/2011	-	1,081,303	1,081,303	0.00%	2,983,001	36.25%
12/31/2012	-	1,183,001	1,183,001	0.00%	3,019,304	39.18%
12/31/2013	-	1,347,018	1,347,018	0.00%	3,169,636	42.50%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2005	$ 75,293	$ 55,199	73.31%
2006	85,168	56,782	66.67%
2007	84,234	65,090	77.27%
2008	85,358	78,853	92.37%
2009	95,074	62,176	65.40%
2010	96,352	60,449	62.74%
2011	136,999	64,746	47.26%
2012	119,577	59,295	49.59%
2013	128,835	55,870	43.36%
2014	142,483	69,080	48.48%

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	$ 32,388,620	**$ 35,679,443**	$ 3,290,823
Prior years	2,904,289	**1,053,608**	(1,850,681)
Penalties and interest	292,000	**444,693**	152,693
Total	35,584,909	**37,177,744**	1,592,835
Local option sales taxes	3,065,897	**3,448,002**	382,105
Restricted intergovernmental revenues:			
ABC net revenues	12,000	**14,018**	2,018
Court facilities	90,000	**107,338**	17,338
Federal and state grants	10,232,589	**9,472,319**	(760,270)
Total	10,334,589	**9,593,675**	(740,914)
Permits and fees:			
Building permits	252,001	**283,984**	31,983
Register of deeds	290,003	**273,601**	(16,402)
Marriage license	12,001	**10,675**	(1,326)
Revenue stamps	184,942	**189,010**	4,068
Video programming tax	44,000	**42,248**	(1,752)
Other fees	20,000	**24,454**	4,454
Total	802,947	**823,972**	21,025
Sales and services:			
Rents, concessions and fees	295,020	**348,164**	53,144
Sheriff's fees	298,745	**335,579**	36,834
Senior center meals	62,222	**74,751**	12,529
EMS fees	2,405,765	**2,646,599**	240,834
Court costs, fees and charges	82,000	**86,812**	4,812
Detention center fees	355,500	**359,300**	3,800
Tax collection fees	47,350	**42,561**	(4,789)
Advantage west reimbursement	-	**7,500**	7,500
Animal shelter fees	23,000	**30,519**	7,519
Total	3,569,602	**3,931,785**	362,183
Investment earnings	35,000	**11,254**	(23,746)
Miscellaneous	230,205	**327,266**	97,061
Total revenues	53,623,149	**55,313,698**	1,690,549

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Expenditures:			
General Government:			
Governing body	399,320	**358,368**	40,952
Manager	156,279	**151,984**	4,295
Board of elections	261,584	**241,619**	19,965
Finance and purchasing	396,621	**398,708**	(2,087)
Information technology	1,350,122	**1,128,331**	221,791
Revenue Department	1,597,137	**1,375,752**	221,385
Legal	124,695	**120,653**	4,042
Register of deeds	275,923	**255,932**	19,991
Human Resources	294,993	**259,075**	35,918
Public buildings / recreation	1,866,374	**1,677,085**	189,289
County garage	177,493	**113,539**	63,954
Court facilities	187,716	**127,627**	60,089
Special allocations	241,605	**188,818**	52,787
Total general government	7,329,862	**6,397,491**	932,371
Public Safety:			
Sheriff's department	5,332,004	**5,025,073**	306,931
College security officer	127,781	**121,366**	6,415
Detention center	2,510,471	**2,506,422**	4,049
Communications	1,127,107	**1,057,572**	69,535
Inspections	369,808	**342,499**	27,309
Coroner	46,000	**44,900**	1,100
Emergency services	3,835,729	**3,646,001**	189,728
Special allocations	13,090	**13,090**	-
Fire Prevention	154,854	**151,823**	3,031
Animal control	223,713	**214,858**	8,855
Total public safety	13,740,557	**13,123,604**	616,953
Environmental Protection:			
Soil conservation	117,834	**112,896**	4,938
Watershed	21,550	**16,128**	5,422
Total environmental protection	139,384	**129,024**	10,360

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Economic and Physical Development:			
Agricultural extension	215,386	**209,970**	5,416
Farmers market	16,079	**8,687**	7,392
Forestry	94,375	**64,467**	29,908
Airport Authority	136,223	**138,956**	(2,733)
Economic Development Commission	3,314,825	**3,126,239**	188,586
Total economic and physical development	3,776,888	**3,548,319**	228,569
Human Services:			
Contribution to District Health	329,700	**329,700**	-
Contribution to Mental Health	102,168	**102,168**	-
Drug Court	24,044	**-**	24,044
Veterans service officers	98,711	**97,560**	1,151
Special appropriation	(52,009)	**(71,052)**	19,043
Social services administration	7,084,823	**6,918,775**	166,048
Social services programs	6,222,899	**5,731,228**	491,671
Senior citizens center	288,676	**259,354**	29,322
Meals program	409,470	**405,617**	3,853
Total human services	14,508,482	**13,773,350**	735,132
Cultural and recreational:			
Libraries	564,036	**554,971**	9,065
Heritage, culture and recreation	39,482	**34,650**	4,832
Total cultural and recreational	603,518	**589,621**	13,897
Education:			
Public schools:			
Current expenditures	12,499,713	**12,499,713**	-
Capital outlay	1,001,015	**1,001,015**	-
Community college:			
Current expenditures	1,957,588	**1,957,588**	-
Capital outlay	253,200	**223,875**	29,325
Total education	15,711,516	**15,682,191**	29,325

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Debt Service:			
Principal retirement		**583,028**	
Interest and fees		**12,530**	
Total debt service	726,455	**595,558**	130,897
Total expenditures	56,536,662	**53,839,158**	2,697,504
Revenues over (under) expenditures	(2,913,513)	**1,474,540**	4,388,053
Other Financing Sources (Uses):			
Transfers:			
From other funds	1,411,531	**263,020**	(1,148,511)
To other funds	(1,668,709)	**(850,455)**	818,254
Economic loan payments received	100,000	**100,000**	-
Capital lease financing	598,500	**598,500**	-
Proceeds from sale of fixed assets	23,600	**48,253**	24,653
Appropriated fund balance	2,448,591	**-**	(2,448,591)
Total other financing sources (uses)	2,913,513	**159,318**	(2,754,195)
Net change in fund balance	$ -	**1,633,858**	$ 1,633,858
Fund balances:			
Beginning of year		**18,319,784**	
End of year		**$ 19,953,642**	

OTHER GOVERNMENTAL FUNDS

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, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues:			
Sales tax	$ 5,776,237	**$ 5,776,237**	$ -
Lottery funds	620,000	**602,453**	(17,547)
Taps fees	2,500	**-**	(2,500)
Investment earnings	750	**747**	(3)
Total revenues	6,399,487	**6,379,437**	(20,050)
Expenditures:			
Debt service:			
Principal retirement	4,582,733	**4,711,626**	(128,893)
Interest	1,825,982	**1,628,233**	197,749
Bond issuance costs	199,519	**103,973**	95,546
Total expenditures	6,608,234	**6,443,832**	164,402
Revenues over (under) expenditures	(208,747)	**(64,395)**	144,352
Other Financing Sources:			
Transfers in			
General fund	(1,017,682)	**-**	1,017,682
Fire District fund	73,475	**43,603**	(29,872)
Refunding bond issued	11,473,000	**11,473,000**	-
Payment to refunded bond escrow agent	(11,283,981)	**(11,366,646)**	(82,665)
Reserve for future debt service payments	(3,250)	**-**	3,250
Fund balance appropriated	967,185	**-**	(967,185)
Total other financing sources	208,747	**149,957**	(58,790)
Net change in fund balance	$ -	**85,562**	$ 85,562
Fund balance, beginning of year		**1,986,034**	
Fund balance, end of year		**$ 2,071,596**	

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, 2014

		Actual through June 30, 2014			Variance
	Authorization	Prior Years	**Current Year**	Total to Date	Positive (Negative)
Revenues:					
Restricted intergovernmental	$ 7,599,429	$ 5,622,980	**$ 1,296,068**	$ 6,919,048	$ (680,381)
Miscellaneous	20,009	8	**20,000**	20,008	(1)
Total revenues	7,619,438	5,622,988	**1,316,068**	6,939,056	(680,382)
Expenditures:					
Public safety	666,434	332,219	**325,364**	657,583	8,851
Economic and physical development	6,961,562	4,554,063	**1,018,780**	5,572,843	1,388,719
Cultural and recreational	140,570	711,340	**30,190**	741,530	(600,960)
Total expenditures	7,768,566	5,597,622	**1,374,334**	6,971,956	796,610
Revenues (under) over expenditures	(149,128)	25,366	**(58,266)**	(32,900)	116,228
Other Financing Sources:					
Transfers in (out):					
General Fund	69,483	77,650	**63,893**	141,543	72,060
Capital Projects-Other Fund	79,645	-	**39,204**	39,204	(40,441)
	149,128	77,650	**103,097**	180,747	31,619
Net change in fund balance	$ -	$ 103,016	**44,831**	$ 147,847	$ 147,847
Fund balance, beginning of year			**103,016**		
Fund balance, end of year			**$ 147,847**		

RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND - GREY ROCK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2014

		Actual through June 30, 2014			Variance
	Project Authorization	Prior Years	**Current Year**	Total To Date	Positive (Negative)
Revenues:					
Surety bond settlement	$ 15,250,000	$ 15,250,000	**$ -**	$ 15,250,000	$ -
Expenditures:					
Economic and physical development:					
Land development	15,250,000	5,566,500	**5,030,802**	10,597,302	4,652,698
Total expenditures	15,250,000	5,566,500	**5,030,802**	10,597,302	4,652,698
Revenues over (under) expenditures	$ -	$ 9,683,500	**(5,030,802)**	$ 4,652,698	$ 4,652,698
Fund balance, beginning of year			**9,683,500**		
Fund balance, end of year			**$ 4,652,698**		

RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND - QUEEN'S GAP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
From inception and for the year ended June 30, 2014

		Actual through June 30, 2013			Variance
	Project Authorization	Prior Years	**Current Year**	Total To Date	Positive (Negative)
Revenues:					
Surety bond settlement	$ 12,100,000	$ 12,100,000	**$ -**	$ 12,100,000	$ -
Investment earnings	-	4,446	**3,229**	7,675	7,675
Total revenues	12,100,000	12,104,446	**3,229**	12,107,675	7,675
Expenditures:					
Economic and physical development:					
Land development	12,100,000	361,580	**1,354,073**	1,715,653	10,384,347
Total expenditures	12,100,000	361,580	**1,354,073**	1,715,653	10,384,347
Revenues over (under) expenditures	$ -	$ 11,742,866	**(1,350,844)**	$ 10,392,022	$ 10,392,022
Fund balance, beginning of year			**11,742,866**		
Fund balance, end of year			**$ 10,392,022**		

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Capital Projects	
	Capital Projects - Other Fund	ICC Capital Projects Fund
Assets:		
Cash and cash equivalents	$ 1,431,919	$ 293,924
Taxes receivable, net	-	-
Intergovernmental receivable	15,420	-
Total assets	$ 1,447,339	$ 293,924
Liabilities:		
Accounts payable and accrued liabilities	$ 97,571	$ -
Deferred Inflows of Resources:		
Prepaid taxes	-	-
Property taxes receivable	-	-
Total deferred inflows of resources	-	-
Fund Balances:		
Restricted:		
Stabilization by State Statute	15,420	-
Capital projects	1,334,348	293,924
Emergency communications	-	-
Fire protection	-	-
Register of deeds	-	-
Assigned:		
Subsequent year's expenditures	-	-
Total fund balance	1,349,768	293,924
Total liabilities, deferred inflows of resources, and fund balances	$ 1,447,339	$ 293,924

Emergency Telephone System Fund	Special Revenue Funds: Fire Districts Fund	Special Revenue Funds: Register of Deeds Automation Enhancement Fd	Special Revenue Funds: CDBG Grant Fund	Total Nonmajor-Governmental Funds
$ 439,670	$ 1,928,674	$ 296,676	$ 3,198	$ 4,394,061
-	315,050	-	-	315,050
44,751	39	2,407	-	62,617
$ 484,421	$ 2,243,763	$ 299,083	$ 3,198	$ 4,771,728
$ 33,229	$ 206,388	$ 339	$ -	$ 337,527
-	3,137	-	-	3,137
-	315,050	-	-	315,050
-	318,187	-	-	318,187
44,751	39	2,407	-	62,617
-	-	-	3,198	1,631,470
285,453	-	-	-	285,453
-	242,149	-	-	242,149
-	-	296,337	-	296,337
120,988	1,477,000	-	-	1,597,988
451,192	1,719,188	298,744	3,198	4,116,014
$ 484,421	$ 2,243,763	$ 299,083	$ 3,198	$ 4,771,728

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2014

	Capital Projects	
	Capital Projects - Other Fund	ICC Capital Projects Fund
Revenues:		
Ad valorem taxes	$ 519,367	$ -
Local option sales tax	-	162,064
Restricted intergovernmental	-	-
Investment earnings	-	37
Donations	27,405	-
Total revenues	546,772	162,101
Expenditures:		
General government	-	-
Public safety	-	-
Environmental protection	-	-
Economic and physical development	660,753	-
Total expenditures	660,753	-
Revenues over (under) expenditures	(113,981)	162,101
Other Financing Sources (Uses):		
Transfers:		
From other funds	25,000	-
To other funds	(39,203)	(227,314)
Total other financing sources (uses)	(14,203)	(227,314)
Net change in fund balance	(128,184)	(65,213)
Fund balance, beginning of year	1,477,952	359,137
Fund balance, end of year	$ 1,349,768	$ 293,924

Emergency Telephone System Fund	Special Revenue Funds: Fire Districts Fund	Special Revenue Funds: Register of Deeds Automation Enhancement Fd	Special Revenue Funds: Grant CDBG Project Fund	Total Nonmajor-Governmental Funds
$ -	$ 2,159,574	$ -	$ -	$ 2,678,941
-	539,195	-	-	701,259
441,279	-	-	150,499	591,778
-	-	-	-	37
-	-	-	-	27,405
441,279	2,698,769	-	150,499	3,999,420
-	-	5,085	-	5,085
307,787	2,595,732	-	-	2,903,519
-	5,951	-	-	5,951
-	-	-	147,301	808,054
307,787	2,601,683	5,085	147,301	3,722,609
133,492	97,086	(5,085)	3,198	276,811
-	-	47,329	-	72,329
(35,707)	(3,475)	-	-	(305,699)
(35,707)	(3,475)	47,329	-	(233,370)
97,785	93,611	42,244	3,198	43,441
353,407	1,625,577	256,500	-	4,072,573
$ 451,192	$ 1,719,188	$ 298,744	$ 3,198	$ 4,116,014

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, 2014

		Actual through June 30, 2014			Variance
	Project Authorization	Prior Years	**Current Year**	Total To Date	Positive (Negative)
Revenues:					
Real estate tax delinquency collections	$ 1,425,800	$ 906,433	**$ 519,367**	$ 1,425,800	$ -
Livestock educational facility donations	59,163	45,000	**27,405**	72,405	13,242
Total revenues	1,484,963	951,433	**546,772**	1,498,205	13,242
Expenditures:					
Economic and physical development:					
Municipal/Authority water and sewer	4,535,786	4,039,540	**161,150**	4,200,690	335,096
Industrial Development	25,000	-	-	-	25,000
Revenue department implementation	1,425,800	6,433	**475,786**	482,219	943,581
Livestock educational facility	59,163	42,939	**23,817**	66,756	(7,593)
Total expenditures	6,045,749	4,088,912	**660,753**	4,749,665	1,296,084
Revenues over (under) expenditures	(4,560,786)	(3,137,479)	**(113,981)**	(3,251,460)	1,309,326
Other Financing Sources:					
Proceeds from general obligation bonds	4,575,000	4,575,000	-	4,575,000	-
Transfers in:					
General Fund	25,000	-	**25,000**	25,000	-
Debt Service	40,431	40,431	-	40,431	-
Transfers out:					
Debt Service	-	-	**(39,203)**	(39,203)	(39,203)
Grant Fund	(79,645)	-	-	-	(79,645)
Total other financing sources	4,560,786	4,615,431	**(14,203)**	4,601,228	(118,848)
Net change in fund balance	$ -	$ 1,477,952	**(128,184)**	$ 1,349,768	$ 1,190,478
Fund balance, beginning of year			**1,477,952**		
Fund balance, end of year			**$ 1,349,768**		

RUTHERFORD COUNTY, NORTH CAROLINA

ISOTHERMAL COMMUNITY COLLEGE CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues:			
Investment earnings	$ 150	**$ 37**	$ (113)
Local option sales tax	162,064	**162,064**	-
Total revenues	162,214	**162,101**	(113)
Expenditures	-	**-**	-
Revenues over expenditures	162,214	**162,101**	(113)
Other financial sources (uses):			
Transfers in (out):			
General fund	(256,638)	**(227,314)**	29,324
Fund balance appropriated	94,424	**-**	(94,424)
Total other financing sources (uses)	(162,214)	**(227,314)**	(65,100)
Net change in fund balance	$ -	**(65,213)**	$ (65,213)
Fund balance, beginning of year		**359,137**	
Fund balance, ending of year		**$ 293,924**	

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, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	$ 487,626	**$ 441,279**	$ (46,347)
Total revenues	487,626	**441,279**	(46,347)
Expenditures:			
Public safety	452,389	**307,787**	144,602
Total expenditures	452,389	**307,787**	144,602
Revenues over (under) expenditures	35,237	**133,492**	98,255
Other financial sources (uses):			
Transfers in (out):			
General fund	(35,237)	**(35,707)**	(470)
Net change in fund balance	$ -	**97,785**	$ 97,785
Fund balance, beginning of year		**353,407**	
Fund balance, end of year		**$ 451,192**	

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, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	$ 1,974,609	**$ 2,041,633**	$ 67,024
Prior years	44,115	**102,132**	58,017
Penalties and interest	-	**15,809**	15,809
	2,018,724	**2,159,574**	140,850
Other taxes and licenses:			
Local option sales tax	528,887	**539,195**	10,308
Miscellaneous	-	**-**	-
Total revenues	2,547,611	**2,698,769**	151,158
Expenditures:			
Public safety:			
Cliffside	181,309	**181,309**	-
Chimney Rock	38,865	**38,612**	253
Sandy Mush	191,765	**191,765**	-
Bills Creek	213,546	**213,546**	-
Shingle Hollow	142,024	**142,024**	-
Shiloh, Danieltown, and Oakland	247,100	**247,100**	-
Cherry Mountain	218,032	**218,032**	-
Hudlow	307,831	**307,831**	-
Rutherfordton	239,500	**239,500**	-
Ellenboro	273,283	**273,283**	-
Bostic	85,045	**85,045**	-
Union Mills	91,112	**91,112**	-
Green Hill	191,196	**191,196**	-
Spindale	10,696	**10,696**	-
Hollis Community	9,149	**9,149**	-
Edneyville	2,301	**2,301**	-
Broad River	8,621	**8,621**	-
Forest City	13,844	**13,456**	388
Lake Lure	12,160	**12,066**	94
Fairfield	22,472	**20,599**	1,873
Contracted	124,594	**98,489**	26,105
Fire Advisory Training Ground	1,299,740	**-**	1,299,740
	3,924,185	**2,595,732**	1,328,453
Environmental protection:			
Cliffside Sanitary District	5,951	**5,951**	-
Total expenditures	3,930,136	**2,601,683**	1,328,453
Revenues over (under) expenditures	(1,382,525)	**97,086**	1,479,611
Other Financing Sources (Uses):			
Transfers:			
Debt service fund	(3,475)	**(3,475)**	-
Appropriated fund balance	1,386,000	**-**	(1,386,000)
	1,382,525	**(3,475)**	(1,386,000)
Net change in fund balance	$ -	**93,611**	$ 93,611
Fund balance, beginning of year		**1,625,577**	
Fund balance, end of year		**$ 1,719,188**	

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, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues	$ -	**$ -**	$ -
Expenditures:			
General Government:			
Administration	5,597	**-**	5,597
Automation equipment	39,423	**5,085**	34,338
Total expenditures	45,020	**5,085**	39,935
Revenues under expenditures	(45,020)	**(5,085)**	39,935
Other Financing Sources (Uses):			
Transfers in (out):			
General fund	45,020	**47,329**	(2,309)
Total other financing sources (uses)	45,020	**47,329**	(2,309)
Net change in fund balance	$ -	**42,244**	$ 42,244
Fund balance, beginning of year		**256,500**	
Fund balance, end of year		**$ 298,744**	

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, 2014

		Actual through June 30, 2014		
	Authorization	Prior Years	**Current Year**	Total to Date
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Horsehead economic development	$ 1,000,000	$ 861,078	**$ 136,691**	$ 997,769
Scattered site housing - 2012	228,634	-	**13,808**	13,808
Total revenues	1,228,634	861,078	**150,499**	1,011,577
Expenditures:				
Economic and physical development:				
Horsehead economic development	1,000,000	861,078	**136,691**	997,769
Scattered site housing - 2012	228,634	-	**10,610**	10,610
Total expenditures	1,228,634	861,078	**147,301**	1,008,379
Net change in fund balance	$ -	$ -	**3,198**	$ 3,198
Fund balance, beginning of year			**-**	
Fund balance, end of year			**$ 3,198**	

PROPRIETARY FUNDS

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2014

	Solid Waste Fund	Solid Waste Reserve Fund	Total
Operating Revenues:			
Charges for services	$ 3,458,856	$ -	$ 3,458,856
Other operating revenues	635,990	-	635,990
Total operating revenues	4,094,846	-	4,094,846
Operating Expenses:			
Salaries	880,111	-	880,111
Employee benefits	326,450	-	326,450
Operating expenses	2,240,014	-	2,240,014
Landfill closure and postclosure care costs	-	225,516	225,516
Depreciation	296,418	-	296,418
Maintenance	139,610	-	139,610
Total operating expenses	3,882,603	225,516	4,108,119
Operating income (loss)	212,243	(225,516)	(13,273)
Nonoperating Revenues (Expenses):			
Interest income	6,162	-	6,162
Interest expense	(1,332)	-	(1,332)
Total nonoperating revenues (expenses)	4,830	-	4,830
Transfers in (out):			
General Fund	-	125,000	125,000
Landfill postclosure expenditures	(68,275)	68,275	-
Internal Service Fund	(715)	-	(715)
Total transfers	(68,990)	193,275	124,285
Change in net position	148,083	(32,241)	115,842
Net position (deficit), beginning of year	4,043,248	(1,357,479)	2,685,769
Net position, end of year	$ 4,191,331	$ (1,389,720)	$ 2,801,611

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Operating Revenues:			
Charges for services	$ 3,575,418	**$ 3,458,856**	$ (116,562)
Other operating revenues	636,667	**635,990**	(677)
Total operating revenues	4,212,085	**4,094,846**	(117,239)
Nonoperating Revenues:			
Interest income	6,162	**6,162**	-
Total revenues	4,218,247	**4,101,008**	(117,239)
Expenditures:			
Salaries		**880,033**	
Employee benefits		**326,450**	
Operating expenses		**2,240,014**	
Landfill closure		**68,275**	
Interest and fees		**1,332**	
Debt principal		**48,572**	
Capital outlay and maintenance		**562,707**	
Total expenditures	4,151,758	**4,127,383**	24,375
Revenues over (under) expenditures	66,489	**(26,375)**	(92,864)
Other Financing Sources (Uses):			
Transfer to internal service fund	(689)	**(715)**	(26)
Transfer to vehicle replacement fund	(104,300)	**-**	104,300
Lease purchase proceeds	-	**354,000**	354,000
Appropriated fund balance	38,500	**-**	(38,500)
Total other financing sources (uses)	(66,489)	**353,285**	419,774
Revenues and other sources over (under) expenditures and other uses	$ -	**326,910**	$ 326,910
Reconciling Items:			
Accrued vacation pay		**(78)**	
Payment of debt principal		**48,572**	
Capital lease proceeds		**(354,000)**	
Capital outlay		**423,097**	
Depreciation		**(296,418)**	
Total reconciling items		**(178,827)**	
Change in net position		**$ 148,083**	

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues	$ -	**$ -**	$ -
Expenditures	-	**-**	-
Revenues over expenditures before transfers	-	**-**	-
Transfer from General Fund	-	**125,000**	125,000
Increase in net assets	$ -	**$ 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**
Reconciling Items:	
Landfill closure and postclosure care cost accrual	**(225,516)**
Payment of landfill closure by Solid Waste Fund	**68,275**
Total reconciling items	**(157,241)**
Change in net position	**$ (32,241)**

RUTHERFORD COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues	$ 9,990	**$ 9,548**	$ (442)
Expenditures			
Salaries, wages, and fringe benefits	41,024	**39,220**	1,804
Capital outlay	485,000	**441,373**	43,627
Loan repayment	30,312	**-**	30,312
Total expenses	556,336	**480,593**	75,743
Revenues over (under) expenditures	(546,346)	**(471,045)**	(76,185)
Other Financing Sources:			
Transfers from other funds	546,346	**549,820**	(3,474)
Revenues and other sources over (under) expenditures	$ -	**$ 78,775**	$ 78,775

SUPPLEMENTAL FINANCIAL DATA

OTHER SCHEDULES

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

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Social Services Fund				
Assets:				
Cash and cash equivalents	$ 73,261	$ 225,322	$ 227,037	$ 71,546
Liabilities:				
Accounts payable	$ 73,261	$ 225,322	$ 227,037	$ 71,546
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	$ 16,145	$ 28,674	$ 21,956	$ 22,863
Accounts receivable	929	847	1,353	423
	$ 17,074	$ 29,521	$ 23,309	$ 23,286
Liabilities:				
Accounts payable	$ 17,074	$ 29,521	$ 23,309	$ 23,286
Other Taxing Units				
Assets:				
Cash and cash equivalents	$ 84,813	$ 9,734,510	$ 9,740,052	$ 79,271
Liabilities:				
Due to other taxing units	$ 84,813	$ 9,734,510	$ 9,740,052	$ 79,271
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	$ 39,216	$ 159,743	$ 163,279	$ 35,680
Liabilities:				
Accounts payable	$ 39,216	$ 159,743	$ 163,279	$ 35,680
Deed of Trust Fee Fund				
Assets:				
Cash and cash equivalents	$ 817	$ 8,969	$ 9,114	$ 672
Liabilities:				
Accounts payable	$ 817	$ 8,969	9,114	$ 672
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	$ 214,252	$ 10,157,218	$ 10,161,438	$ 210,032
Accounts receivable	929	847	1,353	423
	$ 215,181	$ 10,158,065	$ 10,162,791	$ 210,455
Liabilities:				
Accounts payable	$ 130,368	$ 423,555	$ 422,739	$ 131,184
Due to other taxing units	84,813	9,734,510	9,740,052	79,271
	$ 215,181	$ 10,158,065	$ 10,162,791	$ 210,455

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, 2014

	Budget	**Actual**	**Variance Positive (Negative)**
Revenues:			
Charges for services	$ 579,000	**$ 620,598**	$ 41,598
State transportation assistance grants	399,315	**398,081**	(1,234)
Total revenue	978,315	**1,018,679**	40,364
Expenditures:			
Salaries		**485,451**	
Employee benefits		**139,336**	
Operating expenses		**122,317**	
Capital outlay and maintenance		**173,883**	
Total expenditures	978,315	**920,987**	57,328
Revenues and other sources over (under) expenditures	$ -	**$ 97,692**	$ 97,692

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

Excess revenues and other sources over expenditures and other uses	**$ 97,692**
Reconciling Items:	
Depreciation	**(181,458)**
Total reconciling items	**(181,458)**
Net income (loss)	**$ (83,766)**

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
RUTHERFORD COUNTY TRANSIT ADMINISTRATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014

	2014
Cash Flows from Operating Activities:	
Cash received from operating revenues	$ 620,598
Cash paid to employees for services	(624,788)
Cash paid for goods and services	(294,367)
Net cash used by operating activities	(298,557)
Cash Flows from Capital and Related Financing Activities:	
Amounts due to other funds	(1,144)
Grants	448,543
Net cash provided by capital and related financing activities	447,399
Net increase in cash and cash equivalents	148,842
Cash and cash equivalents at beginning of year	173,201
Cash and cash equivalents at end of year	$ 322,043
Reconciliation of Net Income to Net Cash Provided (used) by Operating Activities:	
Net income (loss)	$ (83,766)
Less state transportation assistance grants	398,081
Operating income (loss)	(481,847)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	181,458
Changes in operating assets and liabilities:	
Increase (decrease) in accounts payable and accrued liabilities	688
Increase (decrease) in due to other funds	1,144
Total adjustments	183,290
Net cash provided (used) by operating activities	$ (298,557)

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, 2014

	Budget	**Actual**	Variance Positive (Negative)
Revenues:			
Charges for services	$ 403,400	**$ 416,390**	$ 12,990
Operating grants from Rutherford County	136,223	**128,007**	(8,216)
Capital grants	150,000	**58,858**	(91,142)
Total revenues	689,623	**603,255**	(86,368)
Expenditures:			
Economic and physical development			
Salaries and benefits	80,212	**86,127**	(5,915)
Other operating expenses	609,411	**495,565**	113,846
Capital outlay and related expenses	-	**21,857**	(21,857)
Total expenditures	689,623	**603,549**	86,074
Revenues and other sources over (under) expenditures	$ -	**$ (294)**	$ 294

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

Excess of revenues and other sources over expenditures	**$ (294)**
Reconciling items:	
Depreciation	**(151,184)**
Total reconciling items	**(151,184)**
Net income	**$ (151,478)**

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
June 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013-2014	$ -	$ 37,269,420	$ 35,946,808	$ 1,322,612
2012-2013	1,558,881	-	866,285	692,596
2011-2012	1,394,572	-	330,370	1,064,202
2010-2011	1,029,721	-	188,587	841,134
2009-2010	812,031	-	150,211	661,820
2008-2009	570,200	-	31,220	538,980
2007-2008	189,919	-	13,004	176,915
2006-2007	107,566	-	8,116	99,450
2005-2006	91,108	-	7,139	83,969
2004-2005	82,775	-	4,036	78,739
2003-2004	65,743	-	65,743	-
	$ 5,902,516	$ 37,269,420	$ 37,611,519	5,560,417
Less allowance for uncollectible ad valorem taxes receivable				(3,189,000)
Ad valorem taxes receivable - net				$ 2,371,417
Reconcilement with revenues:				
Ad valorem taxes - General fund				$ 37,177,744
Reconciling items:				
Interest collected				(452,269)
Discounts/adjustments				300,934
Ad valorem taxes - capital projects fund - other				519,367
Taxes written off				65,743
Total reconciling items				433,775
Total collections and credits				$ 37,611,519

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND
For the year ended June 30, 2014

				Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 6,047,151,400	0.607	$ 36,709,571	$ 34,144,139	$ 2,565,432
Registered motor vehicles taxed at prior year's rate	107,147,282	0.607	650,384	-	650,384
Penalties	-		618	618	-
Total	6,154,298,682		37,360,573	34,144,757	3,215,816
Discoveries:					
Current year taxes	1,216,145	0.607	7,382	7,382	-
Advertising costs			14,544	14,544	-
Abatements	(18,629,160)	0.607	(113,079)	(96,168)	(16,911)
Total property valuation	$ 6,136,885,667				
Net levy			37,269,420	34,070,515	3,198,905
Uncollected taxes at June 30, 2014			1,322,612	1,125,545	197,067
Current year's taxes collected			$ 35,946,808	$ 32,944,970	$ 3,001,838
Current levy collection percentage			96.45%	96.70%	93.84%

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
SPECIAL DISTRICTS LEVY
June 30, 2014

Fiscal Year	Uncollected Balance July 1, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2013-2014	$ -	$ 2,135,281	$ 2,041,633	$ 93,648
2012-2013	108,444	-	61,720	46,724
2011-2012	70,564	-	17,856	52,708
2010-2011	51,410	-	10,681	40,729
2009-2010	39,626	-	7,997	31,629
2008-2009	26,899	-	2,449	24,450
2007-2008	11,756	-	1,057	10,699
2006-2007	6,632	-	618	6,014
2005-2006	5,426	-	548	4,878
2004-2005	3,854	-	283	3,571
2003-2004	3,556	-	3,556	-
	$ 328,167	$ 2,135,281	$ 2,148,398	

Ad valorem taxes receivable at June 30, 2014	$ 315,050
Reconcilement with revenues:	
Ad valorem taxes - Special districts	$ 2,159,574
Reconciling items:	
Interest collected	(19,426)
Discounts/adjustments	4,694
Taxes written off	3,556
Total reconciling items	(11,176)
Total collections and credits	$ 2,148,398

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2014

	Property Valuation	Rate	Total Levy	Total Levy: Property excluding Registered Motor Vehicle	Total Levy: Registered Motor Vehicles
Chimney Rock Fire					
Property taxed at current years rate	$ 58,484,000	$ 0.05	$ 29,242	$ 28,698	$ 544
Motor vehicles taxed at prior years rate	298,000	0.05	149	--	149
Sandy Mush Fire					
Property taxed at current years rate	300,584,000	0.05	150,292	133,329	16,963
Motor vehicles taxed at prior years rate	9,894,000	0.05	4,947	--	4,947
Cliffside Sanitary					
Property taxed at current years rate	6,476,250	0.08	5,181	4,814	367
Motor vehicles taxed at prior years rate	248,750	0.08	199	--	199
Bills Creek Fire					
Property taxed at current years rate	284,401,667	0.06	170,641	165,832	4,809
Motor vehicles taxed at prior years rate	2,262,500	0.06	1,810	--	1,810
Shingle Hollow Fire					
Property taxed at current years rate	111,815,000	0.10	111,815	102,598	9,217
Motor vehicles taxed at prior years rate	2,245,000	0.10	2,245	--	2,245
Shiloh, Danieltown, and Oakland Fire					
Property taxed at current years rate	399,782,000	0.05	199,891	179,210	20,681
Motor vehicles taxed at prior years rate	11,000,000	0.05	5,500	--	5,500
Cherry Mountain Fire					
Property taxed at current years rate	189,825,556	0.09	170,843	159,533	11,310
Motor vehicles taxed at prior years rate	3,336,667	0.09	3,003	--	3,003
Hudlow Fire					
Property taxed at current years rate	308,403,750	0.08	246,723	227,301	19,422
Motor vehicles taxed at prior years rate	6,206,250	0.08	4,965	--	4,965
Rutherfordton Fire					
Property taxed at current years rate	244,753,750	0.08	195,803	179,089	16,714
Motor vehicles taxed at prior years rate	4,927,500	0.08	3,942	--	3,942
Cliffside Fire					
Property taxed at current years rate	191,976,250	0.08	153,581	136,540	17,041
Motor vehicles taxed at prior years rate	5,893,750	0.08	4,715	--	4,715
Ellenboro Fire					
Property taxed at current years rate	321,927,143	0.07	225,349	198,919	26,430
Motor vehicles taxed at prior years rate	9,564,286	0.07	6,695	--	6,695

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2014

				Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Bostic Fire					
Property taxed at current years rate	135,276,000	0.05	67,638	61,306	6,332
Motor vehicles taxed at prior years rate	3,860,000	0.05	1,930	--	1,930
Union Mills Fire					
Property taxed at current years rate	151,148,000	0.05	75,574	69,031	6,543
Motor vehicles taxed at prior years rate	3,814,000	0.05	1,907	--	1,907
Green Hill Fire					
Property taxed at current years rate	216,145,714	0.07	151,302	137,896	13,406
Motor vehicles taxed at prior years rate	5,100,000	0.07	3,570	--	3,570
Hollis/Polkville Fire					
Property taxed at current years rate	36,026,667	0.03	10,808	10,005	803
Motor vehicles taxed at prior years rate	723,333	0.03	217	--	217
Contracted Fire					
Property taxed at current years rate	241,815,000	0.04	96,726	77,310	19,416
Motor vehicles taxed at prior years rate	13,043,333	0.03	3,913	--	3,913
Lake Lure Rural					
Property taxed at current years rate	7,365,000	0.08	5,892	5,853	39
Motor vehicles taxed at prior years rate			-	--	-
Fairfield Fire					
Property taxed at current years rate	13,141,250	0.08	10,513	10,513	-
Motor vehicles taxed at prior years rate			-	--	-
Broad River Fire					
Property taxed at current years rate	3,218,000	0.10	3,218	3,177	41
Motor vehicles taxed at prior years rate			-	--	-
Edneyville Fire					
Property taxed at current years rate	1,325,556	0.09	1,193	1,193	-
Motor vehicles taxed at prior years rate			-	--	-
Forest City Rural					
Property taxed at current years rate	7,772,500	0.08	6,218	6,154	64
Motor vehicles taxed at prior years rate			-	--	-

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2014

				Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Spindale Rural					
Property taxed at current years rate	7,825,000	0.08	6,260	6,217	43
Motor vehicles taxed at prior years rate			-	--	-
Total			1,703,791	1,522,080	181,711
Penalties			50	50	-
Discoveries			614	614	-
Gross tax levy			2,145,074	1,904,518	239,892
Releases			(9,793)	(8,565)	(1,228)
Net levy			2,135,281	1,895,953	238,664
Less: uncollected taxes at June 30, 2014			93,648	78,768	14,880
Current year taxes collected			$ 2,041,633	$ 1,817,185	$ 223,784
Percent current year collected			95.61%	95.85%	93.77%

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779

STATISTICAL SECTION

Statistical Section

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

Contents	**Tables**
Financial Trends	1 – 4
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Revenue Capacity	5 – 8
These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.	
Debt Capacity	9 – 12
These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	
Demographic and Economic Information	13 – 14
These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	15 – 17
These schedules contain information about how the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	

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

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

Table 1

	Fiscal Year									
	2014	**2013**	**2012**	**2011**	**2010**	**2009***	**2008**	**2007**	**2006**	**2005**
Governmental activities:										
Investment in capital assets, net of related debt	$ 17,518,297	$ 13,509,432	$ 12,959,012	$ 11,261,093	$ 9,844,642	$ 9,335,747	$ 14,236,085	$ 7,126,314	$ 8,155,717	$ 5,031,401
Restricted	24,007,228	37,395,989	23,573,639	7,664,487	2,918,608	3,300,045	9,527,682	3,899,057	4,515,334	3,342,114
Unrestricted (deficit)	3,297,882	(5,063,063)	(3,111,930)	90,305	2,922,565	(1,445,625)	(15,304,122)	(8,665,225)	(11,690,321)	(14,451,333)
	$ 44,823,407	$ 45,842,358	$ 33,420,721	$ 19,015,885	$ 15,685,815	$ 11,190,167	$ 8,459,645	$ 2,360,146	$ 980,730	$ (6,077,818)
Business-type activities:										
Investment in capital assets, net of related debt	$ 2,608,706	$ 2,787,465	$ 1,990,173	$ 1,933,713	$ 1,921,077	$ 1,908,137	$ 1,960,924	$ 2,123,105	$ 2,157,762	$ 1,781,898
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	192,905	(101,696)	86,174	(332,106)	(340,250)	(196,286)	387,488	282,208	131,008	275,914
	$ 2,801,611	$ 2,685,769	$ 2,076,347	$ 1,601,607	$ 1,580,827	$ 1,711,851	$ 2,348,412	$ 2,405,313	$ 2,288,770	$ 2,057,812
Primary government:										
Investment in capital assets, net of related debt	$ 20,127,003	$ 16,296,897	$ 14,949,185	$ 13,194,806	$ 11,765,719	$ 11,243,884	$ 16,197,009	$ 9,249,419	$ 10,313,479	$ 6,813,299
Restricted	24,007,228	37,395,989	23,573,639	7,664,487	2,918,608	3,300,045	9,527,682	3,899,057	4,515,334	3,342,114
Unrestricted (deficit)	3,490,787	(5,164,759)	(3,025,756)	(241,801)	2,582,315	(1,641,911)	(14,916,634)	(8,383,017)	(11,559,313)	(14,175,419)
	$ 47,625,018	$ 48,528,127	$ 35,497,068	$ 20,617,492	$ 17,266,642	$ 12,902,018	$ 10,808,057	$ 4,765,459	$ 3,269,500	$ (4,020,006)

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

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

Table 2

	Fiscal Year									
Expenses	**2014**	**2013**	**2012**	**2011**	**2010**	**2009***	**2008**	**2007**	**2006**	**2005**
Governmental activities:										
General government	$ 7,100,490	$ 6,247,570	$ 6,352,522	$ 6,604,844	$ 6,501,588	$ 7,047,611	$ 6,765,566	$ 6,350,808	$ 5,986,407	$ 5,467,270
Public safety	16,891,797	16,148,372	15,291,357	15,180,889	14,639,570	14,076,757	14,150,480	12,888,356	11,805,593	11,402,836
Environmental protection	132,581	126,715	134,268	175,476	187,376	169,467	123,385	127,640	133,673	124,741
Econ & phys development	11,783,097	11,752,358	3,876,675	3,552,588	1,861,686	4,518,449	4,237,268	4,193,841	3,491,223	2,512,395
Human services	13,784,275	13,360,955	13,637,149	13,649,550	13,605,280	15,091,631	17,038,627	16,684,710	15,666,923	14,979,133
Cultural & recreational	657,004	664,187	678,603	677,277	995,584	898,237	848,479	696,619	496,255	468,023
Education	16,583,654	15,608,596	15,188,033	15,270,039	16,129,157	16,164,309	15,161,837	16,610,237	14,909,359	13,355,725
Interest on long-term debt	1,304,665	1,751,472	3,233,656	3,035,244	2,938,919	2,923,219	2,712,352	2,414,789	2,503,590	2,286,910
Total governmental activities expenses	68,237,563	65,660,225	58,392,263	58,145,907	56,859,160	60,889,680	61,037,994	59,967,000	54,993,023	50,597,033
Business-type activities:										
Solid Waste Disposal	4,109,451	4,101,824	3,866,075	3,589,701	3,474,066	4,001,900	3,539,647	3,384,899	3,219,636	3,438,732
Total business-type activities expenses	4,109,451	4,101,824	3,866,075	3,589,701	3,474,066	4,001,900	3,539,647	3,384,899	3,219,636	3,438,732
Total primary government expenses	$ 72,347,014	$ 69,762,049	$ 62,258,338	$ 61,735,608	$ 60,333,226	$ 64,891,580	$ 64,577,641	$ 63,351,899	$ 58,212,659	$ 54,035,765
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 1,036,112	$ 504,604	$ 498,617	$ 444,814	$ 499,229	$ 516,270	$ 613,421	$ 612,210	$ 546,488	$ 568,640
Public safety	3,882,349	4,271,558	3,239,027	3,681,614	3,726,640	3,631,922	3,940,854	3,697,528	3,022,527	3,112,715
Environmental protection	-	-	-	-	-	-		-	-	-
Econ & phys development	7,500	10,750	35,100	78,300	7,000	59,250	100,750	31,250	32,000	-
Human services	251,840	70,087	74,949	74,718	80,887	85,140	88,608	82,754	90,516	82,698
Op. grants and contributions	11,114,428	9,885,852	11,526,913	10,372,807	10,657,325	10,775,927	10,287,537	10,404,592	9,480,758	8,864,479
Cap.grants and contributions	862,206	6,393,151	1,412,444	2,439,302	2,632,656	1,895,968	3,262,444	1,833,975	1,522,561	1,709,923
Total governmental activities program revenues	17,154,435	21,136,002	16,787,050	17,091,555	17,603,737	16,964,477	18,293,614	16,662,309	14,694,850	14,338,455
Business-type activities:										
Charges for services:										
Solid Waste Disposal	3,458,856	3,899,557	4,082,686	3,345,821	3,018,858	3,047,944	3,139,076	3,154,068	3,208,508	3,377,143
Op. grants and contributions	635,990	198,234	168,224	128,935	172,970	150,950	136,512	182,374	129,721	117,345
Cap. grants and contributions	-	478,885	-	-	-	-	-	-	-	-
Total business-type program revenues	4,094,846	4,576,676	4,250,910	3,474,756	3,191,828	3,198,894	3,275,588	3,336,442	3,338,229	3,494,488
Total primary government program revenues	$ 21,249,281	$ 25,712,678	$ 21,037,960	$ 20,566,311	$ 20,795,565	$ 20,163,371	$ 21,569,202	$ 19,998,751	$ 18,033,079	$ 17,832,943
Net (expense)/revenue										
Governmental activities	$ (51,083,128)	$ (44,524,223)	$ (41,605,213)	$ (41,054,352)	$ (39,255,423)	$ (43,925,203)	$ (42,744,380)	$ (43,304,691)	$ (40,298,173)	$ (36,258,578)
Business-type activities	(14,605)	474,852	384,835	(114,945)	(282,238)	(803,006)	(264,059)	(48,457)	118,593	55,756
Total primary government net	$ (51,097,733)	$ (44,049,371)	$ (41,220,378)	$ (41,169,297)	$ (39,537,661)	$ (44,728,209)	$ (43,008,439)	$ (43,353,148)	$ (40,179,580)	$ (36,202,822)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 39,589,058	$ 35,066,855	$ 31,372,766	$ 33,342,043	$ 33,187,061	$ 32,982,004	$ 32,293,717	$ 27,438,875	$ 26,822,856	$ 25,426,291
Local Option Sales Tax	9,925,498	9,697,197	10,471,306	9,251,948	9,371,129	11,275,726	13,495,288	13,357,581	12,492,114	11,743,695
Other Taxes and Licenses	263,118	221,355	213,350	755,034	735,385	778,778	935,485	1,118,992	952,574	634,370
Investment earnings	15,268	40,674	367,635	240,847	255,178	530,073	1,078,129	1,286,059	1,020,453	518,211
Dissolution of Fiduciary Fd	-	-	-	-	-	1,003,200				
Donated real estate	-	-	-	-	-	-	1,006,204	1,658,309	5,700,000	-
Gain (loss) on disposal of capital assets	-	-	(771,226)	409,858	58,532	-	-	(577,585)	-	-
Surety bond settlement	-	12,100,000	15,250,000	-	-	-	-	-	-	-
Miscellaneous, unrestricted	395,520	544,205	532,106	509,693	268,784	210,944	160,056	526,876	449,090	429,586
Transfers	(124,285)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(80,365)	(80,365)
Total governmental activities	50,064,177	57,545,286	57,310,937	44,384,423	43,751,069	46,655,725	48,843,879	44,684,107	47,356,722	38,671,788
Business-type activities:										
Investment earnings	6,162	9,570	8,755	10,725	26,215	41,445	82,158	40,000	32,000	35,174
Transfers	124,285	125,000	125,000	125,000	125,000	125,000	125,000	125,000	80,365	80,365
Total business-type activities	130,447	134,570	133,755	135,725	151,215	166,445	207,158	165,000	112,365	115,539
Total primary government	$ 50,194,624	$ 57,679,856	$ 57,444,692	$ 44,520,148	$ 43,902,284	$ 46,822,170	$ 49,051,037	$ 44,849,107	$ 47,469,087	$ 38,787,327
Change in Net Position										
Governmental activities	$ (1,018,951)	$ 13,021,063	$ 15,705,724	$ 3,330,071	$ 4,495,646	$ 2,730,522	$ 6,099,499	$ 1,379,416	$ 7,058,549	$ 2,413,210
Business-type activities	115,842	609,422	518,590	20,780	(131,023)	(636,561)	(56,901)	116,543	230,958	171,295
Total primary government	$ (903,109)	$ 13,630,485	$ 16,224,314	$ 3,350,851	$ 4,364,623	$ 2,093,961	$ 6,042,598	$ 1,495,959	$ 7,289,507	$ 2,584,505

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

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

Table 3

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Reserved					$ 3,761,124	$ 3,680,844	$ 4,074,203	$ 4,126,704	$ 3,920,463	$ 3,915,909
Unreserved					11,916,835	13,196,079	12,751,211	10,891,729	10,519,641	9,010,221
Total General Fund					$ 15,677,959	$ 16,876,923	$ 16,825,414	$ 15,018,433	$ 14,440,104	$ 12,926,130
All other governmental funds										
Reserved					$ 391,364	$ 686,472	$ 556,972	$ 1,805,359	$ 1,324,037	$ 1,429,110
Unreserved, reported in:										
Debt service fund					-	-	-	-	-	-
Special revenue funds					6,640,609	5,811,482	8,080,868	4,246,534	3,959,633	3,701,003
Capital projects funds					2,358,646	3,670,511	9,117,150	2,883,906	3,375,401	2,202,181
Total all other governmental funds					$ 9,390,619	$ 10,168,465	$ 17,754,990	$ 8,935,799	$ 8,659,071	$ 7,332,294
General Fund										
Nonspendable	$ 847,608	$ 626,072	$ 103,232	$ 278,797						
Restricted	4,234,132	6,931,059	3,339,563	2,837,483						
Assigned	1,940,740	814,721	1,043,000	1,657,769						
Unassigned	12,931,162	9,947,932	12,526,592	12,797,792						
Total General Fund	$ 19,953,642	$ 18,319,784	$ 17,012,387	$ 17,571,841						
All other governmental funds										
Nonspendable	$ 9,093	$ -	$ 18,149	$ 19,844						
Restricted	19,773,096	26,155,252	20,234,076	4,173,042						
Assigned	1,597,988	1,432,737	-	559,791						
Unassigned	-	-	-	1,543,823						
Total all other governmental funds	$ 21,380,177	$ 27,587,989	$ 20,252,225	$ 6,296,500						

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

Rutherford County, North Carolina

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Table 4

	Fiscal Year									
Revenues	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Ad valorem taxes	$ 39,856,685	$ 35,157,298	$ 32,963,905	$ 32,401,810	$ 32,411,413	$ 32,118,994	$ 32,258,449	$ 27,326,881	$ 26,792,167	$ 25,585,444
Local option sales taxes	9,925,498	9,697,197	10,471,306	9,251,948	9,371,128	11,275,726	13,369,301	13,240,333	12,262,177	11,743,695
Other taxes and licenses	-	-	-	550,114	526,461	526,459	707,252	683,615	623,110	255,577
Restricted intergovernmental	12,083,972	16,762,561	13,478,963	13,218,233	13,960,162	13,326,718	13,698,050	12,480,558	11,213,535	10,834,718
Permits and fees	823,972	903,651	772,861	733,459	799,562	861,720	1,177,290	1,435,366	1,439,013	1,151,302
Sales and services	3,959,190	3,598,872	3,199,137	3,047,002	3,080,873	3,119,947	3,801,501	3,674,300	2,882,979	2,700,089
Investment earnings	15,268	40,674	85,288	74,005	134,324	471,754	1,084,487	1,243,368	1,012,369	473,461
Miscellaneous	347,267	12,458,793	15,657,035	626,673	287,325	527,821	729,808	590,273	415,034	412,112
Total revenues	67,011,852	78,619,046	76,628,495	59,903,244	60,571,248	62,229,139	66,826,138	60,674,694	56,640,384	53,156,398
Expenditures										
Current:										
General government	6,402,576	6,238,861	6,422,596	6,074,636	5,805,454	6,615,187	11,334,882	6,609,488	5,641,902	5,703,555
Public safety	16,352,487	15,947,477	15,347,491	14,528,593	14,526,559	14,868,059	14,220,359	12,897,402	11,541,916	11,476,343
Environmental protection	134,975	123,785	131,200	172,641	184,030	164,582	127,250	125,124	130,655	122,584
Economic and physical development	11,760,028	11,734,567	3,797,851	4,102,277	2,384,886	4,081,840	4,856,946	3,849,835	3,913,258	2,443,409
Human services	13,773,350	13,183,622	13,353,462	13,614,958	13,442,160	14,844,012	16,521,713	16,037,237	15,521,178	14,791,299
Cultural and recreational	619,811	1,213,149	643,028	701,926	943,010	737,637	757,187	647,449	444,650	424,877
Intergovernmental:										
Education	14,457,301	14,162,820	14,162,820	13,883,820	14,059,565	14,480,287	13,967,220	13,053,968	12,513,922	12,081,683
Capital outlay	1,224,890	544,313	123,750	384,755	2,488,388	10,782,995	5,249,596	6,372,376	3,856,087	3,281,177
Debt service										
Principal	5,294,654	5,247,034	12,966,838	8,403,370	7,660,832	6,811,458	6,294,364	5,644,457	5,031,194	4,290,159
Interest	1,744,736	2,324,697	3,929,516	2,997,327	2,986,706	3,060,136	2,754,717	2,363,101	2,282,307	2,428,712
Total expenditures	71,764,808	70,720,325	70,878,552	64,864,303	64,481,590	76,446,193	76,084,234	67,600,437	60,877,069	57,043,798
Excess of revenues over (under) expenditures	(4,752,956)	7,898,721	5,749,943	(4,961,059)	(3,910,342)	(14,217,054)	(9,258,096)	(6,925,743)	(4,236,685)	(3,887,400)
Other financing sources (uses)										
Transfers from other funds	482,049	508,599	1,570,552	6,093,683	16,900,905	20,371,579	18,941,579	14,482,382	14,356,170	12,292,044
Transfers to other funds	(1,156,154)	(633,599)	(1,695,552)	(6,218,683)	(17,025,905)	(19,493,379)	(19,066,579)	(14,607,382)	(14,436,533)	(12,372,409)
Capital lease financing	598,500.00	-	-	-	-	-	-	-	-	-
Installment obligations issued	-	1,066,500	-	729,579	2,000,000	5,803,838	18,454,270	7,905,800	5,637,800	1,139,009
General obligation debt issued	-	-	-	-	-	-	1,555,000	-	1,520,000	-
Economic loan, net	100,000	(400,000)	-	-	-	-	-	-	-	-
Refunding bonds issued	11,473,000	8,425,000	24,831,960	-	-	-	-	-	-	-
Pmt to refunded bond escrow agent	(11,366,646)	(8,266,667)	(15,835,431)	-	-	-	-	-	-	-
Sale of capital assets	48,253	44,606	75,687	3,156,244	58,532	-	-	-	-	-
Total other financing sources (uses)	179,002	744,439	8,947,216	3,760,823	1,933,532	6,682,038	19,884,270	7,780,800	7,077,437	1,058,644
Net change in fund balances	$ (4,573,954)	$ 8,643,160	$ 14,697,159	$ (1,200,236)	$ (1,976,810)	$ (7,535,016)	$ 10,626,174	$ 855,057	$ 2,840,752	$ (2,828,756)
Debt services as a percentage of noncapital expenditures	13.63%	32.29%	24.28%	17.77%	17.05%	14.97%	13.75%	12.51%	12.70%	12.51%

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

Table 5

	Assessed Value in Thousands								
	Real Property		Personal Property						
Fiscal Year	Residential Property	Commercial Property	Motor Vehicles	Other	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate per $100	Estimated Actual Taxable Value (in thousands)	Assessed Value as a Percentage of Actual Value
2014	$ 3,936,928	$ 442,983	$ 361,428	$ 704,260	$ 511,380	$ 5,956,979	0.607	$ 5,956,979	100.00
2013	3,887,475	435,677	372,335	343,048	481,553	5,520,088	0.607	5,496,453	100.43
2012	4,412,408	495,788	358,511	298,867	417,796	5,983,370	0.530	5,954,787	100.48
2011	4,389,350	532,070	345,280	335,889	316,644	5,919,233	0.530	6,344,981	93.29
2010	3,989,458	877,699	373,025	359,316	299,422	5,898,920	0.530	6,463,153	91.27
2009	3,936,145	865,282	429,456	371,894	292,286	5,895,063	0.530	6,322,461	93.24
2008	3,866,901	819,357	429,870	371,205	276,120	5,763,453	0.530	6,154,905	93.64
2007	2,845,477	440,189	409,569	344,294	228,694	4,268,223	0.610	5,176,741	82.45
2006	2,645,502	424,199	422,395	353,888	255,553	4,101,537	0.620	4,628,752	88.61
2005	2,528,754	426,480	391,498	360,929	244,833	3,952,494	0.620	4,519,202	87.46

Note - Property was revalued in fiscal year 2008 and 2012.

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

Table 6

	Year Taxes Are Payable									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
County Direct Rate	$ 0.607	$ 0.607	$ 0.530	$ 0.530	$ 0.530	$ 0.530	$ 0.530	$ 0.610	$ 0.620	$ 0.620
Town Rates										
Bostic	0.260	0.260	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Chimney Rock	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.115	0.115	0.115
Ellenboro	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.250	0.250	0.250
Forest City	0.290	0.290	0.290	0.290	0.290	0.300	0.290	0.300	0.300	0.280
Lake Lure	0.191	0.194	0.210	0.210	0.210	0.210	0.210	0.280	0.280	0.280
Ruth	0.280	0.280	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260
Rutherfordton	0.567	0.537	0.520	0.520	0.520	0.520	0.520	0.540	0.540	0.490
Spindale	0.633	0.633	0.600	0.600	0.560	0.560	0.510	0.510	0.510	0.510
Special Districts										
Bill's Creek Fire	0.060	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.070
Bostic Fire	0.050	0.050	0.050	0.060	0.060	0.060	0.050	0.050	0.050	0.050
Broad River Fire	0.100									
Cherry Mountain Fire	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
Chimney Rock Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.040	0.060	0.060	0.060
Cliffside Fire	0.080	0.080	0.070	0.070	0.070	0.070	0.070	0.055	0.055	0.045
Cliffside Sanitary	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.040	0.030	0.020	0.020	0.020	0.020	0.020	0.030	0.030	0.030
Edneyville Fire	0.090									
Ellenboro Fire	0.070	0.070	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
Fairfield Fire	0.080									
Forest City Rural	0.080									
Green Hill Fire	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Hollis/Polkville 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
Lake Lure Rural Fire	0.080									
Rutherfordton Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.070
Sandy Mush Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.040	0.040	0.040	0.040
Shiloh Danieltown Oakland Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Shingle Hollow Fire	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Spindale Rural Fire	0.080									
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, 2012 which affected the 2013 tax levy, as of January 1, 2007 which affected the 2008 tax levy.

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

Table 7

		Fiscal Year 2014			Fiscal Year 2005		
Taxpayer	Type Of Business	Assessed Value (Thousands)	Rank	Percentage of Total County Taxable Assessed Value	Assessed Value (Thousands)	Rank	Percentage of Total County Taxable Assessed Value
Andale Inc. FKA	Software	$ 559,157	1	9.39%			
Duke Energy	Public Utility	446,035	2	7.49%	$ 175,106	1	4.43%
Horsehead Metal Products	Manufacturing	135,889	3	2.28%			
Dell Equipment Funding LP	Leasing Company	82,705	4	1.39%			
Rutherford Electric Membership Corp	Public Utility	41,296	5	0.69%	20,502	7	0.52%
CSX Transportation	Public Utility	30,540	6	0.51%			
Bellsouth	Public Utility	20,641	7	0.35%	32,457	3	0.82%
Walmart #01-1036	Retail	12,849	8	0.22%			
Public Service Co of NC Inc	Public Utility	12,278	9	0.21%			
Foxrun Townhouses POA	Resort Property	11,949	10	0.20%			
RCM Management Services, LLP	Aviation				17,000	10	0.43%
Timken US Corp (Torrington)	Manufacturing				17,859	8	0.45%
Cone Mills Corporation	Textiles				24,532	4	0.62%
Fairfield Communities	Resort Property				32,549	2	0.82%
Regtrol - Watts	Manufacturing				23,355	5	0.59%
Broyhill Furniture	Manufacturing				21,748	6	0.55%
National Textiles Inc	Textiles				17,150	9	0.43%
Other		4,603,640		77.28%	3,570,236		90.33%
Total		$ 5,956,979		100.00%	$ 3,952,494		100.00%

Source: Rutherford County Revenue Department

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
2014	$ 39,404,494	$ 37,988,441	96.4	$ -	$ 37,988,441	96.4
2013	35,511,830	33,844,505	95.3	928,005	34,772,510	97.9
2012	33,887,224	31,598,979	93.2	1,171,335	32,770,314	96.7
2011	33,478,863	31,210,949	93.2	1,386,051	32,597,000	97.4
2010	33,253,013	31,195,062	93.8	1,364,502	32,559,564	97.9
2009	33,213,924	31,362,647	94.4	1,287,847	32,650,494	98.3
2008	32,461,482	31,280,218	96.4	993,650	32,273,868	99.4
2007	27,557,905	26,491,335	96.1	961,106	27,452,441	99.6
2006	26,864,829	25,786,091	96.0	989,891	26,775,982	99.7
2005	25,833,919	24,843,268	96.2	908,341	25,751,609	99.7

(1) Includes general fund and special districts.

Source: Rutherford County Revenue Department

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

Table 9

		Governmental Activities				Business-type Activities			
Fiscal Year	**Population in thousands (Estimated)**	**General Obligation Bonds**	**Installment Purchase (1)**	**Capital Leases**	**Revolving Fund - DENR**	**Capital Leases**	**Total Primary Government**	**Percentage of Personal Income (2)**	**Per Capita (2)**
2005	63	13,765,000	38,395,000	1,704,028	-	793,847	54,657,875	3.54%	867.59
2006	64	13,010,000	41,104,419	1,876,214	-	688,426	56,679,059	3.48%	885.61
2007	64	10,675,000	44,953,677	2,274,211	331,400	577,397	58,811,685	3.46%	918.93
2008	63	9,975,000	57,668,467	3,963,343	314,830	667,632	72,589,272	4.18%	1,152.21
2009	63	7,720,000	58,074,856	4,758,537	298,260	621,299	71,472,952	4.16%	1,134.49
2010	63	7,035,000	54,911,271	3,240,000	281,690	402,330	65,870,291	3.76%	1,045.56
2011	67	4,820,000	50,601,731	2,385,102	265,120	174,067	58,246,020	3.22%	869.34
2012	68	4,490,000	48,052,854	1,235,626	248,550	24,379	54,051,409	2.85%	794.87
2013	68	4,160,000	43,729,878	1,494,993	231,980	-	49,616,851	2.62%	729.66
2014	67	3,932,000	40,483,026	1,279,409	215,410	305,438	46,215,283	*not available*	689.78

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 103 for personal income and population data.

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)
2005	$ 13,765,000	$ -	$ 13,765,000	0.35%	$ 217.12
2006	$ 13,010,000	-	13,010,000	0.32%	$ 204.01
2007	$ 10,675,000	-	10,675,000	0.25%	$ 167.14
2008	$ 9,975,000	-	9,975,000	0.17%	$ 158.30
2009	$ 7,720,000	-	7,720,000	0.13%	$ 121.72
2010	$ 7,035,000	-	7,035,000	0.12%	$ 110.21
2011	$ 4,820,000	-	4,820,000	0.08%	$ 71.08
2012	$ 4,490,000	-	4,490,000	0.07%	$ 65.65
2013	$ 4,160,000	-	4,160,000	0.08%	$ 60.38
2014	$ 3,932,000	-	3,932,000	0.07%	$ 58.73

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 95 for property value data.
(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 103.

Rutherford County, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
None currently outstanding	$ -	100.00	$ -
Subtotal, overlapping debt			-
Rutherford County direct debt - general obligation	3,932,000	100.00	3,932,000
Rutherford County direct debt - other outstanding (1)	41,977,845	100.00	41,977,845
			45,909,845
Total direct and overlapping debt			$ 45,909,845

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

Table 12

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed value of property	$ 3,952,493,750	$ 4,101,537,258	$ 4,268,223,139	$ 5,763,453,025	$ 5,895,063,019	$ 5,898,920,189	$ 5,941,961,062	$ 6,018,877,170	$ 5,546,006,202	$ 5,956,979,212
Debt limit	316,199,500	328,122,981	341,457,851	461,076,242	471,605,042	471,913,615	475,356,885	481,510,174	443,680,496	476,558,337
Total net debt applicable to limit	53,864,028	55,990,633	58,234,288	71,921,640	70,851,653	65,467,961	62,891,953	54,027,030	49,616,851	45,909,845
Legal debt margin	$ 262,335,472	$ 272,132,348	$ 283,223,563	$ 389,154,602	$ 400,753,389	$ 406,445,654	$ 412,464,932	$ 427,483,144	$ 394,063,645	$ 430,648,492
Total net debt applicable to the limit as a percentage of debt limit	17.03%	17.06%	17.05%	15.60%	15.02%	13.87%	13.23%	11.22%	11.18%	9.63%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value - January 1, 2013	$ 5,956,979,212
Debt Limit (8% of total assessed value)	$ 476,558,337
Debt applicable to limit:	
General obligation bonds	3,932,000
Other outstanding debt	41,977,845
Net debt applicable to limit	45,909,845
Legal debt margin	$ 430,648,492

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 oblibation bonds.

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)
2005	63,397	1,542,888	23,691	39.87	9,882	8.7
2006	63,771	1,629,075	24,737	38.30	9,898	8.1
2007	63,867	1,699,250	25,628	36.60	9,915	7.9
2008	63,012	1,736,446	25,861	40.56	9,533	7.7
2009	63,424	1,719,586	25,452	39.69	9,298	15.3
2010	63,835	1,751,149	25,838	40.08	9,016	14.8
2011	67,810	1,809,903	26,843	42.50	8,765	14.6
2012	68,392	1,893,341	28,123	42.89	8,672	14.5
2013	68,897	1,893,684	28,283	42.99	8,554	13.7
2014	66,956	*not available*		43.18	8,474	8.7

(1) 2005-2007 population projected by the Office of State Planning 2008-2014 population is from the Population Division, U.S. Census Bureau. 2011 data from 2010 Census.

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

(3) NC Office of State Budget and Management.

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

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

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

Table 14

MANUFACTURING	2014			2005		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
AGI Schutz - Forest City	286	1	1.09%			
Horsehead Corporation	230	2	0.88%			
Timken - Shiloh Plant	219	3	0.84%			
Parker Hannifin Corporation	190	4	0.73%	*information not available*		
Trelleborg	171	5	0.65%			
Allied Die Casting Co of NC	152	6	0.58%			
Sonoco Molded Plastics	135	7	0.52%			
Eaton	130	8	0.50%			
Wilbert Plastic Services Inc	130	9	0.50%			
Ambercrombie Textiles II LLC	127	10	0.49%			
Milliken & Co	125	11	0.48%			
Total	1,895		7.24%			

NON-MANUFACTURING	2014			2005		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Rutherford County Schools (1)	1,186	1	4.52%			
Rutherford Hospital	851	2	3.25%			
State of North Carolina	708	3	2.70%	*information not available*		
Rutherford County - Local Government	531	4	2.03%			
Isothermal Community College	201	5	0.77%			
Total	3,477		13.26%			

Source: Economic Development Commission October 2013

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

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

Table 15

	Full-time Equivalent Employees					Full-time Equivalent Employees				
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Function										
General government	70.7	70.7	69.7	69.7	68.7	68.7	66.0	64.0	65.0	63.0
Public safety	184.8	183.3	176.3	175.3	175.3	175.3	174.0	159.0	142.0	141.0
Environmental protection	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Economic and physical development	13.0	13.0	12.0	12.0	12.0	12.0	11.0	10.0	11.0	11.0
Human services	122.0	122.0	121.0	118.0	118.0	118.0	118.0	115.0	115.5	109.5
Cultural and recreational	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	6.0	5.0
Enterprise Fund - Solid Waste	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Total	418.5	417.0	407.0	403.0	402.0	403.0	398.0	376.0	359.5	349.5

Source: Rutherford County Finance Office

Rutherford County, North Carolina
Operating Indicators by Function

Table 16

Function	Fiscal Year 2014	2013	2012	2011	2010	2009	2008
General Government							
# Deeds/Deeds of Trusts Processed	4,652	5,129	4,909	4,867	5,490	6,420	8,717
Parcel Count	56,399	56,297	56,102	55,915	54,140	53,904	53,590
Public Safety							
# Inmates Processed	3,042	3,050	3,211	4,764	4,981	5,255	5,971
# Arrests	2,882	2,547	2,331	2,516	3,341	2,953	3,627
# Building Permits Issued	463	478	459	468	604	469	786
Economic and Physical Development							
# of Subdivision Plan Reviews	not available	not available	not available	not available	not available	34	23
Human Services							
# Senior Center Meals Served	71,154	72,837	75,919	77,069	80,667	83,889	89,453
# of Medicaid Recipients	18,995	15,398	14,652	14,198	14,318	12,927	15,454
Culture							
Library Book Circulation	259,179	263,273	313,134	336,373	355,060	357,898	330,125
Library Electronic Book Circulation	51,303	13,966	35,509	29,126	22,049	4,977	not available
Enterprise Fund - Transit							
# Trips	54,825	54,429	56,679	58,340	57,199	56,138	56,317
Enterprise Fund - Landfill							
Total Tonnage	48,096	56,269	57,259	56,523	53,334	61,034	64,008

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

Rutherford County, North Carolina
Capital Assets Statistics by Function

Table 17

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
County Buildings	33	33	33	33	33	33	32	31	31	31
County Vehicles	235	226	237	234	239	230	219	226	235	235
Public Safety										
Detention Center Capacity	205	205	205	205	205	205	205	205	205	205
EMS Stations	4	4	3	3	3	3	3	3	3	3
Volunteer Fire Departments	14	14	14	14	14	14	14	14	14	14
Volunteer Rescue Squads	1	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	144	144	48	48	48	48	48	48	48	48
Public Libraries	3	3	3	3	3	3	3	3	3	3
Education (Not included in the Reporting Entity)										
Elementary Schools	11	11	11	11	11	11	11	11	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	313	313	250	250	250	250	250	250	250	250
Solid Waste										
Convenience Centers	9	9	9	9	9	9	9	9	9	9
Manned Green Box Sites	1	1	1	1	1	1	1	1	1	1

Sources: Various government departments.

COMPLIANCE SECTION

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

Independent Auditors' Report

To the Board of County Commissioners
Rutherford County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated January 2, 2015. The financial statements of the Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards.*

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Asheville, North Carolina
January 2, 2015

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

Independent Auditors' Report

To the Board of Commissioners
Rutherford County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the County of Rutherford, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Rutherford County's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rutherford County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Rutherford County's compliance.

Opinion on Each Major Federal Program

In our opinion, Rutherford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompany schedule of findings and questioned costs as items 2014-01, 2014-02, and 2014-03. Our opinion on each major federal program is not modified with respect to these matters.

Rutherford County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rutherford County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rutherford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rutherford County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-01, 2014-02 and 2014-3.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Asheville, North Carolina
January 2, 2015

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779

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

Independent Auditors' Report

To the Board of Commissioners
Rutherford County, North Carolina

Report on Compliance for Each Major State Program

We have audited Rutherford County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Rutherford County's major state programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rutherford County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *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 on compliance for each major state program. However, our audit does not provide a legal determination of the Rutherford County's compliance.

Opinion on Each Major State Program

In our opinion, Rutherford County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133, as described in the *(Audit Manual for Governmental Auditors in North Carolina)* and which are described in the accompany schedule of findings and questioned costs as items 2014-01, 2014-02, and 2014-03. Our opinion on each major state program is not modified with respect to these matters.

Rutherford County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rutherford County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rutherford County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over

compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-01, 2014-02 and 2014-3.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Asheville, North Carolina
January 2, 2015

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

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.S. Dept. of Agriculture					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Supplemental Nutrition Assist. Program Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		$ 600,000	$ -	$ 600,000
Total Supplemental Nutrition Assist. Program Cluster			600,000	-	600,000
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		1,475,650	-	-
Total U.S. Dept. of Agriculture			2,075,650	-	600,000
U.S. Dept. of Housing and Urban Development					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant	14.228		146,866	-	-
Total U.S. Dept. of Housing and Urban Development			146,866	-	-
U.S. Dept. of Transportation					
Federal Aviation Administration					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106		3,541	-	-
Federal Transit Administration					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other Than Urbanized Areas	20.509		128,752	7,117	-
Forumla Grants	20.509		3,522	440	-
Total U.S. Dept. of Transportation			135,815	7,557	-
U.S. Dept. of Health & Human Services					
Administration on Aging					
Division of Aging and Adult Services					
Passed-through Isothermal Planning and Development Commission:					
Aging Cluster: [2]					
Special Programs for the Aging - Title III D Health Promotions Services	93.043		3,304	-	-
Special Programs for the Aging - Title III B Grants for Supportive Services and Senior Centers	93.044		209,452	-	-
Special Programs for the Aging - Title III C Nutrition Services	93.045		180,004	-	-
Nutrition Services Incentive Program	93.053		48,830	-	-
Total Aging Cluster			441,590	-	-

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Administration for Children and Families					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Foster Care and Adoption [2]					
Title IV-E Foster Care - Administration	93.658		179,609	30,522	228,720
Foster Care - Direct Benefit Payments	93.658		245,986	64,060	64,060
Foster Care	93.658		503,490	164,618	81,596
Title IV-E Adoption Assistance - Administration	93.659		63,661	-	58,017
Adoption Assistance - Direct Benefit Payments	93.659		509,861	133,394	133,394
Total Foster Care and Adoption			1,502,607	392,594	565,787
Temporary Assistance for Needy Families Cluster					
Work First /Temporary Assistance for Needy Families (TANF)	93.558		34,526	-	-
Work First/TANF-Direct Benefit Payments	93.558		591,180	-	423,497
TANF	93.558		818,799	(25)	22
Total TANF Cluster			1,444,505	(25)	423,519
AFDC - Direct Benefit Payments	93.560		(1,146)	(314)	(314)
IV-D Administration	93.563		442,578	-	228,052
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		512,866	-	-
Crisis Intervention Program	93.568		310,091	-	-
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645		48,577	-	16,192
SSBG - Other Services and Training	93.667		429,561	23,770	82,444
Independent Living Grant	93.674		25,232	6,308	-
Family Preservation	93.556		22,533	-	-
Division of Aging and Adult Services:					
SSBG - State In Home Service Fund	93.667		42,370	-	5,296
SSBG - State Adult Day Care	93.667		21,826	8,575	10,522
Child Care Development Fund Cluster: [2]					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		93,612	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		540,826	-	-
Child Care and Development Fund - Mandatory	93.596		464,291	-	-
Child Care and Development Fund - Match	93.596		487,213	257,219	-
Total Child Care Development Fund Cluster			1,585,942	257,219	-
Smart Start			-	573,037	-
TANF MOE			-	48,441	-
Total Subsidized Child Care			1,585,942	878,697	-
Centers for Medicare and Medicaid Services					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778		62,545,886	34,516,532	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		1,089,578	28,341	909,136
State Children's Insurance Program - N.C. Health Choice	93.767		38,660	2,608	6,667
Total U.S. Dept. of Health and Human Services			70,503,257	35,857,086	2,247,301
Total Federal Awards			$ 72,861,588	$ 35,864,643	$ 2,847,301

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
State Awards:					
N.C. Dept. of Cultural Resources					
Division of State Library:					
State Aid to Public Libraries			$ -	$ 119,560	$ -
N.C. Arts Council:					
Grassroots Arts Program			-	17,495	-
Total N.C. Dept. of Cultural Resources			-	137,055	-
N.C. Department of Environment and Natural Resources					
Division of Soil & Water Conservation:					
Local activities			-	3,600	
Division of Waste Management:					
White Goods Management Program			-	18,223	-
Scrap Tire Program			-	31,263	-
Electronics Management			-	4,498	-
Division of Pollution Prevention and Environmental Assistance:					
Community Waste Reduction and Recycling			-	125,710	-
Total N.C. Dept. of Environmental and Natural Resources			-	183,294	-
Natural Resources					
N.C. Dept. of Health and Human Services					
Passed-through Isothermal Planning and Development Commission:					
Division of Aging and Adult Services:					
Senior Center General Fund			-	11,680	-
Total Division of Aging and Adult Services			-	11,680	-
Division of Social Services:					
State Foster Care Benefits Program			-	203,024	202,520
State/County Special Assistance - Administration			-	149,790	49,930
State/County Special Assistance - Direct Benefit Payments			-	688,061	688,061
DCD Smart Start			-	48,800	-
Other County Funded Programs			-	-	957,288
Total Division of Social Services			-	1,089,675	1,897,799
Total N. C. Department of Health and Human Services			-	1,101,355	1,897,799
N.C. Dept. of Public Safety					
Juvenile Crime Prevention Programs			-	223,067	-
Total N.C. Dept. of Public Safety			-	223,067	-
N.C. Dept. of Public Instruction					
Public School Building Capital Fund:					
Lottery Proceeds			-	602,453	-
Total N.C. Dept. of Public Instruction			-	602,453	-
N.C. Dept. of Transportation					
Roper Loop Road, US 221		DOT-18		6,835	
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	74,522	-
ROAP Rural General Public Program		DOT-16CL	-	95,361	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	27,895	-
Total N.C. Dept. of Transportation			-	204,613	-

(Continued on next page)

N.C. Dept. of Commerce

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Lite Up Program				20,372	
N.C. Housing Finance Agency					
Urgent Repair Program			-	37,509	-
Total N.C. Housing Finance Agency			-	37,509	-
Total State Awards			-	2,509,718	1,897,799
Total Federal and State Awards			$ 72,861,588	$ 38,374,361	$ 4,745,100

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

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 and Foster Care and Adoption

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements
Type of auditor's report issued: Unmodified

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: Unmodified

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, 2014 are:

Program Name	CFDA #
Medicaid Assistance Program	93.778
Temporary Assistance for Needy Families	93.558
Title IV-E Foster Care Administration, Foster Care Direct Benefit Payments and Foster Care	93.658
Adoption Assistance Direct Benefit Payments	93.659

The threshold for determining Federal Type A programs for Rutherford County is $2,185,848. New federal programs that did not meet the criteria for a major program using the criteria discussed in the OMB Circular No. A-133 Section .520 were tested as major programs because the State awards met the threshold for a major state program; these are included in the list of major federal programs (Foster Care and Adoption Cluster: (1) Title IV-E Foster Care Administration, Foster Care Direct Benefit Payments and Foster Care and (2) Adoption Assistance Direct Benefit Payments).

Rutherford County qualifies 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, 2014

State Awards

Internal control over major State programs:

- Material weakness identified? ____yes __X_no

- Significant deficiency identified that are not considered to be material weakness __X_yes ____none reported

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

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, 2014 are:

Program Name

Public School Building Capital Fund – Lottery Proceeds

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2014

II. Financial Statement Findings

None reported.

III. Federal and State Award Findings and Questioned Costs

US Department of Social Services Administration for Children and Families
Passed through the NC Dept. of Health and Human Services – Division of Social Services
Program Name: Foster Care – Title IV-E
CFDA # 93.658
Grant Number: None

Finding: 2014-01

SIGNIFICANT DEFICIENCY

NONCOMPLIANCE/DEFICIENCY IN INTERNAL CONTROL

Authorization of Benefit Determination

Criteria: State form 5120-A, Redetermination of Foster Care Assistance Benefits and/or Medical Assistance Only, requires an authorizing signature from a supervisor.

Condition: Evidence of authorization of the benefits redetermination was absent. The required supervisor signature was not present on the form.

Questioned Costs: Unknown.

Context: Approximately 61 children received IV-E foster care benefits between July 2013 and June 2014. A sample of 23 files was examined, 18 of which included at least one required annual redetermination of benefits (form 5120-A). One of the 5120-A forms examined did not include an authorizing signature.

Effect: A child was granted continuing benefits without authorization or review as required.

Cause: Human error was identified as the cause of this omission. We evaluated the cause of this case and determined this finding to be a significant deficiency.

Recommendation: Supervisor review of files to ensure correct and complete documentation of benefit redetermination is recommended. In addition, implementation of internal control procedure to ensure all files contain proper authorization and review.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement additional review procedures to ensure all files contain proper authorization and review.

US Department of Social Services Administration for Children and Families
Passed through the NC Dept. of Health and Human Services – Division of Social Services
Program Name: Adoption Assistance
CFDA # 93.659
Grant Number: None

Finding: 2014-02

SIGNIFICANT DEFICIENCY

NONCOMPLIANCE/DEFICIENCY IN INTERNAL CONTROL

Authorization of Benefit Determination

Criteria: State form 5012, Adoption Assistance Eligibility Checklist is used to document the agency's determination of eligibility for adoption assistance. State form 5013, North Carolina Adoption Assistance Agreement, details the obligations of the adoptive parents and the county social services agency. Both forms require authorizing signatures from agency representatives.

Condition: Forms were missing required authorizing signatures.

Questioned Costs: Unknown.

Context: Title IV-E adoption benefits were provided to the families of 118 adopted children between July 2013 and June 2014. In a sample of 35 files, 2 files included an eligibility checklist (form 5012) that did not contain an authorizing signature and 2 files contained an adoption assistance agreement (form 5013) that did not contain a signature from an agency representative.

Effect: Parents adopting children were granted adoption assistance benefits without authorization or review as required.

Cause: Human error was identified as the cause of this omission. We evaluated the cause of this case and determined this finding to be a significant deficiency.

Recommendation: Supervisor review of files to ensure correct and complete documentation of benefit determinations is recommended. In addition, implementation of internal control procedure to ensure all files contain proper authorization and review.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement additional review procedures to ensure all files contain proper authorization and review.

US Department of Social Services Administration for Children and Families
Passed through the NC Dept. of Health and Human Services – Division of Social Services
Program Name: Adoption Assistance
CFDA # 93.659
Grant Number: None

Finding: 2014-03

SIGNIFICANT DEFICIENCY

NONCOMPLIANCE/DEFICIENCY IN INTERNAL CONTROL

Ineligible Payments

Criteria: Families of adoptive children are eligible for IV-E adoption assistance payments based on specific criteria to be evaluated by the agency.

Condition: The family of an ineligible child was the recipient of IV-E funding. The child was eligible for IV-B funding.

Questioned Costs: Ineligible IV-E funded payments of $6,972 in FY 14 and $5,229 in FY 13.

Context: Title IV-E adoption benefits were provided to the families of 118 adopted children between July 2013 and June 2014. A sample of 35 files was examined. One child was determined by agency officials to be eligible for IV-B adoption assistance. State form 5095, which is transmitted electronically to the state to initiate adoption assistance payments, indicated that the child should receive IV-E funding.

Effect: Title IV-E funds were used to provide adoption assistance to the family rather than Title IV-B funds.

Cause: Human error and lack of supervisor review were identified as the cause of this omission. We evaluated the cause of this case and determined this finding to be a significant deficiency.

Recommendation: It is recommended that a supervisor review all data transmitted to the state to request adoption assistance payments.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement review procedures to ensure the accuracy of data transmitted.

IV. State Award Findings and Questioned Costs

Refer to findings 2014-01, 2014-02, and 2014-03.

RUTHERFORD COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2014

None

RUTHERFORD COUNTY • NORTH CAROLINA
1
APRIL 14 • 1779