

Rutherford County, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013



Prepared By
Rutherford County Finance Department



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INTRODUCTORY SECTION

JULIUS OWENS
Chairman
WILLIAM ECKLER
Vice Chairman
GREG LOVELACE
Commissioner
EDDIE HOLLAND
Commissioner
ROGER RICHARD
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

November 27, 2013

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, 2013. 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
Western Highlands Local Management Entity

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

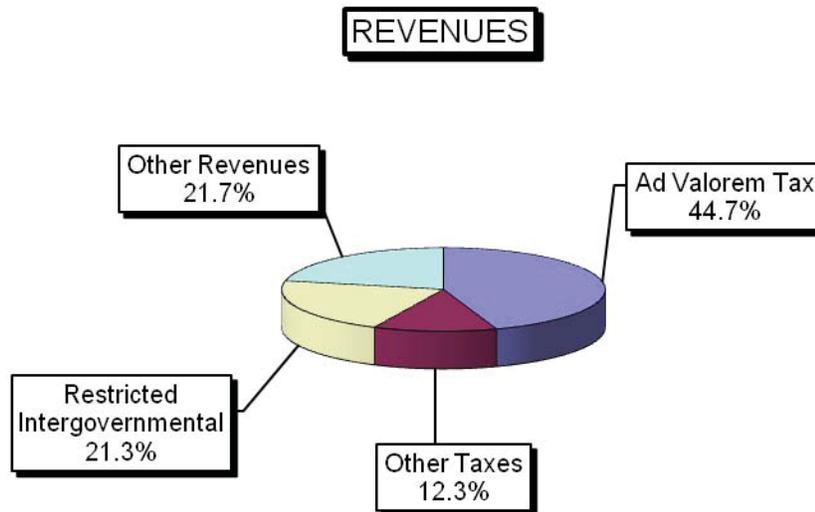
The County's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial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

Budgetary or other control is exercised over all funds. Appropriations are made at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project and Debt Service Funds. The Governing Board amends appropriations as necessary. The budget shown in the financial statements is the budget ordinance as amended through June 30, 2013. 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:

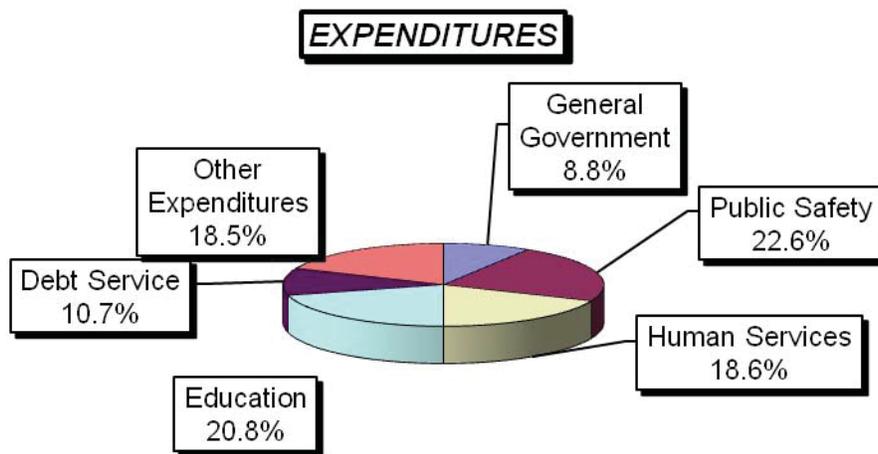


Rutherford County's general governmental sources of revenue increased by approximately 2.5%, or \$1,914,864, mainly due to increased ad valorem collections.

Ad valorem and restricted intergovernmental revenues are the largest source of revenues for the County accounting for 66% of total revenues. Ad valorem taxes account for 44.7% of revenues and increased by \$2,193,393 or 6.65%. The fiscal year 2012-2013 budget was adopted based on a tax rate of 60.7 cents per \$100 of value which was the revenue neutral rate as compared to 53 cents for FY 2011-2012 tax rate. The property tax collection rate of 95.36% led to the increase in property tax revenues.

Other taxes decreased by 7.39% or \$774,109. This decrease was largely a result of the completion of construction of Facebook. Sales tax has stabilized at rates seen prior to the construction of Facebook. The County experienced increases in the areas of permits and fees and investment earnings during FY 2012-13. Permits and fees increased 17.2%, or \$132,460, due largely to an increase in building permit fees with the construction of Horsehead. In addition, sales and services have increased by 4.6 %, or \$398,065, due to additional rents, Sheriff fees and 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 62% 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 13.5% as compared to FY 2012-13. This increase was largely a result of the economic development grants for the Horsehead industrial facility. Debt service expenditures decreased approximately \$747,699, or 9%. Debt service decreased mainly due to the additional savings from the 2012 refinancing.

The County's fund balance available for appropriation as of June 30, 2013 of approximately \$11.75 million or 22.97% 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 68,897 with a work force of 26,000. The population has grown by 1.6% since the 2010 census. This census revealed that the greatest

population growth occurred in the Lake Lure area. The goods-producing industry employment has declined over the last decade, while the service industry employment has increased. The median age has increased to 42.99 as compared to 39.49 a decade ago. The County trend in jobs and population seems to be following the national trends in rural America.

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

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

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

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

Other recent announcements include Horsehead Corporation, zinc recycling facility, with a \$350 million investment and 250 jobs to begin production in Winter 2013. In July 2012 Valley Fine Foods, consumer food manufacturer, announced expansion of an East Coast manufacturing facility with 305 jobs over the next three years to produce gourmet pasta dishes branded as *Pasta Prima*. In October 2013, Trelleborg Coated Systems US, Inc., a leading manufacturer of coated polymer solutions, announced the expansion of their Rutherfordton facility and the relocation of the US headquarters to Rutherford County. The company expects to create 76 new jobs with the new production online by fourth quarter 2014. Unfortunately, the County has not had immunity from the nationwide trend of increased unemployment brought on by plant slowdowns and layoffs. Unemployment in Rutherford County has continued to increase during the past few years

but has seemed to stabilize and actually decrease in recent months. Rutherford County's unemployment rate doubled from a rate of 7.7% as of June 2008 to 15.3% as of June 2009. The unemployment rate peaked at 17.9% in January, 2010 and has been in decline each month since that time with 14.5% being the rate in June, 2012.

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

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

The County has become an increasingly popular choice for retirees and second home buyers. With the economic downturn, however, the County has experienced problems with real estate developments. Grey Rock at Lake Lure, which is home to the 2006 Home and Garden Television (HGTV) dream home, was a 4,000-acre development. The developer filed bankruptcy. The Carolina Mountain Land Conservancy bought 1,500 acres of Grey Rock at Lake Lure in December 2009. Their intent is to maintain the land in its natural state and add this conservancy land to the nearly 4,000 acres in the Lake Lure area already protected for posterity as either state parkland or conservancy land. The future of the remainder of this development remains uncertain. September, 2011, the County received a settlement from the bond company to install the infrastructure over the next two to three years. Another 3,500-acre development called Queens Gap is located partially in the County. Currently over 100 home sites have been sold. Planned amenities and infrastructure include paved streets, public water and sewer systems which were guaranteed via surety performance bonds. However, the developer of Queens Gap has failed to install the infrastructure and in October, 2012, the County received a settlement from the bond company to install the roads and public water system over the next two or three years.

One challenge facing the County is retraining the work force. In view of the changing

technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with customized training programs to help new and existing industry to keep pace with their changing needs. The college offers 87 programs of study and provides training for area business and industry, personal enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities. Many of the County's unemployed have embraced this downturn in the economy as an opportunity to further their education. The college is offering distance learning classes that are allowing more sections of classes to be offered. The college also attributes some growth to first-time college students from the local high schools that are choosing to take advantage of the community college in preparation for four-year college or university programs.

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

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

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

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-fourth 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

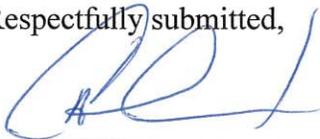
Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

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

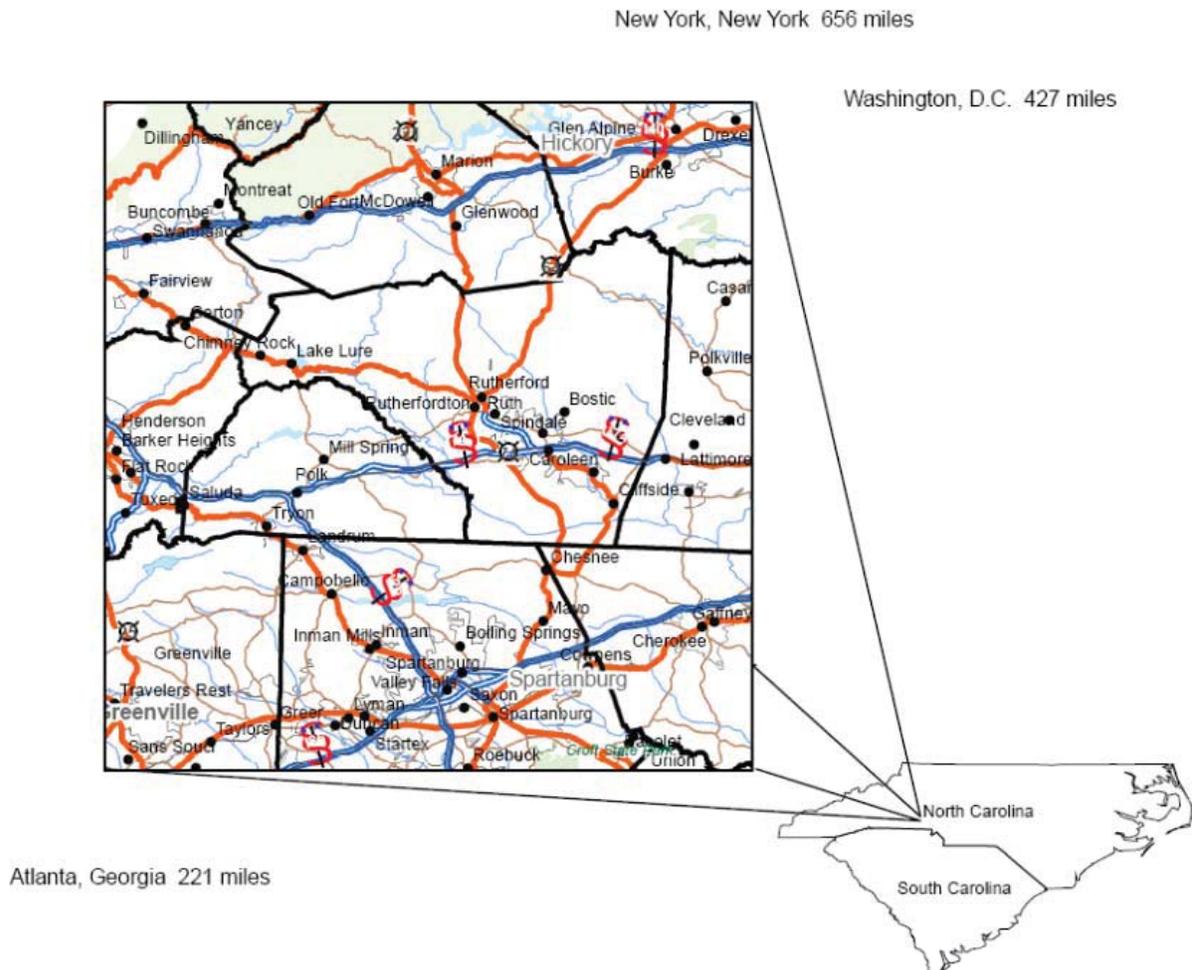
THE COUNTY

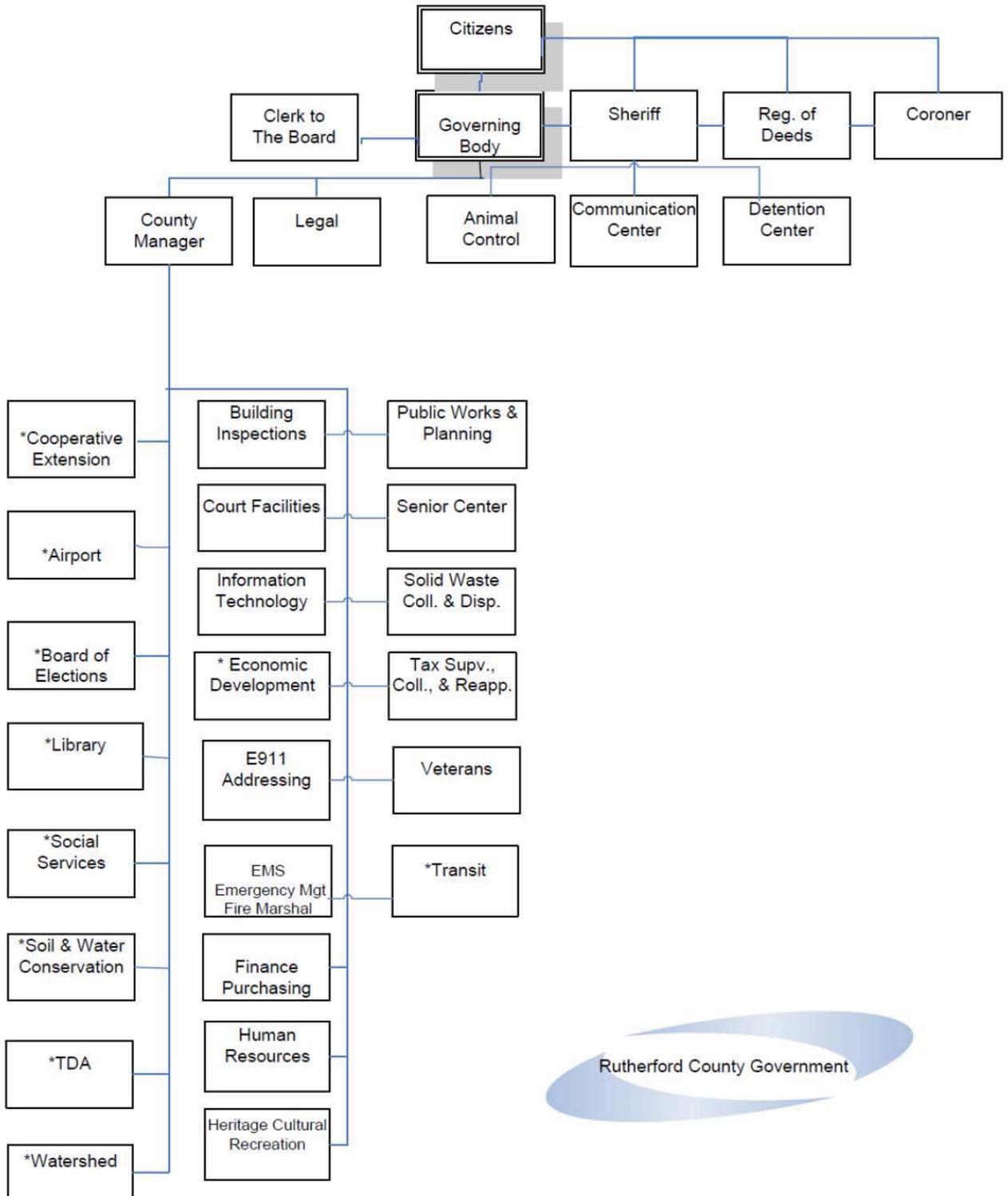
General Description

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, 2012

Executive Director/CEO

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2013

Board of County Commissioners

Julius Owens, Chairman

William Eckler, Vice Chairman

Eddie Holland

Greg Lovelace

Roger Richard

County Manager

Carl Classen

Finance Director

Paula Roach

Assistant Finance Director

RaeAnn Turner

FINANCIAL SECTION





**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

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, 2013, 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, 2013, 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 November 27, 2013 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.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 27, 2013



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, 2013. 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

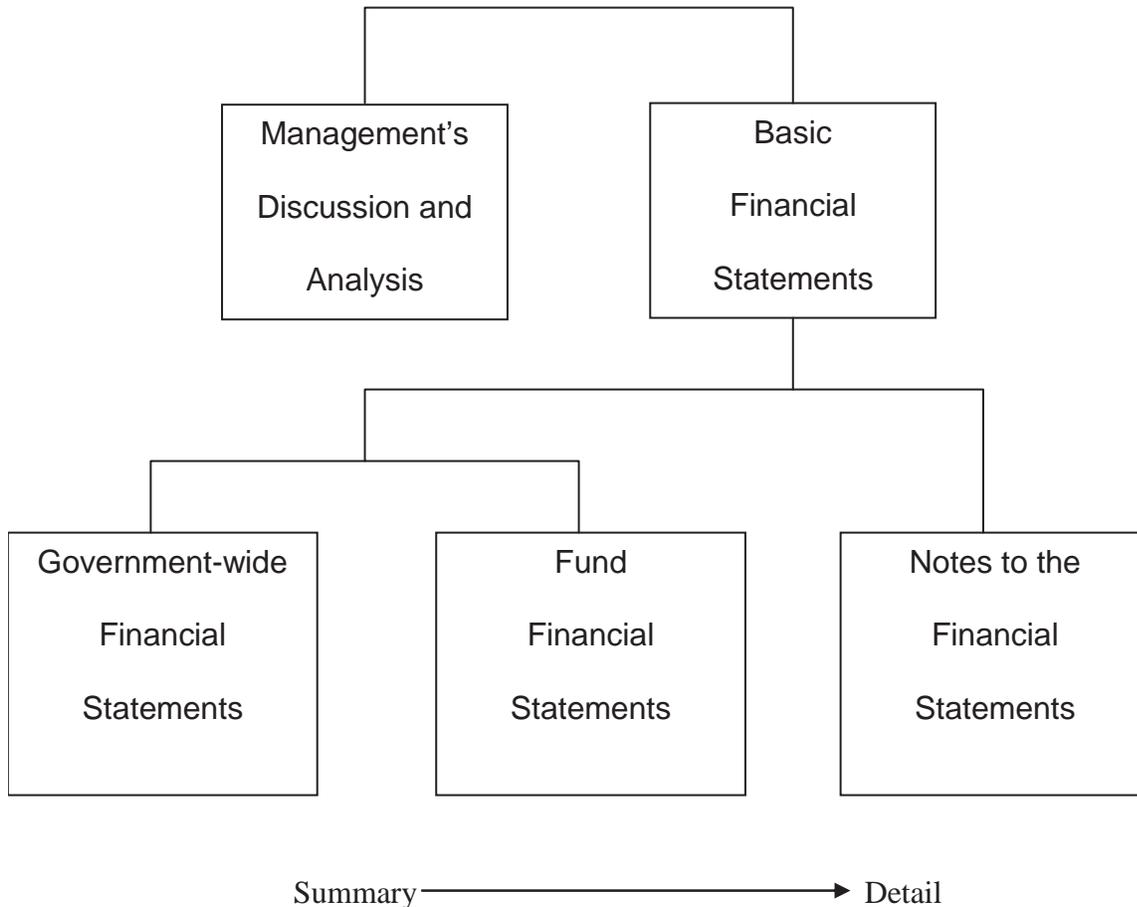
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$45,907,773, an increase of \$8,643,160 in comparison with the prior year. The combined fund balance consisted of: general fund - \$18,319,784 compared to \$17,012,387 (2012); nonmajor special revenue funds \$4,072,573 compared to \$3,135,399 (2012); Grey Rock capital project funds \$9,683,500; Queen's Gap capital project fund \$11,742,866; grant fund \$103,016; and debt service fund \$1,986,034.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,947,932, or 20% 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 \$45,842,358 (*net position*). This compares to a June 30, 2012 surplus of \$33,821,295. In accordance with North Carolina law, liabilities of the County include \$12,263,126 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 position in prior years.
- The County's long-term debt, excluding pension liability, compensated absences and landfill post-closure accrual, decreased by \$4,434,558.
- The County's total net position increased by \$13,630,485.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the County and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net 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 \$48,528,127 as of June 30, 2013. The County's net position increased by \$13,630,485 for the fiscal year ended June 30, 2013, compared to an increase of \$16,224,314 in 2012. One of the largest portions \$16,296,897 (33.6%) 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 \$37,395,989 (77.1%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2013, total unrestricted deficit in the amount of \$5,164,759 is primarily attributable to the governmental activities unrestricted balance of \$5,063,063. In 2012, the amount of net assets investment in capital assets was \$14,949,185, with restricted net position standing at \$23,573,639, leaving an unrestricted deficit of \$3,839,084.

Figure 2

	RUTHERFORD COUNTY'S NET POSITION					
	Governmental Activities		Business-type Activities		Total	Total
	2013	Restated 2012	2013	2012	2013	Restated 2012
Current and other assets	\$ 53,445,349	\$ 42,995,455	\$ 2,861,765	\$ 2,856,749	\$ 56,307,114	\$ 45,852,204
Capital assets	47,272,692	47,978,976	2,787,465	2,014,552	50,060,157	49,993,528
Total assets	100,718,041	90,974,431	5,649,230	4,871,301	106,367,271	95,845,732
Total deferred outflows of resources	-	-	-	-	-	-
Long-term liabilities outstanding	51,272,885	55,612,263	2,645,706	2,530,955	53,918,591	58,143,218
Other liabilities	3,452,499	2,326,975	317,755	263,999	3,770,254	2,590,974
Total liabilities	54,725,384	57,939,238	2,963,461	2,794,954	57,688,845	60,734,192
Total deferred inflows of resources	150,299	213,898	-	-	150,299	213,898
Net position:						
Net investment in capital assets	13,509,432	12,959,012	2,787,465	1,990,173	16,296,897	14,949,185
Restricted	37,395,989	23,573,639	-	-	37,395,989	23,573,639
Unrestricted (deficit)	(5,063,063)	(3,711,356)	(101,696)	86,174	(5,164,759)	(3,625,182)
Total net position	\$ 45,842,358	\$ 32,821,295	\$ 2,685,769	\$ 2,076,347	\$ 48,528,127	\$ 34,897,642

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, \$12,263,126 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 95.36% despite a declining economy. This represents an increase of 2.12 percentage points from fiscal year 2012 when the tax collection percentage for the County was 93.24%.
- Continued efforts of all departments to minimize costs and efficiently serve citizens.
- Continued low cost of debt due to the County's reaffirmed bond ratings and recent refinancing.

Figure 3
RUTHERFORD COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	Restated				Restated	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,856,999	\$ 3,847,693	\$ 3,899,557	\$ 4,082,686	\$ 8,756,556	\$ 7,930,379
Operating grants and contributions	9,885,852	11,526,913	478,885	168,224	10,364,737	11,695,137
Capital grants and contributions	6,393,151	1,412,444	198,234	-	6,591,385	1,412,444
General revenues:						
Property taxes	35,066,855	31,372,766	-	-	35,066,855	31,372,766
Other taxes	9,697,197	10,684,656	-	-	9,697,197	10,684,656
Other	12,906,234	16,149,741	9,570	8,755	12,915,804	16,158,496
Total revenues	78,806,288	74,994,213	4,586,246	4,259,665	83,392,534	79,253,878
Expenses:						
General government	6,247,570	6,352,522	-	-	6,247,570	6,352,522
Public safety	16,148,372	15,291,357	-	-	16,148,372	15,291,357
Environmental protection	126,715	134,268	-	-	126,715	134,268
Economic and physical development	11,752,358	3,876,675	-	-	11,752,358	3,876,675
Human services	13,360,955	13,637,149	-	-	13,360,955	13,637,149
Cultural and recreation	664,187	678,603	-	-	664,187	678,603
Education	15,608,596	15,188,033	-	-	15,608,596	15,188,033
Interest on long-term debt	1,751,472	3,233,656	-	-	1,751,472	3,233,656
Landfill	-	-	4,101,824	3,866,075	4,101,824	3,866,075
Total expenses	65,660,225	58,392,263	4,101,824	3,866,075	69,762,049	62,258,338
Increase (decrease) in net position before transfers and special items	13,146,063	16,601,950	484,422	393,590	13,630,485	16,995,540
Gain (loss) on disposal of capital assets	-	(771,226)	-	-	-	(771,226)
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase (decrease) in net position	13,021,063	15,705,724	609,422	518,590	13,630,485	16,224,314
Net Position, July 1 (restated)	32,821,295	17,115,571	2,076,347	1,557,757	34,897,642	18,673,328
Net Position, June 30	\$ 45,842,358	\$ 32,821,295	\$ 2,685,769	\$ 2,076,347	\$ 48,528,127	\$ 34,897,642

Governmental activities. Governmental activities increased the County's net position by \$13,021,063. This compares to an increase of \$15,705,724 in 2012. The key elements of this increase include surety bond settlement for road and utility construction at the Queen's Gap Development (\$12,100,000) and continued diligence in ad valorem tax collections. The government's long-term debt, excluding pension liability and compensated absences, decreased by \$4,268,577.

Business-type activities. Business-type activities increased Rutherford County's net position by \$609,422. The key element of this increase in net position was an increase in tipping fee revenues due to construction and demolition, grants received for capital projects and the County's investment in 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, 2013 it is estimated that the County has used 43.16 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 a two-tiered tipping fee system. The tipping fee for C&D is \$35 per ton and the tipping fee for all other municipal solid waste is \$45 per ton. In addition, the State established a fee of \$2 per ton on municipal solid waste and construction and demolition debris as a result of the North Carolina General Assembly passing the Solid Waste Act of 2007. The statewide solid waste disposal tax must be collected at the Landfill and submitted to the State. The County's household fee is \$120 per household per year with a reduced homestead exemption fee of \$30 per household per year. Nine convenience centers and one manned green box site are now in operation throughout the County.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, Rutherford County's fund balance available in the General Fund was \$10,672,653, while total fund balance was \$18,319,784. 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 21.06% of General Fund expenditures, while total fund balance represents 36.8% of that same amount. The County's fund balance as of June 30, 2013 remains comparable to the State-wide average and that of other North Carolina counties in our population group.

At June 30, 2013, the governmental funds of Rutherford County reported a combined fund balance of \$45,907,773, a 23.2 percent increase as compared to last year. The primary reason for this increase is largely due to the surety bond settlement received for road and utility construction in the Queen's Gap Development.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total budget amendments to the General Fund increased revenues by \$1,533,814 which represents 3.1% 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 2011-2012 and were therefore carried "re-budgeted" into FY 2012-2013 after the Budget Ordinance was adopted. Amendments in the area of economic and physical development included industrial incentives to Andale LLC (Facebook) and Horsehead Corporation. 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. 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. Reductions in sales tax were offset by increased ad valorem tax collections.

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 a deficit of \$101,696. The total increase in net position was \$609,422. 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, 2013, totals \$50,060,157 (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 land for park and recreational use.
- Purchase of heavy equipment and transfer station and white goods area capital improvement projects for Solid Waste.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 6,023,099	\$ 5,423,099	\$ 708,869	\$ 703,069	\$ 6,731,968	\$ 6,126,168
Buildings and system	37,741,863	39,070,661	1,014,679	916,757	38,756,542	39,987,418
Improvements other than buildings	281,907	280,327	549,683	-	831,590	280,327
Machinery and equipment	1,062,132	1,304,371	275,834	278,023	1,337,966	1,582,394
Intangibles	890,844	944,563	-	-	890,844	944,563
Vehicles and motorized equipment	1,272,847	955,955	238,400	116,703	1,511,247	1,072,658
Total	\$ 47,272,692	\$ 47,978,976	\$ 2,787,465	\$ 2,014,552	\$ 50,060,157	\$ 49,993,528

Additional information on the County's capital assets can be found in note 2(E) of the Basic Financial Statements beginning on page 41.

Long-term Debt. As of June 30, 2013, Rutherford County had total bonded debt outstanding of \$4,160,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation bonds, capital leases, installment purchase and revolving fund debt outstanding is as follows:

Figure 5

RUTHERFORD COUNTY'S OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,160,000	\$ 4,490,000	\$ -	\$ -	\$ 4,160,000	\$ 4,490,000
Capital leases	1,494,993	1,235,626	-	24,379	1,494,993	1,260,005
Installment purchase	43,729,878	48,052,854	-	-	43,729,878	48,052,854
Revolving fund - NCDENR	231,980	248,550	-	-	231,980	248,550
Total	\$ 49,616,851	\$ 54,027,030	\$ -	\$ 24,379	\$ 49,616,851	\$ 54,051,409

Rutherford County's total debt (excluding pension liability, vacation and compensatory pay, landfill postclosure accruals) decreased \$4,434,558 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 \$394,063,645. The County has no un-issued authorized bonds at June 30, 2013.

Additional information regarding Rutherford County's long-term debt can be found in note 4 beginning on page 50 of this Comprehensive Annual Financial Report.

Economic Factors and Next Year's Budgets and Rates

For the past decade, the labor force in Rutherford County has ranged from 25,000 to 32,000 persons. Many communities in this manufacturing region of the State are seeing significant declines in their labor force numbers as unemployment benefits are being exhausted and individuals are "falling out" of the system. In Rutherford County since the year 2000, the total labor force number has remained relatively unchanged. One theory for this is that in late 2007 and the first half of 2008, Rutherford County had much success in locating new facilities and experienced existing company job growth. Rutherford's current labor force number is approximately 26,000. Also similar to other communities in this region of the state, Rutherford County's unemployment rate has remained relatively stable at 12.7% as of June 2013. The unemployment rate peaked at 17.9% in January 2010 and has been in decline since that time. Many of the county's unemployed have embraced this as an opportunity to further their education. Our community college's enrollment numbers are slowing but still remain unusually high.

In November, 2010 Facebook announced that it would be building a large data center in the County and investing a minimum of \$450 million and in October, 2011 Facebook announced the construction of the second data center and additional investment of \$450 million. These two data centers have been completed. Facebook estimates that it employed approximately 200-250 people during construction of the data centers and currently employs approximately 50 people in the two data centers.

In October 2011, Horsehead Corporation, a leading U.S. environmental services provider and producer of specialty zinc and zinc-based products, started 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 scheduled for completion in early 2014 with production online in the first quarter of 2014.

In July 2012, Valley Fine Foods announced the establishment of an East Coast production facility in Forest City, NC. The family-owned company, headquartered in Benecia, CA began making fresh pasta in 1984. The company plans to create 305 jobs over the next three years to produce gourmet pasta dishes branded as *Pasta Prima* at the Forest City plant.

In October 2013, Trelleborg Coated Systems US, Inc., a leading manufacturer of coated polymers solutions, announced the expansion of their Rutherfordton facility and the relocation of the US headquarters to Rutherford County. The company plans to create 76 new jobs and make a capital investment of more than \$10.6 million at the facility in Rutherfordton. Construction associated with the expansion is expected to begin in January 2014 with new production online by fourth quarter 2014.

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 Daniel Road property. 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, 2014

Governmental Activities: The tax rate adopted for fiscal year 2013-2014 was 60.7 cents.

The FY 2013-14 General Fund budget anticipates relatively flat property values reflecting little change in overall values and a budgeted at a collection rate of 93.24%. The County may only budget property tax revenues based upon the prior fiscal tax collection by State law as compared to the Fiscal Year 2012-13 actual collection rate of 95.36%. Sales tax revenues are projected to remain flat. Budgeted expenditures and transfers in the General Fund are expected to remain relatively unchanged at \$53,990,381.

The County expects to maintain its fund balance in the fiscal year ending June 30, 2014 due to conservative revenue estimates and the stabilization of the local economy. As of the fiscal year

ended June 30, 2013, Rutherford County has general fund balance available for appropriation of approximately \$10.76 million or 21.61% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 26.64% of FY 2011-2012 general fund expenditures and, on average state-wide, other North Carolina counties were at 25.24%.

Business – Type Activities: The County rates for landfill services were increased effective January 1, 2011 and remain the same for tipping fees and annual household user fees in the approved FY 2013-14 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 began winter 2013 for the renovation of the transfer and enhanced recycling building. 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 2013-14 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 recycling compactors for two of 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
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 38,848,316	\$ 2,398,267	\$ 41,246,583
Receivables (net)	4,093,253	444,902	4,538,155
Due from other governments	8,097,228	18,596	8,115,824
Prepaid items	582,236	-	582,236
Inventories	43,836	-	43,836
Cash and cash equivalents - restricted	1,380,480	-	1,380,480
Note receivable	400,000	-	400,000
Capital assets:			
Land and			
construction in progress	6,023,099	1,258,552	7,281,651
Other capital assets, net of depreciation	41,249,593	1,528,913	42,778,506
Total capital assets	47,272,692	2,787,465	50,060,157
Total assets	100,718,041	5,649,230	106,367,271
LIABILITIES			
Accounts payable and accrued expenses	3,073,279	317,755	3,391,034
Accrued interest payable	379,220	-	379,220
Long-term liabilities:			
Due within one year	6,527,274	18,394	6,545,668
Due in more than one year	44,745,611	2,627,312	47,372,923
Total long-term debt	51,272,885	2,645,706	53,918,591
Total liabilities	54,725,384	2,963,461	57,688,845
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	150,299	-	150,299
NET POSITION			
Net investment in capital assets	13,509,432	2,787,465	16,296,897
Restricted for:			
Stabilization by State statute	7,222,977	-	7,222,977
Debt service	1,809,606	-	1,809,606
Court facilities	64,716	-	64,716
Capital projects	23,263,318	-	23,263,318
Emergency communications	230,494	-	230,494
Register of deeds	239,262	-	239,262
Fire protection	255,938	-	255,938
Unrestricted (deficit)	(753,385)	(101,696)	(855,081)
Total net position	\$ 45,842,358	\$ 2,685,769	\$ 48,528,127

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

Exhibit 1

Component Units		
Tourism Development Authority	Rutherford County Airport Authority	Transit Administration
\$ 370,924	\$ -	\$ 173,201
80,054	-	105,889
-	521,574	4,769
-	-	-
-	20,873	-
-	-	-
-	-	-
169,577	953,254	-
-	3,358,730	507,609
<u>169,577</u>	<u>4,311,984</u>	<u>507,609</u>
<u>620,555</u>	<u>4,854,431</u>	<u>791,468</u>
35,759	529,145	71,886
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>35,759</u>	<u>529,145</u>	<u>71,886</u>
-	-	-
169,577	4,311,984	507,609
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
415,219	13,302	211,973
<u>\$ 584,796</u>	<u>\$ 4,325,286</u>	<u>\$ 719,582</u>

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

Rutherford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,247,570	\$ 504,604	\$ -	\$ -
Public safety	16,148,372	4,271,558	237,271	313,384
Environmental protection	126,715	-	26,106	-
Economic and physical development	11,752,358	10,750	471,512	5,460,509
Human services	13,360,955	70,087	9,119,763	-
Cultural and recreation	664,187	-	31,200	-
Education	15,608,596	-	-	619,258
Interest on long-term debt	1,751,472	-	-	-
Total governmental activities	65,660,225	4,856,999	9,885,852	6,393,151
Business-type activities:				
Solid waste disposal	4,101,824	3,899,557	478,885	198,234
Total business-type activities	4,101,824	3,899,557	478,885	198,234
Total primary government	\$ 69,762,049	\$ 8,756,556	\$ 10,364,737	\$ 6,591,385
Component units:				
Tourism Development Authority	\$ 695,354	\$ -	\$ 617,137	\$ -
Rutherford County Airport Authority	772,222	406,698	187,361	571,428
Transit Administration	1,016,149	615,333	507,398	-
Total component units	\$ 2,483,725	\$ 1,022,031	\$ 1,311,896	\$ 571,428
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Investment earnings, unrestricted				
Surety bond settlement				
Miscellaneous, unrestricted				
Total general revenues excluding transfers				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning:				
As previously reported				
Prior period adjustment				
As restated				
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
\$ (5,742,966)	\$ -	\$ (5,742,966)			
(11,326,159)	-	(11,326,159)			
(100,609)	-	(100,609)			
(5,809,587)	-	(5,809,587)			
(4,171,105)	-	(4,171,105)			
(632,987)	-	(632,987)			
(14,989,338)	-	(14,989,338)			
(1,751,472)	-	(1,751,472)			
(44,524,223)	-	(44,524,223)			
-	474,852	474,852			
-	474,852	474,852			
(44,524,223)	474,852	(44,049,371)			
			\$ (78,217)	\$ -	\$ -
			-	393,265	-
			-	-	106,582
			(78,217)	393,265	106,582
35,066,855	-	35,066,855	-	-	-
9,697,197	-	9,697,197	-	-	-
221,355	-	221,355	-	-	-
40,674	9,570	50,244	-	-	-
12,100,000	-	12,100,000	-	-	-
544,205	-	544,205	-	-	-
57,670,286	9,570	57,679,856	-	-	-
(125,000)	125,000	-	-	-	-
57,545,286	134,570	57,679,856	-	-	-
13,021,063	609,422	13,630,485	(78,217)	393,265	106,582
33,420,721	2,076,347	35,497,068	663,013	3,855,534	613,000
(599,426)	-	(599,426)	-	76,487	-
32,821,295	2,076,347	34,897,642	663,013	3,932,021	613,000
\$ 45,842,358	\$ 2,685,769	\$ 48,528,127	\$ 584,796	\$ 4,325,286	\$ 719,582

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

Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	Major		
	General	Debt Service	Grant Fund
ASSETS			
Cash and cash equivalents	\$ 11,747,290	\$ 939,274	\$ -
Receivables, net	3,063,268	176,428	-
Due from other governments	3,607,345	-	4,412,694
Due from other funds	3,256,172	-	-
Prepaid items	582,236	-	-
Inventories	43,836	-	-
Cash and cash equivalents - restricted	509,896	870,584	-
Total assets	\$ 22,810,043	\$ 1,986,286	\$ 4,412,694
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,282,618	\$ 252	\$ 1,053,506
Due to other funds	-	-	3,256,172
Total liabilities	1,282,618	252	4,309,678
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	147,199	-	-
Property taxes and other receivables	3,060,442	-	-
Total deferred inflows of resources	3,207,641	-	-
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	626,072	-	-
Restricted:			
Stabilization by State statute	6,866,343	176,428	103,016
Debt service	-	1,809,606	-
Court facilities	64,716	-	-
Capital projects	-	-	-
Emergency communications	-	-	-
Register of deeds	-	-	-
Fire protection	-	-	-
Assigned:			
Subsequent year's expenditures	324,013	-	-
HVAC replacement	405,680	-	-
Roof replacement	85,028	-	-
Unassigned	9,947,932	-	-
Total fund balances	18,319,784	1,986,034	103,016
Total liabilities, deferred inflows of resources and fund balances	\$ 22,810,043	\$ 1,986,286	\$ 4,412,694

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.

Exhibit 3

Major (Con't)		Non-major	
Grey Rock Capital Project	Queen's Gap Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 10,136,666	\$ 11,851,900	\$ 4,173,186	\$ 38,848,316
-	-	328,177	3,567,873
-	-	77,189	8,097,228
-	-	-	3,256,172
-	-	-	582,236
-	-	-	43,836
-	-	-	1,380,480
<u>\$ 10,136,666</u>	<u>\$ 11,851,900</u>	<u>\$ 4,578,552</u>	<u>\$ 55,776,141</u>
\$ 453,166	\$ 109,034	\$ 174,703	\$ 3,073,279
-	-	-	3,256,172
<u>453,166</u>	<u>109,034</u>	<u>174,703</u>	<u>6,329,451</u>
-	-	3,100	150,299
-	-	328,176	3,388,618
<u>-</u>	<u>-</u>	<u>331,276</u>	<u>3,538,917</u>
-	-	-	626,072
-	-	77,190	7,222,977
-	-	-	1,809,606
-	-	-	64,716
9,683,500	11,742,866	1,836,952	23,263,318
-	-	230,494	230,494
-	-	239,262	239,262
-	-	255,938	255,938
-	-	1,432,737	1,756,750
-	-	-	405,680
-	-	-	85,028
-	-	-	9,947,932
<u>9,683,500</u>	<u>11,742,866</u>	<u>4,072,573</u>	<u>45,907,773</u>
<u>\$ 10,136,666</u>	<u>\$ 11,851,900</u>	<u>\$ 4,578,552</u>	<u>\$ 55,776,141</u>
			\$ 45,907,773
			(65,415)
			<u>\$ 45,842,358</u>

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

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major		
	General	Debt Service	Grant Fund
REVENUES			
Ad valorem taxes	\$ 32,339,632	\$ -	\$ -
Local option sales taxes	3,332,646	5,642,338	-
Restricted intergovernmental	9,776,819	619,258	4,996,902
Permits and fees	903,651	-	-
Sales and services	3,543,122	10,750	-
Investment earnings	34,882	1,084	8
Miscellaneous	356,745	-	-
Total revenues	50,287,497	6,273,430	4,996,910
EXPENDITURES			
Current:			
General government	6,198,832	-	-
Public safety	13,059,553	-	285,884
Environmental protection	117,274	-	-
Economic and physical development	1,522,004	-	4,343,365
Human services	13,183,622	-	-
Cultural and recreational	604,439	-	608,710
Intergovernmental:			
Education	14,162,820	-	-
Capital outlay:			
Education	544,313	-	-
Debt service:			
Principal	385,372	4,861,662	-
Interest and other charges	10,741	2,313,956	-
Total expenditures	49,788,970	7,175,618	5,237,959
Revenues over (under) expenditures	498,527	(902,188)	(241,049)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	363,944	73,475	24,000
Transfers to other funds	(266,180)	-	-
Economic loan to Horsehead	(500,000)	-	-
Economic loan payments received	100,000	-	-
Proceeds from sale of fixed assets	44,606	-	-
Capital lease financing	1,066,500	-	-
Refunding bond issued	-	8,425,000	-
Payment to refunded bond escrow agent	-	(8,266,667)	-
Total other financing sources (uses)	808,870	231,808	24,000
Net changes in fund balances	1,307,397	(670,380)	(217,049)
Fund balances, beginning	17,012,387	2,656,414	320,065
Fund balances, ending	\$ 18,319,784	\$ 1,986,034	\$ 103,016

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.

Exhibit 4

Major (Con't)		Non-major	Total
Grey Rock Capital Project	Queen's Gap Capital Project	Other Governmental Funds	Governmental Funds
\$ -	\$ -	\$ 2,817,666	\$ 35,157,298
-	-	722,213	9,697,197
-	-	1,369,582	16,762,561
-	-	-	903,651
-	-	45,000	3,598,872
-	4,446	254	40,674
-	12,100,000	2,048	12,458,793
-	12,104,446	4,956,763	78,619,046
-	-	40,029	6,238,861
-	-	2,602,040	15,947,477
-	-	6,511	123,785
4,456,848	361,580	1,050,770	11,734,567
-	-	-	13,183,622
-	-	-	1,213,149
-	-	-	14,162,820
-	-	-	544,313
-	-	-	5,247,034
-	-	-	2,324,697
4,456,848	361,580	3,699,350	70,720,325
(4,456,848)	11,742,866	1,257,413	7,898,721
-	-	47,180	508,599
-	-	(367,419)	(633,599)
-	-	-	(500,000)
-	-	-	100,000
-	-	-	44,606
-	-	-	1,066,500
-	-	-	8,425,000
-	-	-	(8,266,667)
-	-	(320,239)	744,439
(4,456,848)	11,742,866	937,174	8,643,160
14,140,348	-	3,135,399	37,264,613
\$ 9,683,500	\$ 11,742,866	\$ 4,072,573	\$ 45,907,773
			\$ 8,643,160
			4,377,903
			\$ 13,021,063

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

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 31,361,449	\$ 31,411,449	\$ 32,339,632	\$ 928,183
Local option sales taxes	3,928,156	3,928,155	3,332,646	(595,509)
Restricted intergovernmental	9,218,261	10,338,907	9,776,819	(562,088)
Permits and fees	793,456	793,456	903,651	110,195
Sales and services	3,532,222	3,548,994	3,543,122	(5,872)
Investment earnings	70,000	70,000	34,882	(35,118)
Miscellaneous	160,789	507,186	356,745	(150,441)
Total revenues	<u>49,064,333</u>	<u>50,598,147</u>	<u>50,287,497</u>	<u>(310,650)</u>
Expenditures:				
Current:				
General government	6,595,214	7,016,018	6,198,832	817,186
Public safety	13,678,258	13,906,928	13,059,553	847,375
Environmental protection	122,653	122,653	117,274	5,379
Economic and physical development	1,192,873	1,686,805	1,522,004	164,801
Human services	13,305,082	14,258,303	13,183,622	1,074,681
Cultural and recreational	610,139	643,650	604,439	39,211
Intergovernmental:				
Education	14,278,583	14,707,133	14,707,133	-
Total current expenditures	<u>49,782,802</u>	<u>52,341,490</u>	<u>49,392,857</u>	<u>2,948,633</u>
Debt service:				
Principal retirement			385,372	
Interest and other charges			10,741	
Total debt service	614,220	614,220	<u>396,113</u>	218,107
Total expenditures	<u>50,397,022</u>	<u>52,955,710</u>	<u>49,788,970</u>	<u>3,166,740</u>
Revenues over (under) expenditures	<u>(1,332,689)</u>	<u>(2,357,563)</u>	<u>498,527</u>	<u>2,856,090</u>
Other financing sources (uses):				
Transfers from other funds	34,606	510,876	363,944	(146,932)
Transfers to other funds	(412,090)	(452,874)	(266,180)	186,694
Economic loan to Horsehead	(500,000)	(500,000)	(500,000)	-
Economic loan payments received	100,000	100,000	100,000	-
Capital lease financing	1,066,500	1,066,500	1,066,500	-
Proceeds from sale of fixed assets	20,000	20,000	44,606	24,606
Appropriated fund balances	1,023,673	1,613,061	-	(1,613,061)
Total other financing sources (uses)	<u>1,332,689</u>	<u>2,357,563</u>	<u>808,870</u>	<u>(1,548,693)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,307,397</u>	<u>\$ 1,307,397</u>
Fund balance, beginning			<u>17,012,387</u>	
Fund balance, ending			<u>\$ 18,319,784</u>	

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

Rutherford County, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	<u>Enterprise Fund</u> Solid Waste Disposal Fund
ASSETS	
Current assets:	
Cash and cash equivalents	2,398,267
Receivables, net	444,902
Due from other governments	18,596
Total current assets	<u>2,861,765</u>
Capital assets:	
Land, improvements, and construction in progress	1,258,552
Other capital assets, net of depreciation	1,528,913
Total capital assets	<u>2,787,465</u>
Total assets	<u>5,649,230</u>
LIABILITIES	
Current liabilities:	
Accounts payable	317,755
Current portion of long-term liabilities	18,394
Total current liabilities	<u>336,149</u>
Long-term liabilities:	
Accrued landfill closure and postclosure care costs	2,611,320
Long-term debt	15,992
Total long-term liabilities	<u>2,627,312</u>
Total liabilities	<u>2,963,461</u>
NET ASSETS	
Net investment in capital assets	2,787,465
Unrestricted	(101,696)
Total net assets	<u>\$ 2,685,769</u>

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

Rutherford County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Enterprise Fund
	Solid Waste Disposal Fund
OPERATING REVENUES	
Charges for services	\$ 3,899,557
Miscellaneous	677,119
Total operating revenues	4,576,676
OPERATING EXPENSES	
Salaries, wages, and fringe benefits	1,174,281
Maintenance and repairs	97,403
Other operating expenses	2,429,712
Landfill closure and postclosure care costs	162,021
Depreciation	238,367
Total operating expenses	4,101,784
Operating income	474,892
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	9,570
Interest and other charges	(40)
Total nonoperating revenue (expenses)	9,530
Income before transfers	484,422
Transfers from other funds	125,000
Change in net position	609,422
Total net position, beginning	2,076,347
Total net position, ending	\$ 2,685,769

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

Rutherford County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	Enterprise Fund
	Solid Waste Disposal Fund
Cash flows from operating activities:	
Cash received from customers	\$ 4,566,112
Cash paid to employees for services	(1,179,822)
Cash paid for goods and services	(2,490,709)
Net cash provided by operating activities	895,581
Cash flows from noncapital financing activities:	
Transfers in	125,000
Due from other governments	(18,596)
Net cash provided by noncapital financing activities	106,404
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,011,280)
Principal paid on long-term debt	(24,379)
Interest paid on long-term debt	(40)
Net cash used by capital and related financing activities	(1,035,699)
Cash flows from investing activities:	
Interest on investments	9,570
Net cash provided by investing activities	9,570
Net decrease in cash and cash equivalents	(24,144)
Cash and cash equivalents, beginning of year	2,422,411
Cash and cash equivalents, end of year	\$ 2,398,267

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

Exhibit 8

	<u>Enterprise Fund</u>
	Solid Waste Disposal Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 474,892
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	238,367
Landfill closure and postclosure care costs	162,021
Changes in assets and liabilities:	
Decrease in receivables	(10,564)
Increase in accounts payable and accrued liabilities	30,865
Total adjustments	<u>420,689</u>
Net cash provided by operating activities	<u>\$ 895,581</u>

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

**Rutherford County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 214,252
Accounts receivable	929
Total assets	<u>215,181</u>
LIABILITIES	
Accounts payable	130,368
Due to other taxing units	84,813
Total liabilities	<u>215,181</u>
NET POSITION	<u><u>\$ -</u></u>

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

RUTHERFORD COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2013

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:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Department Advisory Council Fund, which accounts for monies deposited for the benefit of the Council; the Cities Tax Collection Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; Motor Vehicle Interest Fund, which accounts for delinquent interest received for the first month that is collected by the County and submitted to NCDMV monthly per House Bill 1779; the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

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. 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.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rutherford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on 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:

Unspent debt proceeds	\$ 544,773
Reserved for water/sewer	835,701
Reserved for school debt service	<u>6</u>
	<u>\$ 1,380,480</u>

(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, 2012. 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:

	<u>Years</u>
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 governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for 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 (\$65,415) 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)	\$ 74,392,039
Less accumulated depreciation	<u>(27,119,347)</u>
Net capital assets	47,272,692
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	525,380
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.	400,000
Liabilities for deferred inflows of resources recorded in the fund statements but not the government-wide.	3,388,618
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	(49,616,851)
Compensated absences and pension	(1,656,034)
Accrued interest payable	<u>(379,220)</u>
Total adjustment	<u>\$ (65,415)</u>

(2) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 \$4,377,903 consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 1,631,065
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.	(2,320,423)
Cost of disposed capital asset not recorded in fund statements.	(16,927)

New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net position.	(9,491,500)
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.	13,513,701
Funds disbursed on long-term note receivable are recorded as a use of funds on the fund statements; they have no effect on the statement of activities – they affect only the government-wide statement of net position.	500,000
Payments received on long-term note receivable are recorded as a source of funds on the fund statements; they have no effect on the statement of activities – they affect only the government-wide statement of net position.	(100,000)
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)	185,248
Amortization of debt premiums.	387,978
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(66,488)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(4,313)
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, 2012.	(887,710)
Recording of interest revenue deferred in fund statements at June 30, 2013.	525,380
Reversal of deferred tax revenue recorded at July 1, 2012.	(2,793,695)
Recording of tax receipts deferred in the fund statements as of June 30, 2013.	3,065,580
Reversal of other deferred revenue recorded at July 1, 2012.	(73,030)

Recording of other revenues deferred in fund statements as of June 30, 2013	<u>323,037</u>
Total adjustment	<u>\$ 4,377,903</u>

(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, 2013, the County's deposits had a carrying amount of \$35,002,437 and a bank balance of \$35,911,536. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$35,161,536 was covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2013 of \$2,040.

The Transit Administration's deposits had a carrying amount and bank balance of \$173,201 all of which was covered by collateral held under the pooling method.

The Tourism Development Authority had a carrying amount and bank balance of \$370,924 all of which was covered by collateral held under the pooling method.

(B) **Investments**

At June 30, 2013, the County's investments consisted of \$7,836,838 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, 2013, 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, 2013, had no investment securities with a counterparty.

(C) **Property Tax-Use-Value Assessment on Certain Lands**

In accordance with the general statutes, agriculture, horticulture and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year <u>Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 638,635	\$ 170,835	\$ 809,470
2011	665,810	118,181	783,991
2012	780,678	68,309	848,987
2013	<u>874,171</u>	<u>-</u>	<u>874,171</u>
Total	<u>\$ 2,959,294</u>	<u>\$ 357,325</u>	<u>\$ 3,316,619</u>

(D) **Receivables**

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 2,064,543	\$ 6,421,768	\$ 3,607,345	12,093,656
Other Governmental	176,428	328,179	4,489,883	4,994,490
Total receivables	<u>2,240,971</u>	<u>6,749,947</u>	<u>8,097,228</u>	<u>17,088,146</u>
Allowance for doubtful accounts	<u>(1,708,665)</u>	<u>(3,189,000)</u>	<u>-</u>	<u>(4,897,665)</u>
Total – governmental activities	<u>\$ 532,306</u>	<u>\$ 3,560,947</u>	<u>\$ 8,097,228</u>	<u>\$ 12,190,481</u>
Business-type Activities:				
Solid waste	\$ 471,902	\$ -	\$ 18,596	\$ 490,498
Allowance for doubtful accounts	<u>(27,000)</u>	<u>-</u>	<u>-</u>	<u>(27,000)</u>
Total – business-type activities	<u>\$ 444,902</u>	<u>\$ -</u>	<u>\$ 18,596</u>	<u>\$ 463,498</u>

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

Local option sales tax	\$ 2,538,873
Other	<u>5,558,355</u>
Total	<u>\$ 8,097,228</u>

(E) **Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,423,099	\$ 600,000	\$ -	\$ 6,023,099
Total capital assets not being depreciated	<u>5,423,099</u>	<u>600,000</u>	<u>-</u>	<u>6,023,099</u>
Capital assets being depreciated:				
Buildings	54,290,219	60,298	-	54,350,517
Other improvements	827,233	25,614	-	852,847
Intangibles	1,074,384	-	-	1,074,384
Equipment	6,074,186	200,974	53,046	6,222,114
Vehicles	5,238,641	744,179	113,742	5,869,078
Total capital assets being depreciated	<u>67,504,663</u>	<u>1,031,065</u>	<u>166,788</u>	<u>68,368,940</u>
Less accumulated depreciation for:				
Buildings	15,219,558	1,389,096	-	16,608,654
Other improvements	546,906	24,034	-	570,940
Intangibles	129,821	53,719	-	183,540
Equipment	4,769,815	426,287	36,120	5,159,982
Vehicles	4,282,686	427,287	113,742	4,596,231
Total accumulated depreciation	<u>24,948,786</u>	<u>2,320,423</u>	<u>149,862</u>	<u>27,119,347</u>
Governmental activities capital assets, net	<u>42,555,877</u>			<u>41,249,593</u>
	<u>\$ 47,978,976</u>			<u>\$ 47,272,692</u>

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

General government	\$ 294,204
Public safety	788,432
Economic and physical development	10,520
Environmental protection	2,491
Human services	272,965
Cultural and recreational	50,348
Education	901,463
Total depreciation expense	<u>\$ 2,320,423</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Solid waste disposal				
Capital assets not being depreciated:				
Land	\$ 703,069	\$ 5,800	\$ -	\$ 708,869
Construction in progress	-	549,683	-	549,683
Total capital assets not being depreciated	<u>703,069</u>	<u>555,483</u>	<u>-</u>	<u>1,258,552</u>
Capital assets being depreciated:				
Buildings and improvements	3,203,293	213,165	-	3,416,458
Equipment	1,584,895	74,795	-	1,659,690
Vehicles	427,550	167,837	-	595,387
Total capital assets being depreciated	<u>5,215,738</u>	<u>455,797</u>	<u>-</u>	<u>5,671,535</u>

Less accumulated depreciation for:

Buildings and improvements	2,286,536	115,243	-	2,401,779
Equipment	1,306,872	76,984	-	1,383,856
Vehicles	310,847	46,140	-	356,987
Total accumulated depreciation	<u>3,904,255</u>	<u>238,367</u>	-	<u>4,142,622</u>
Total capital assets being depreciated, net	<u>1,311,483</u>			<u>1,528,913</u>
Solid Waste Disposal capital assets, net	<u>\$ 2,014,552</u>			<u>\$ 2,787,465</u>

Construction commitments

The County's active contracts as of June 30, 2013 consists of the following:

	<u>Contract</u>	<u>Incurred</u>	<u>Remaining</u>
Contract with Horsehead Project	\$ 2,864,446	\$ 2,819,776	\$ 44,670
Solid waste contract	<u>558,654</u>	<u>484,024</u>	<u>74,630</u>
Total	<u>\$ 3,423,100</u>	<u>\$ 3,303,800</u>	<u>\$ 119,300</u>

Discretely presented component units

	<u>Restated Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Airport Authority:				
Capital assets not being depreciated:				
Land	\$ 423,979	\$ 501,825	\$ -	\$ 925,804
Construction in progress	<u>535,047</u>	<u>27,450</u>	<u>535,047</u>	<u>27,450</u>
Total capital assets not being depreciated	<u>959,026</u>	<u>529,275</u>	<u>535,047</u>	<u>953,254</u>
Capital assets being depreciated:				
Buildings and improvements	4,371,393	535,047	-	4,906,440
Equipment	<u>265,801</u>	<u>-</u>	<u>-</u>	<u>265,801</u>
Total capital assets being depreciated	<u>4,637,194</u>	<u>535,048</u>	<u>-</u>	<u>5,172,241</u>
Less accumulated depreciation for:				
Buildings and improvements	1,509,830	123,712	-	1,633,542
Equipment	<u>154,368</u>	<u>25,601</u>	<u>-</u>	<u>179,969</u>
Total accumulated depreciation	<u>1,664,198</u>	<u>149,313</u>	<u>-</u>	<u>1,813,511</u>
Airport Authority capital assets, net	<u>2,972,996</u>			<u>3,358,730</u>
	<u>\$ 3,932,022</u>			<u>\$ 4,311,984</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Transit Administration:				
Capital assets being depreciated:				
Equipment	\$ 17,167	\$ -	\$ -	\$ 17,167
Vehicles	<u>1,230,995</u>	<u>216,833</u>	<u>25,395</u>	<u>1,422,433</u>
Total capital assets being depreciated	<u>1,248,162</u>	<u>216,833</u>	<u>25,395</u>	<u>1,439,600</u>
Less accumulated depreciation for:				
Equipment	17,167	-	-	17,167
Vehicles	<u>753,731</u>	<u>186,488</u>	<u>25,395</u>	<u>914,824</u>
Total accumulated depreciation	<u>770,898</u>	<u>186,488</u>	<u>25,395</u>	<u>931,991</u>
Total capital assets being depreciated, net	<u>477,264</u>			<u>507,609</u>
Transit Administration capital assets, net	<u>\$ 477,264</u>			<u>\$ 507,609</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Tourism Development Authority:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 169,577	\$ -	\$ 169,577
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 169,577</u>	<u>\$ -</u>	<u>\$ 169,577</u>

Note 3 – Liabilities**(A) Payables**

Payables at the government-wide level at June 30, 2013, were as follows:

	<u>Vendors</u>	<u>Salaries and Accrued Benefits</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities				
General	\$ 460,531	\$ 822,087	\$ -	\$ 1,282,618
Other governmental	1,749,197	41,464	379,220	2,169,881
Total – governmental activities	<u>\$ 2,209,728</u>	<u>\$ 863,551</u>	<u>\$ 379,220</u>	<u>\$ 3,452,499</u>
Business-type Activities				
Solid waste	\$ 269,257	\$ 48,498	\$ -	\$ 317,755
Total – business-type activities	<u>\$ 269,257</u>	<u>\$ 48,498</u>	<u>\$ -</u>	<u>\$ 317,755</u>

(B) Pension Plan Obligations***North Carolina Local Governmental Employees' Retirement System***

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

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The County, Rutherford County Transit Administration, and 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 6.74% of annual covered payroll. For County law enforcement officers the current rate is 6.77% 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, 2013, 2012, and 2011 were \$1,384,629, \$1,368,135, and \$1,347,265, respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$29,784, \$30,074, and \$33,575 respectively. The Tourism Development Authority contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$15,510, \$12,373, and \$11,988,

respectively. The contributions made by the County, Rutherford County Transit Administration, and Tourism Development 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	4
Active plan members	<u>75</u>
Total	<u><u>79</u></u>

Summary of Significant Accounting Policies:

a. *Basis of Accounting:* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

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

The annual required contribution for the current year was determined as part of the December 31, 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	\$ 128,835
Interest on net pension obligation	26,480
Adjustment to annual required contribution	<u>(32,957)</u>
Annual pension cost	122,358
Contributions made	<u>(55,870)</u>
Increase in net pension obligation	66,488
Net pension obligation beginning of year	<u>529,590</u>
Net pension obligation end of year	<u><u>\$ 596,078</u></u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$ 122,358	45.66%	\$ 596,078
6/30/12	115,001	51.56%	529,590
6/30/11	135,573	47.76%	473,884

Funded Status and Funding Progress:

As of December 31, 2012, 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 \$1,183,001. The covered payroll (annual payroll of active employees covered by the plan) was \$3,019,304 and the ratio of the UAAL to the covered payroll was 39.18%.

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, 2013 were \$182,461, which consisted of \$152,384 from the County and \$30,077 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, 2013 were \$545,991, which consisted of \$362,481 from the County and \$183,510 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal

year ended June 30, 2013 were \$11,948, which consisted of \$7,606 from the Rutherford County Transit Administration and \$4,342 from the employees. Contributions for Tourism Development Authority employees for the fiscal year ended June 30, 2013 were \$7,363, which consisted of \$4,699 from the Tourism Development Authority and \$2,664 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, 2013, the County paid all annual required contributions to the Plan for postemployment healthcare benefits of \$752,665. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2013 were \$12,404. Contributions for Tourism Development Authority employees for the fiscal year ended June 30, 2013 were \$7,664. These contributions represented 5.30% 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, nor Tourism Development Authority, the County, Rutherford County Transit Administration, and Tourism Development Authority, do not determine the number of eligible participants. For the fiscal year ended June 30, 2013, 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, 2013, the Rutherford County Transit Administration, 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, 2013, the County's required and actual contributions were \$5,839.

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 Outflows and Inflows of Resources

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 147,199
Prepaid taxes not yet earned (Special Revenue)	-	3,100
EMS receivable	323,037	-
Taxes receivable, net (General), less penalties	2,713,517	-
Taxes receivable, net (Special Revenue)	328,176	-
Other receivable, net (General)	<u>23,888</u>	<u>-</u>
	<u>\$ 3,388,618</u>	<u>\$ 150,299</u>

(D) Risk Management

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

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

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

The County also participates in the State's Comprehensive Major Medical Plan (also referred to as The State Health Plan), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Participants in the Plan include all full-time agency employees, retired employees, disabled employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). The County pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan. As of June 30, 2013, the program had 463 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, 2013 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, 2013, 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, 2013:

Buildings, net	\$ 41,267,024
Vehicles, net	5,352,667
Equipment and software, net	<u>2,819,735</u>
	<u>\$ 49,439,426</u>

(A) **Capital Leases**

The County has entered into agreements to lease certain vehicles and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following leases are included in Long-Term Debt:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
<u>Governmental Activities</u>				
<u>Serviced by the General Fund:</u>				
Software/Hardware lease purchase agreement, 2011 \$366,902 issue, monthly payments of \$6,527, including interest at 1.95% through December, 2015	\$ 264,773	\$ -	\$ 73,816	\$ 190,957
Vehicle and equipment lease purchase agreement, 2011 \$362,677 issue, monthly payments of \$10,349, including interest at 1.75% through January, 2014	193,787	-	121,767	72,020
Software lease purchase agreement, 2008 \$400,000 issue, monthly payments of \$7,291, including interest at 2.94% through December, 2012	43,333	-	43,333	-
Vehicle and equipment lease purchase agreement, 2013 \$1,066,500 issue, monthly payments of \$30,036, including interest at 0.897% through January, 2016	-	1,066,500	146,415	920,085

Serviced by Debt Service Fund:

Hardware and software lease purchase agreement, 2008 \$1,000,000 issue, monthly payments of \$18,224, including interest at 2.94% through December, 2012	108,461	-	108,461	-
Hardware and software lease purchase agreement, 2009 \$1,000,000 issue, monthly payments of \$18,149 including interest at 2.77% through January, 2014	336,999	-	211,120	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	288,273	-	102,221	186,052
	<hr/>			
Total capital leases	<u>\$ 1,235,626</u>	<u>\$ 1,066,500</u>	<u>\$ 807,133</u>	<u>\$ 1,494,993</u>

For Rutherford County, the future minimum payments as of June 30, 2013, including interest are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013/14	\$ 731,980	\$ 15,386
2014/15	514,446	6,155
2015/16	248,567	850
Total	<u>\$ 1,494,993</u>	<u>\$ 22,391</u>

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

<u>Balance</u>			<u>Balance</u>
July 1, 2012	<u>Additions</u>	<u>Retirements</u>	June 30, 2013

Business-Type Activities

Capital Leases – Solid Waste Enterprise Fund:

Equipment lease purchase agreement, 2008 \$225,000 issue, monthly payments of \$4,100, including interest at 2.94% through December, 2012	<u>\$ 24,379</u>	-	<u>\$ 24,379</u>	-
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(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, 2013 by installment purchases, private placement, certificates of participation (COP's), or limited obligation bonds (LOB's).

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
<u>Governmental Activities</u>				
<u>Serviced by the Debt Service Fund</u>				
Public facilities project certificates of participation, 2002 \$29,590,000 issue, interest at 1.5% to 5% 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.	\$ 7,310,000	\$ -	\$ 7,310,000	\$ -
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.	840,000	-	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 premium of \$741,007 is included and will be amortized over the life of the debt	13,873,063	-	896,099	12,976,964
Public facilities project private placement, 2009 \$3,250,000 issue, interest at 3.66% due semi-annually to 2024	2,600,000	-	2,600,000	-
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.	23,429,791	-	1,171,877	22,257,914
Refunding limited obligation bonds, 2012 \$8,425,000 issue, interest at 2.0%, due semi-annually to 2024	-	8,425,000	350,000	8,075,000
Total installment purchases	<u>\$ 48,052,854</u>	<u>\$ 8,425,000</u>	<u>\$ 12,747,976</u>	<u>\$ 43,729,878</u>

For Rutherford County, the future minimum payments as of June 30, 2013, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013/14	\$ 4,308,767	\$ 1,708,075
2014/15	4,226,149	1,559,175
2015/16	4,181,306	1,398,550
2016/17	4,187,270	1,229,000
2018/22	4,048,494	1,060,450
2023/27	17,350,018	2,917,563
2027/28	5,427,874	544,900
Total	<u>\$ 43,729,878</u>	<u>\$ 10,417,713</u>

(C) Revolving Fund – Water Quality Loan

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

<u>Governmental Activities</u>	Balance			Balance
<u>Serviced by the Debt Service Fund:</u>	July 1, 2012	Additions	Retirements	June 30, 2013
Public utilities DENR water quality loan, 2007 \$331,400 issue, interest at 2.305% due semiannually to 2027	\$ 248,550	\$ -	\$ 16,570	\$ 231,980
Total Revolving Fund - DENR	<u>\$ 248,550</u>	<u>\$ -</u>	<u>\$ 16,570</u>	<u>\$ 231,980</u>

For Rutherford County, the future minimum payments as of June 30, 2013, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013/14	\$ 16,570	\$ 5,347
2014/15	16,570	4,965
2015/16	16,570	4,583
2016/17	16,570	4,201
2017/18	16,570	3,819
2019/23	82,850	13,368
2024/27	66,280	3,819
Total	<u>\$ 231,980</u>	<u>\$ 40,102</u>

(D) General Obligation Indebtedness

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

<u>General Obligation Bonds</u>	Balance			Balance
	July 1, 2012	Additions	Retirements	June 30, 2013
Refunding bonds, 2003A \$1,148,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023	\$ 865,000	\$ -	\$ 80,000	\$ 785,000
General obligation bonds, 2006 \$1,520,000 issue interest at 4.0% to 6.0%, payable semiannually, due serially 2026	1,070,000	-	75,000	995,000
General obligation bonds, 2008 \$1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028	1,255,000	-	75,000	1,180,000

General obligation bonds, 2010 \$1,500,000 issue interest at 4.53%, payable semi-annually due serially to 2025	1,300,000	-	100,000	1,200,000
Total general obligation bonds	<u>\$ 4,490,000</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 4,160,000</u>

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 330,000	\$ 176,809
2015	330,000	162,929
2016	330,000	149,049
2017	330,000	135,126
2018	330,000	121,124
2019/23	1,310,000	468,873
2024/28	1,095,000	135,339
2029	105,000	4,200
Total	<u>\$ 4,160,000</u>	<u>\$ 1,353,449</u>

(E) Advance Refundings

On July 14, 2011, the County issued \$22,555,000 of Series 2011 Certificates of Participation to provide resources that were placed in an irrevocable trust for the purpose of paying the principal and interest on an existing \$22,927,685 Installment Financing Notes issued in 2001, 2002, 2003, 2005 and 2006. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of position. The advanced refunding was undertaken to reduce total debt service payments over the next 12 years by approximately \$965,000 and resulted in a net present value savings of approximately \$786,000. As of June 30, 2013, the Installment Financing Notes were fully defeased.

On August 31, 2012, the County issued \$8,425,000 of Series 2012 Limited Obligation Bonds to provide resources that were used for the purpose of paying the principal and interest on an existing \$8,349,333 Installment Financing Notes 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 position. The refunding was undertaken to reduce total debt service payments over the next 11 years by \$900,444 and resulted in a net present value savings of \$816,365.

(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, 2013:

	Long-Term Debt			Long-Term Debt	Current Portion
	June 30, 2012	Additions	Retirements	June 30, 2013	of Balance
Governmental Activities					
By type of debt:					
Capital leases	\$ 1,235,626	\$ 1,066,500	\$ 807,133	\$ 1,494,993	\$ 731,981
Installment purchase	48,052,854	8,425,000	12,747,976	43,729,878	4,308,767
Revolving fund – DENR	248,550	-	16,570	231,980	16,570
General obligation bonds	4,490,000	-	330,000	4,160,000	330,000
Pension liability	529,590	122,358	55,870	596,078	80,000
Compensated absences	1,055,643	943,535	939,222	1,059,956	1,059,956
Total	<u>\$ 55,612,263</u>	<u>\$ 10,557,393</u>	<u>\$ 14,896,771</u>	<u>\$ 51,272,885</u>	<u>\$ 6,527,274</u>

	Long-Term Debt			Long-Term Debt
	June 30, 2012	Additions	Retirements	June 30, 2013
By purpose:				
School	\$ 39,744,270	\$ 4,010,000	\$ 7,741,553	\$ 36,012,717
General government				
-equipment/vehicles/software	501,893	1,066,500	385,331	1,183,062
-public facilities	9,169,793	4,248,350	5,027,756	8,390,387
-economic development	4,611,074	166,650	747,039	4,030,685
Pension liability	529,590	122,358	55,870	596,078
Compensated absences	1,055,643	943,535	939,222	1,059,956
Total	<u>\$ 55,612,263</u>	<u>\$ 10,557,393</u>	<u>\$ 14,896,771</u>	<u>\$ 51,272,885</u>

Reconciliation:	
Current portion	\$ 6,527,274
Subsequent years	<u>44,745,611</u>
	<u>\$ 51,272,885</u>

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			Long-Term Debt	Current Portion of Balance
	June 30, 2012	Additions	Retirements	June 30, 2013	
Business-type Activities					
Capital lease-equipment	\$ 24,379	\$ -	\$ 24,379	\$ -	\$ -
Accrued landfill	2,506,576	104,744	-	2,611,320	-
Compensated absences	<u>39,927</u>	<u>12,853</u>	<u>18,394</u>	<u>34,386</u>	<u>18,394</u>
Total	<u>\$ 2,570,882</u>	<u>\$ 117,597</u>	<u>\$ 42,773</u>	<u>\$ 2,645,706</u>	<u>\$ 18,394</u>

At June 30, 2013, the County had a legal debt margin of approximately \$394,000,000.

(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, 2013, 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, 2013 is \$398,400. In addition, the County is now under a corrective action plan for this landfill for which the County has accrued a projected cost of \$289,081 as of June 30, 2013. The combined postclosure and corrective action plan liability of \$687,481 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 2013. 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 \$1,023,839 reported as of June 30, 2013 representing a cumulative amount reported to date based on the use of 43.16% of the total estimated capacity of this landfill. The County will recognize the remaining estimated cost of closure and postclosure costs of \$135,224 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2013. 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 \$900,000 as of June 30, 2013. The projected assessment and corrective costs remaining to accrue as of June 30, 2013 is \$1,100,000. This liability of \$2,000,000 represents the projected actual costs over the next 30 years based on what it would cost to perform all corrective action in 2013. 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, 2013 consist of the following:

From	To	For	Amount
General Fund:			
General	Register of Deeds Automation	Accumulate resources for office automation	\$ 47,180
General	Grant	Payment for grant matching purposes	24,000
General	Debt Service	Contribution for EMS station	70,000
General	Solid Waste	Transfer for landfill post closure costs	<u>125,000</u>
			<u>\$ 266,180</u>
Non-major Governmental Funds:			
Emergency Telephone	General	Contribution for information technology services	\$ 34,282
College Capital Projects	General	Capital improvements at the community college	329,662
Fire Districts	Debt Service	Hollis VFD contribution to debt service payment	<u>3,475</u>
			<u>\$ 367,419</u>

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	\$ 18,319,784
Less:	
Prepaid items and inventories	626,072
Stabilization by State statute	6,866,343
Court facilities	64,716
Subsequent year’s expenditures	324,013
Assigned – HVAC replacement	405,680
Assigned – Roof replacement	85,028
Minimum fund balance informal policy	<u>9,957,794</u>
Remaining fund balance	<u>\$ (9,862)</u>

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, 2013.

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

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

The eight counties participating in the Western Highlands Area Authority are represented by 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, 2013. The County contributed \$102,168 to the Authority to fund operations during fiscal year June 30, 2013. Complete financial statements for the Authority may be obtained from the Authority’s offices at 356 Biltmore Avenue, Asheville, NC 28801.

(B) Public Health

The County, in conjunction with Polk and McDowell Counties, participates in the Rutherford/Polk/McDowell Public Health District. Each Board of Commissioners of the counties appoints one of its own members to the public health board. These commissioner-members then appoint the other fifteen members jointly with six of these members being from Rutherford County, five being from McDowell County and four being from Polk County. All commissioner-members must agree on the appointments for the appointments to occur. The County contributes funds annually to fund operations of the District. None of the participating counties have any equity interest in the District, so no equity

interest has been reflected in the financial statements at June 30, 2013. The County contributed \$273,686 to the District to fund operations during fiscal year June 30, 2013. 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 \$2,224,906 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2013. 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, 2013. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

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

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$13,705 to the Council during the fiscal year ended June 30, 2013.

Note 10 – Federal and State Assisted Programs

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

Note 11 – Additional Social Welfare Expenditures

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

Medicaid	\$ 96,025,514
Special Supplemental Nutrition Program for Women, Infants and Children	1,429,122
Temporary assistance to needy families	928,454
Title IV-E adoption/foster care	1,168,032
State/County special assistance	733,880
	<u>\$ 100,285,002</u>

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.

Note 12 – Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources. Bond issuance costs, which were previously deferred and amortized must be included in current expenditures. Previously deferred bond issuance costs totaling \$599,426 were recognized as an expenditure in the current year. As a result, beginning net position decreased from \$35,497,068 to \$34,897,642.

There was an additional restatement for the Rutherford County Airport Authority related to \$76,487 of capital improvements that should have been capitalized in the previous fiscal year. As a result, beginning net position was restated and increased from \$3,855,534 to \$3,932,021.

Note 13 – Related Party Transaction

The Rutherford County Airport Authority had one related party transaction during the fiscal year. Rutherford County Airport Authority purchased property from a member of the Rutherford County Board of Commissioners for \$300,000 in June 2013 through a reimbursable grant program with the North Carolina Department of Transportation. The purchase agreement was approved by North Carolina Department of Transportation and reimbursement has subsequently been received by the Rutherford County Airport Authority.

Note 14 – Subsequent Events

On July 23, 2013, Rutherford County issued general obligation bonds for \$1,683,000 and limited obligation bonds for \$9,790,000. These proceeds were used to refund a portion of the 2007 certificates of participation and a portion of the 2003A and 2006 general obligation bonds.

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.

**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]
12/31/2003	\$ -	\$ 627,648	\$ 627,648	0.00%	\$ 2,034,242	30.85%
12/31/2004	-	719,776	719,776	0.00%	2,125,885	33.86%
12/31/2005	-	728,116	728,116	0.00%	2,401,758	30.32%
12/31/2006	-	721,048	721,048	0.00%	2,442,030	29.53%
12/31/2007	-	838,788	838,788	0.00%	2,717,526	30.87%
12/31/2008	-	836,543	836,543	0.00%	2,898,872	28.86%
12/31/2009	-	1,205,264	1,205,264	0.00%	3,223,468	37.39%
12/31/2010	-	1,032,844	1,032,844	0.00%	2,952,299	34.98%
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%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2004	\$ 68,524	\$ 43,204	63.05%
2005	75,293	55,199	73.31%
2006	85,168	56,782	66.67%
2007	84,234	65,090	77.27%
2008	85,358	78,853	92.37%
2009	95,074	62,176	65.40%
2010	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%

**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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 29,874,312	\$ 31,720,736	\$ 1,846,424
Prior years	1,249,637	304,323	(945,314)
Penalties and interest	287,500	314,573	27,073
Total	<u>31,411,449</u>	<u>32,339,632</u>	928,183
Local option sales taxes	<u>3,928,155</u>	<u>3,332,646</u>	(595,509)
Restricted intergovernmental revenues:			
ABC net revenues	12,000	12,807	807
Court facilities	95,000	95,005	5
Federal and state grants	10,231,907	9,669,007	(562,900)
Total	<u>10,338,907</u>	<u>9,776,819</u>	(562,088)
Permits and fees:			
Building permits	279,501	361,058	81,557
Register of deeds	290,003	311,014	21,011
Marriage license	12,001	11,325	(676)
Revenue stamps	148,201	149,465	1,264
Video programming tax	44,000	43,491	(509)
Other fees	19,750	27,298	7,548
Total	<u>793,456</u>	<u>903,651</u>	110,195
Sales and services:			
Rents, concessions and fees	260,780	281,270	20,490
Sheriff's fees	336,764	399,104	62,340
Senior center meals	72,480	64,087	(8,393)
EMS fees	2,400,470	2,208,918	(191,552)
Court costs, fees and charges	82,000	89,177	7,177
Detention center fees	327,000	413,936	86,936
Tax collection fees	47,500	48,073	573
Animal shelter fees	22,000	38,557	16,557
Total	<u>3,548,994</u>	<u>3,543,122</u>	(5,872)
Investment earnings	70,000	34,882	(35,118)
Miscellaneous	507,186	356,745	(150,441)
Total revenues	<u>50,598,147</u>	<u>50,287,497</u>	(310,650)

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General Government:			
Governing body	389,331	293,262	96,069
Manager	181,964	165,565	16,399
Board of elections	258,074	251,825	6,249
Finance and purchasing	393,389	370,537	22,852
Information technology	1,102,921	1,028,486	74,435
Tax listing	1,201,516	1,027,213	174,303
Tax collections	426,777	397,102	29,675
Legal	160,000	142,976	17,024
Register of deeds	281,536	257,891	23,645
Personnel	189,656	125,075	64,581
Public buildings / recreation	1,907,614	1,714,930	192,684
County garage	114,388	105,655	8,733
Court facilities	169,906	118,491	51,415
Special allocations	238,946	199,824	39,122
Total general government	<u>7,016,018</u>	<u>6,198,832</u>	817,186
Public Safety:			
Sheriff's department	5,443,891	5,090,585	353,306
College security officer	131,748	127,883	3,865
Detention center	2,458,392	2,410,373	48,019
Communications	1,115,460	1,088,904	26,556
Inspections	354,984	334,465	20,519
Coroner	48,000	47,300	700
Emergency services	3,945,147	3,549,979	395,168
Special allocations	176,863	175,698	1,165
Animal control	232,443	234,366	(1,923)
Total public safety	<u>13,906,928</u>	<u>13,059,553</u>	847,375
Environmental Protection:			
Soil conservation	106,538	101,411	5,127
Watershed	16,115	15,863	252
Total environmental protection	<u>122,653</u>	<u>117,274</u>	5,379

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Economic and Physical Development:			
Agricultural extension	213,420	207,320	6,100
Farmers market	18,476	8,788	9,688
Forestry	79,575	67,785	11,790
Airport Authority	197,742	-	197,742
Economic Development Commission	1,177,592	1,238,111	(60,519)
	<hr/>		
Total economic and physical development	1,686,805	1,522,004	164,801
Human Services:			
Contribution to District Health	273,686	273,686	-
Contribution to Mental Health	339,321	102,168	237,153
Drug Court	23,687	450	23,237
Veterans service officers	84,031	77,728	6,303
Special appropriation	(26,448)	15,030	(41,478)
Social services administration	6,715,230	6,485,120	230,110
Social services programs	6,126,351	5,582,594	543,757
Senior citizens center	271,009	235,796	35,213
Meals program	451,436	411,050	40,386
	<hr/>		
Total human services	14,258,303	13,183,622	1,074,681
Cultural and recreational:			
Libraries	582,728	570,027	12,701
Heritage, culture and recreation	60,922	34,412	26,510
	<hr/>		
Total cultural and recreational	643,650	604,439	39,211
Education:			
Public schools:			
Current expenditures	12,271,014	12,271,014	-
Capital outlay	211,213	211,213	-
Community college:			
Current expenditures	1,891,806	1,891,806	-
Capital outlay	333,100	333,100	-
	<hr/>		
Total education	14,707,133	14,707,133	-

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Principal retirement		385,372	
Interest and fees		10,741	
Total debt service	614,220	396,113	218,107
Total expenditures	52,955,710	49,788,970	3,166,740
Revenues over (under) expenditures	(2,357,563)	498,527	2,856,090
Other Financing Sources (Uses):			
Transfers:			
From other funds	510,876	363,944	(146,932)
To other funds	(452,874)	(266,180)	186,694
Economic loan to Horsehead	(500,000)	(500,000)	-
Economic loan payments received	100,000	100,000	-
Capital lease financing	1,066,500	1,066,500	-
Proceeds from sale of fixed assets	20,000	44,606	24,606
Appropriated fund balance	1,613,061	-	(1,613,061)
Total other financing sources (uses)	2,357,563	808,870	(1,548,693)
Net change in fund balance	\$ -	1,307,397	\$ 1,307,397
Fund balances:			
Beginning of year		17,012,387	
End of year		\$ 18,319,784	

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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Sales tax	\$ 5,642,343	\$ 5,642,338	\$ (5)
Lottery funds	620,000	619,258	(742)
Taps fees	8,000	10,750	2,750
Investment earnings	750	1,084	334
Total revenues	6,271,093	6,273,430	2,337
Expenditures:			
Debt service:			
Principal retirement	4,704,490	4,861,662	(157,172)
Interest	2,377,046	2,149,068	227,978
Bond issuance costs	164,983	164,888	95
Total expenditures	7,246,519	7,175,618	70,901
Revenues over (under) expenditures	(975,426)	(902,188)	73,238
Other Financing Sources:			
Transfers in			
General fund	(125,170)	-	125,170
Fire District fund	73,475	73,475	-
Refunding bond issued	8,425,000	8,425,000	-
Payment to refunded bond escrow agent	(8,266,667)	(8,266,667)	-
Reserve for future debt service payments	(8,750)	-	8,750
Fund balance appropriated	877,538	-	(877,538)
Total other financing sources	975,426	231,808	(743,618)
Net change in fund balance	\$ -	(670,380)	\$ (670,380)
Fund balance, beginning of year		2,656,414	
Fund balance, end of year		\$ 1,986,034	

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, 2013

	<u>Actual through June 30, 2013</u>			Total to Date	Variance Positive (Negative)
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Restricted intergovernmental	\$ 7,698,105	\$ 626,078	\$ 4,996,902	\$ 5,622,980	\$ (2,075,125)
Miscellaneous	300,000	-	-	-	(300,000)
Investment earnings	-	-	8	8	8
Total revenues	<u>7,998,105</u>	<u>626,078</u>	<u>4,996,910</u>	<u>5,622,988</u>	<u>(2,375,117)</u>
Expenditures:					
Public safety	530,687	46,335	285,884	332,219	198,468
Economic and physical development	6,811,724	210,698	4,343,365	4,554,063	2,257,661
Cultural and recreational	740,570	102,630	608,710	711,340	29,230
Total expenditures	<u>8,082,981</u>	<u>359,663</u>	<u>5,237,959</u>	<u>5,597,622</u>	<u>2,485,359</u>
Revenues (under) over expenditures	<u>(84,876)</u>	<u>266,415</u>	<u>(241,049)</u>	<u>25,366</u>	<u>110,242</u>
Other Financing Sources:					
Transfers in (out):					
General Fund	84,876	53,650	24,000	77,650	(7,226)
	<u>84,876</u>	<u>53,650</u>	<u>24,000</u>	<u>77,650</u>	<u>(7,226)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 320,065</u>	<u>(217,049)</u>	<u>\$ 103,016</u>	<u>\$ 103,016</u>
Fund balance, beginning of year			<u>320,065</u>		
Fund balance, end of year			<u>\$ 103,016</u>		

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, 2013

	Project Authorization	Actual through June 30, 2013			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues:					
Surety bond settlement	\$ 15,250,000	\$ 15,250,000	\$ -	\$ 15,250,000	\$ -
Expenditures:					
Economic and physical development:					
Land development	15,250,000	1,109,652	4,456,848	5,566,500	9,683,500
Total expenditures	15,250,000	1,109,652	4,456,848	5,566,500	9,683,500
Revenues over (under) expenditures	\$ -	\$ 14,140,348	(4,456,848)	\$ 9,683,500	\$ 9,683,500
Fund balance, beginning of year			14,140,348		
Fund balance, end of year			\$ 9,683,500		

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, 2013

	Project Authorization	Actual through June 30, 2013			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues:					
Surety bond settlement	\$12,100,000	\$ -	\$ 12,100,000	\$12,100,000	\$ -
Investment earnings	-	-	4,446	4,446	4,446
Total revenues	12,100,000	-	12,104,446	12,104,446	4,446
Expenditures:					
Economic and physical development:					
Land development	12,100,000	-	361,580	361,580	11,738,420
Total expenditures	12,100,000	-	361,580	361,580	11,738,420
Revenues over expenditures	\$ -	\$ -	11,742,866	\$11,742,866	\$11,742,866
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 11,742,866		

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Capital Projects		
	Capital Projects - Other Fund	ICC Capital Projects Fund	Emergency Telephone System Fund
Assets:			
Cash and cash equivalents	\$ 1,580,153	\$ 359,137	\$ 318,678
Taxes receivable, net	-	-	-
Intergovernmental receivable	137	-	76,176
 Total assets	 \$ 1,580,290	 \$ 359,137	 \$ 394,854
Liabilities:			
Accounts payable and accrued liabilities	\$ 102,338	\$ -	\$ 41,447
Deferred Inflows of Resources:			
Prepaid taxes	-	-	-
Property taxes receivable	-	-	-
 Total deferred inflows of resources	 -	 -	 -
Fund Balances:			
Restricted:			
Stabilization by State Statute	137	-	76,176
Capital projects	1,477,815	359,137	-
Emergency communications	-	-	230,494
Fire protection	-	-	-
Register of deeds	-	-	-
Assigned:			
Subsequent year's expenditures	-	-	46,737
 Total fund balance	 1,477,952	 359,137	 353,407
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,580,290	\$ 359,137	\$ 394,854

Special Revenue Funds			Total
Fire Districts	Register of Deeds	CDBG Grant	Nonmajor-
Fund	Automation	Fund	Governmental
	Enhancement Fd		Funds
\$ 1,628,362	\$ 286,856	\$ -	\$ 4,173,186
328,177	-	-	328,177
314	562	-	77,189
<u>\$ 1,956,853</u>	<u>\$ 287,418</u>	<u>\$ -</u>	<u>\$ 4,578,552</u>
\$ -	\$ 30,918	\$ -	\$ 174,703
3,100	-	-	3,100
328,176	-	-	328,176
<u>331,276</u>	<u>-</u>	<u>-</u>	<u>331,276</u>
315	562	-	77,190
-	-	-	1,836,952
-	-	-	230,494
239,262	-	-	239,262
-	255,938	-	255,938
<u>1,386,000</u>	<u>-</u>	<u>-</u>	<u>1,432,737</u>
<u>1,625,577</u>	<u>256,500</u>	<u>-</u>	<u>4,072,573</u>
<u>\$ 1,956,853</u>	<u>\$ 287,418</u>	<u>\$ -</u>	<u>\$ 4,578,552</u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2013

	Capital Projects		
	Capital Projects - Other Fund	ICC Capital Projects Fund	Emergency Telephone System Fund
Revenues:			
Ad valorem taxes	\$ 906,433	\$ -	\$ -
Local option sales tax	-	162,063	-
Restricted intergovernmental	-	-	432,654
Investment earnings	-	254	-
Donations	45,000	-	-
Other	-	-	-
Total revenues	<u>951,433</u>	<u>162,317</u>	<u>432,654</u>
Expenditures:			
General government	-	-	-
Public safety	-	-	250,887
Environmental protection	-	-	-
Economic and physical development	113,842	-	-
Total expenditures	<u>113,842</u>	<u>-</u>	<u>250,887</u>
Revenues over (under) expenditures	<u>837,591</u>	<u>162,317</u>	<u>181,767</u>
Other Financing Sources (Uses):			
Transfers:			
From other funds	-	-	-
To other funds	-	(329,662)	(34,282)
Total other financing sources (uses)	<u>-</u>	<u>(329,662)</u>	<u>(34,282)</u>
Net change in fund balance	837,591	(167,345)	147,485
Fund balance, beginning of year	<u>640,361</u>	<u>526,482</u>	<u>205,922</u>
Fund balance, end of year	<u>\$ 1,477,952</u>	<u>\$ 359,137</u>	<u>\$ 353,407</u>

Special Revenue Funds			Total
Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Grant CDBG Project Fund	Nonmajor- Governmental Funds
\$ 1,911,233	\$ -	\$ -	\$ 2,817,666
560,150	-	-	722,213
-	-	936,928	1,369,582
-	-	-	254
-	-	-	45,000
2,048	-	-	2,048
<u>2,473,431</u>	<u>-</u>	<u>936,928</u>	<u>4,956,763</u>
-	40,029	-	40,029
2,351,153	-	-	2,602,040
6,511	-	-	6,511
-	-	936,928	1,050,770
<u>2,357,664</u>	<u>40,029</u>	<u>936,928</u>	<u>3,699,350</u>
115,767	(40,029)	-	1,257,413
-	47,180	-	47,180
(3,475)	-	-	(367,419)
<u>(3,475)</u>	<u>47,180</u>	<u>-</u>	<u>(320,239)</u>
112,292	7,151	-	937,174
1,513,285	249,349	-	3,135,399
<u>\$ 1,625,577</u>	<u>\$ 256,500</u>	<u>\$ -</u>	<u>\$ 4,072,573</u>

RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND - OTHER
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2013

	Project Authorization	Actual through June 30, 2013			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues:					
Real estate tax delinquency collections	\$ 1,515,800	\$ -	\$ 906,433	\$ 906,433	\$ (609,367)
Livestock educational facility donations	59,163	-	45,000	45,000	(14,163)
Total revenues	<u>1,574,963</u>	<u>-</u>	<u>951,433</u>	<u>951,433</u>	<u>(623,530)</u>
Expenditures:					
Economic and physical development:					
Municipal/Authority water and sewer	4,615,431	3,975,070	64,470	4,039,540	575,891
Revenue department implementation	1,515,800	-	6,433	6,433	1,509,367
Livestock educational facility	59,163	-	42,939	42,939	16,224
Total expenditures	<u>6,190,394</u>	<u>3,975,070</u>	<u>113,842</u>	<u>4,088,912</u>	<u>2,101,482</u>
Revenues over (under) expenditures	<u>(4,615,431)</u>	<u>(3,975,070)</u>	<u>837,591</u>	<u>(3,137,479)</u>	<u>1,477,952</u>
Other Financing Sources:					
Proceeds from general obligation bonds	4,575,000	4,575,000	-	4,575,000	-
Transfers in:					
Debt Service	40,431	40,431	-	40,431	-
Total other financing sources	<u>4,615,431</u>	<u>4,615,431</u>	<u>-</u>	<u>4,615,431</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 640,361</u>	<u>837,591</u>	<u>\$ 1,477,952</u>	<u>\$ 1,477,952</u>
Fund balance, beginning of year			<u>640,361</u>		
Fund balance, end of year			<u>\$ 1,477,952</u>		

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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 150	\$ 254	\$ 104
Local option sales tax	162,064	162,063	(1)
Total revenues	162,214	162,317	103
Expenditures	-	-	-
Revenues over expenditures	162,214	162,317	103
Other financial sources (uses):			
Transfers in (out):			
General fund	(333,100)	(329,662)	3,438
Fund balance appropriated	170,886	-	(170,886)
Total other financing sources (uses)	(162,214)	(329,662)	(167,448)
Net change in fund balance	\$ -	(167,345)	\$ (167,345)
Fund balance, beginning of year		526,482	
Fund balance, ending of year		\$ 359,137	

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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 432,654	\$ 432,654	\$ -
Total revenues	432,654	432,654	-
Expenditures:			
Public safety	371,405	250,887	120,518
Reserve for future projects	26,643	-	26,643
Total expenditures	398,048	250,887	147,161
Revenues over (under) expenditures	34,606	181,767	147,161
Other financial sources (uses):			
Transfers in (out):			
General fund	(34,606)	(34,282)	324
Net change in fund balance	\$ -	147,485	\$ 147,485
Fund balance, beginning of year		205,922	
Fund balance, end of year		\$ 353,407	

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, 2013**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,779,744	\$ 1,799,622	\$ 19,878
Prior years	44,115	89,196	45,081
Penalties and interest	-	22,415	22,415
	<u>1,823,859</u>	<u>1,911,233</u>	<u>87,374</u>
Other taxes and licenses:			
Local option sales tax	580,942	560,150	(20,792)
Miscellaneous	7,850	2,048	(5,802)
Total revenues	<u>2,412,651</u>	<u>2,473,431</u>	<u>60,780</u>
Expenditures:			
Public safety:			
Cliffside	173,473	173,473	-
Chimney Rock	46,034	46,034	-
Sandy Mush	176,681	176,681	-
Bills Creek	205,768	205,768	-
Shingle Hollow	122,530	122,530	-
Shiloh, Danielstown, and Oakland	229,596	229,596	-
Cherry Mountain	218,912	218,912	-
Hudlow	266,392	266,392	-
Rutherfordton	216,616	216,616	-
Ellenboro	249,973	249,973	-
Bostic	78,439	78,439	-
Union Mills	94,938	94,938	-
Green Hill	211,900	211,900	-
Contracted	124,200	52,342	71,858
Hollis Community	7,559	7,559	-
Fire Advisory Training Ground	1,152,654	-	1,152,654
	<u>3,575,665</u>	<u>2,351,153</u>	<u>1,224,512</u>
Environmental protection:			
Cliffside Sanitary District	6,511	6,511	-
Total expenditures	<u>3,582,176</u>	<u>2,357,664</u>	<u>1,224,512</u>
Revenues over (under) expenditures	<u>(1,169,525)</u>	<u>115,767</u>	<u>1,285,292</u>
Other Financing Sources (Uses):			
Transfers:			
Debt service fund	(3,475)	(3,475)	-
Appropriated fund balance	1,173,000	-	(1,173,000)
	<u>1,169,525</u>	<u>(3,475)</u>	<u>(1,173,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>112,292</u>	<u>\$ 112,292</u>
Fund balance, beginning of year		<u>1,513,285</u>	
Fund balance, end of year		<u>\$ 1,625,577</u>	

RUTHERFORD COUNTY, NORTH CAROLINA

**REGISTER OF DEEDS AUTOMATION ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2013**

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -
Expenditures:			
General Government:			
Administration	5,597	1,125	4,472
Automation equipment	41,000	38,904	2,096
Total expenditures	46,597	40,029	6,568
Revenues under expenditures	(46,597)	(40,029)	6,568
Other Financing Sources (Uses):			
Transfers in (out):			
General fund	46,597	47,180	(583)
Total other financing sources (uses)	46,597	47,180	(583)
Net change in fund balance	\$ -	7,151	\$ 7,151
Fund balance, beginning of year		249,349	
Fund balance, end of year		\$ 256,500	

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, 2013

	Authorization	Actual through June 30, 2013		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Horsehead economic development	\$ 1,000,000	\$ -	\$ 861,078	\$ 861,078
Scattered site housing - 2009	400,000	292,168	75,577	367,745
Scattered site housing - 2012	225,000	-	273	273
	<u>1,625,000</u>	<u>292,168</u>	<u>936,928</u>	<u>1,229,096</u>
Total revenues				
Expenditures:				
Economic and physical development:				
Horsehead economic development	1,000,000	-	861,078	861,078
Scattered site housing - 2009	400,000	292,168	75,577	367,745
Scattered site housing - 2012	225,000	-	273	273
	<u>1,625,000</u>	<u>292,168</u>	<u>936,928</u>	<u>1,229,096</u>
Total expenditures				
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u><u>\$ -</u></u>	

PROPRIETARY FUNDS

RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION

For the year ended June 30, 2013

	Solid Waste Fund	Solid Waste Reserve Fund	Total
Operating Revenues:			
Charges for services	\$ 3,899,557	\$ -	\$ 3,899,557
Other operating revenues	677,119	-	677,119
Total operating revenues	<u>4,576,676</u>	<u>-</u>	<u>4,576,676</u>
Operating Expenses:			
Salaries	858,713	-	858,713
Employee benefits	315,568	-	315,568
Operating expenses	2,429,712	-	2,429,712
Landfill closure and postclosure care costs	-	162,021	162,021
Depreciation	238,367	-	238,367
Maintenance	97,403	-	97,403
Total operating expenses	<u>3,939,763</u>	<u>162,021</u>	<u>4,101,784</u>
Operating income	<u>636,913</u>	<u>(162,021)</u>	<u>474,892</u>
Nonoperating Revenues (Expenses):			
Interest income	9,570	-	9,570
Interest expense	(40)	-	(40)
Total nonoperating revenues (expenses)	<u>9,530</u>	<u>-</u>	<u>9,530</u>
Transfers in (out):			
General Fund	-	125,000	125,000
Landfill postclosure expenditures	(57,277)	57,277	-
Total transfers	<u>(57,277)</u>	<u>182,277</u>	<u>125,000</u>
Change in net position	589,166	20,256	609,422
Net position, beginning of year	<u>3,454,082</u>	<u>(1,377,735)</u>	<u>2,076,347</u>
Net position, end of year	<u>\$ 4,043,248</u>	<u>\$ (1,357,479)</u>	<u>\$ 2,685,769</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Operating Revenues:			
Charges for services	\$ 3,944,321	\$ 3,899,557	\$ (44,764)
Other operating revenues	794,674	677,119	(117,555)
Total operating revenues	4,738,995	4,576,676	(162,319)
Nonoperating Revenues:			
Interest income	9,570	9,570	-
Total revenues	4,748,565	4,586,246	(162,319)
Expenditures:			
Salaries		864,254	
Employee benefits		315,568	
Operating expenses		2,429,712	
Landfill closure		57,277	
Interest and fees		40	
Debt principal		24,419	
Capital outlay and maintenance		1,108,684	
Total expenditures	5,163,602	4,799,954	363,648
Revenues over (under) expenditures	(415,037)	(213,708)	201,329
Other Financing Sources (Uses):			
Appropriated fund balance	415,037	-	(415,037)
Total other financing sources (uses)	415,037	-	(415,037)
Revenues and other sources over (under) expenditures and other uses	\$ -	(213,708)	\$ (213,708)
Reconciling Items:			
Accrued vacation pay		5,541	
Payment of debt principal		24,419	
Capital outlay		1,011,281	
Depreciation		(238,367)	
Total reconciling items		802,874	
Change in net position		\$ 589,166	

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	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	<u>\$ 125,000</u>
Reconciling Items:	
Landfill closure and postclosure care cost accrual	(162,021)
Payment of landfill closure by Solid Waste Fund	<u>57,277</u>
Total reconciling items	<u>(104,744)</u>
Change in net position	<u><u>\$ 20,256</u></u>

FIDUCIARY FUNDS

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 76,666	\$ 229,157	\$ 232,562	\$ 73,261
Liabilities:				
Accounts payable	\$ 76,666	\$ 229,157	\$ 232,562	\$ 73,261
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	\$ 19,451	\$ 29,655	\$ 32,961	\$ 16,145
Accounts receivable	530	929	530	929
	<u>\$ 19,981</u>	<u>\$ 30,584</u>	<u>\$ 33,491</u>	<u>\$ 17,074</u>
Liabilities:				
Accounts payable	\$ 19,981	\$ 30,584	\$ 33,491	\$ 17,074
Other Taxing Units				
Assets:				
Cash and cash equivalents	\$ 118,196	\$ 7,123,722	\$ 7,157,105	\$ 84,813
Liabilities:				
Due to other taxing units	\$ 118,196	\$ 7,123,722	\$ 7,157,105	\$ 84,813
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	\$ 50,670	\$ 187,440	\$ 198,894	\$ 39,216
Liabilities:				
Accounts payable	\$ 50,670	\$ 187,440	\$ 198,894	\$ 39,216
Deed of Trust Fee Fund				
Assets:				
Cash and cash equivalents	\$ 737	\$ 10,126	\$ 10,046	\$ 817
Liabilities:				
Accounts payable	\$ 737	\$ 10,126	10,046	\$ 817
Motor Vehicle Interest Fund				
Assets:				
Cash and cash equivalents	\$ 4,637	\$ 28,769	\$ 33,406	\$ -
Liabilities:				
Accounts payable	\$ 4,637	\$ 28,769	\$ 33,406	\$ -
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 270,357	\$ 7,608,869	\$ 7,664,974	\$ 214,252
Accounts receivable	530	929	530	929
	<u>\$ 270,887</u>	<u>\$ 7,609,798</u>	<u>\$ 7,665,504</u>	<u>\$ 215,181</u>
Liabilities:				
Accounts payable	\$ 152,691	\$ 486,076	\$ 508,399	\$ 130,368
Due to other taxing units	118,196	7,123,722	7,157,105	84,813
	<u>\$ 270,887</u>	<u>\$ 7,609,798</u>	<u>\$ 7,665,504</u>	<u>\$ 215,181</u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
 RUTHERFORD COUNTY TRANSIT ADMINISTRATION
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 653,829	\$ 615,333	\$ (38,496)
State transportation assistance grants	517,683	507,398	(10,285)
Total revenue	<u>1,171,512</u>	<u>1,122,731</u>	<u>(48,781)</u>
Expenditures:			
Salaries		456,844	
Employee benefits		141,636	
Operating expenses		106,318	
Capital outlay and maintenance		341,696	
Total expenditures	<u>1,241,439</u>	<u>1,046,494</u>	194,945
Revenue over (under) expenditures	<u>(69,927)</u>	<u>76,237</u>	146,164
Other Financial Sources:			
Fund balance appropriated	69,927	-	(69,927)
Total	<u>69,927</u>	<u>-</u>	<u>(69,927)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 76,237</u>	<u>\$ 76,237</u>

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

Excess revenues and other sources over expenditures and other uses	<u>\$ 76,237</u>
Reconciling Items:	
Capital outlay - items capitalized	216,833
Depreciation	<u>(186,488)</u>
Total reconciling items	<u>30,345</u>
Net income	<u><u>\$ 106,582</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
RUTHERFORD COUNTY TRANSIT ADMINISTRATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013

	2013
Cash Flows from Operating Activities:	
Cash received from operating revenues	\$ 615,333
Cash paid to employees for services	(598,480)
Cash paid for goods and services	(236,101)
Net cash used by operating activities	(219,248)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(216,833)
Grants	447,363
Net cash provided by capital and related financing activities	230,530
Net increase in cash and cash equivalents	11,282
Cash and cash equivalents at beginning of year	161,919
Cash and cash equivalents at end of year	\$ 173,201
Reconciliation of Net Income to Net Cash Provided (used) by Operating Activities:	
Net income (loss)	\$ 106,582
Less state transportation assistance grants	507,398
Operating income (loss)	(400,816)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	186,488
Changes in operating assets and liabilities:	
Increase (decrease) in accounts payable and accrued liabilities	(4,920)
Total adjustments	181,568
Net cash provided (used) by operating activities	\$ (219,248)

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, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 441,800	\$ 406,698	\$ (35,102)
Operating grants from Rutherford County	197,742	187,361	(10,381)
Capital grants	661,298	571,428	(89,870)
Total revenues	1,300,840	1,165,487	(135,353)
Expenditures:			
Economic and physical development			
Salaries and benefits	55,504	61,946	(6,442)
Other operating expenses	584,038	430,188	153,850
Capital outlay and related expenses	661,298	660,050	1,248
Total expenditures	1,300,840	1,152,184	148,656
Revenue over (under) expenditures	\$ -	\$ 13,303	\$ 13,303

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

Excess of revenues and other sources over expenditures	\$ 13,303
Reconciling items:	
Capital outlay - items capitalized	529,275
Depreciation	(149,313)
Total reconciling items	379,962
Net income	\$ 393,265

SUPPLEMENTAL FINANCIAL DATA

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND
June 30, 2013

Fiscal Year	Uncollected Balance July 1, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 33,599,399	\$ 32,040,518	\$ 1,558,881
2011-2012	2,160,223	-	765,651	1,394,572
2010-2011	1,246,839	-	217,118	1,029,721
2009-2010	916,039	-	104,008	812,031
2008-2009	628,916	-	58,716	570,200
2007-2008	218,210	-	28,291	189,919
2006-2007	123,942	-	16,376	107,566
2005-2006	104,694	-	13,586	91,108
2004-2005	94,050	-	11,275	82,775
2003-2004	71,991	-	6,248	65,743
2002-2003	103,338	-	103,338	-
	<u>\$ 5,668,242</u>	<u>\$ 33,599,399</u>	<u>\$ 33,365,125</u>	5,902,516
Less allowance for uncollectible ad valorem taxes receivable				<u>3,189,000</u>
Ad valorem taxes receivable - net				<u>\$ 2,713,516</u>
Reconciliation with revenues:				
Ad valorem taxes - General fund				<u>\$ 32,339,632</u>
Reconciling items:				
Interest collected				(305,589)
Discounts/adjustments				321,311
Advalorem taxes - capital projects fund - other				906,433
Taxes written off				103,338
Total reconciling items				<u>1,025,493</u>
Total collections and credits				<u>\$ 33,365,125</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND
For the year ended June 30, 2013

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 5,461,435,750	0.607	\$ 33,150,915	\$ 31,410,616	\$ 1,740,299
Registered motor vehicles taxed at prior year's rate	96,772,453	0.530	512,894	-	512,894
Penalties	-		3,980	3,980	-
Total	<u>5,558,208,203</u>		<u>33,667,789</u>	<u>31,414,596</u>	<u>2,253,193</u>
Discoveries:					
Current year taxes	11,355,660	0.530	60,185	60,185	-
Advertising costs			14,420	14,420	-
Abatements	<u>(23,557,661)</u>	0.607	<u>(142,995)</u>	<u>(115,293)</u>	<u>(27,702)</u>
Total property valuation	<u>\$ 5,546,006,202</u>				
Net levy			33,599,399	31,373,908	2,225,491
Uncollected taxes at June 30, 2013			<u>1,558,881</u>	<u>1,185,576</u>	<u>373,305</u>
Current year's taxes collected			<u>\$ 32,040,518</u>	<u>\$ 30,188,332</u>	<u>\$ 1,852,186</u>
Current levy collection percentage			<u>95.36%</u>	<u>96.22%</u>	<u>83.23%</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

June 30, 2013

Fiscal Year	Uncollected Balance July 1, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 1,912,431	\$ 1,803,987	\$ 108,444
2011-2012	128,022	-	57,458	70,564
2010-2011	66,486	-	15,076	51,410
2009-2010	46,769	-	7,143	39,626
2008-2009	31,900	-	5,001	26,899
2007-2008	14,234	-	2,478	11,756
2006-2007	7,849	-	1,217	6,632
2005-2006	6,345	-	919	5,426
2004-2005	4,655	-	801	3,854
2003-2004	3,934	-	368	3,566
2002-2003	4,259	-	4,259	-
	\$ 314,453	\$ 1,912,431	\$ 1,898,707	
Ad valorem taxes receivable				\$ 328,177
Reconcilement with revenues:				
Ad valorem taxes - Special districts				\$ 1,911,233
Reconciling items:				
Interest collected				(21,811)
Discounts/adjustments				5,026
Taxes written off				4,259
Total reconciling items				(12,526)
Total collections and credits				\$ 1,898,707

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2013

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Chimney Rock Fire					
Property taxed at current years rate	\$ 58,810,000	\$ 0.05	\$ 29,405	\$ 28,907	\$ 498
Motor vehicles taxed at prior years rate	96,000	0.05	48	-	48
Sandy Mush Fire					
Property taxed at current years rate	254,492,000	0.05	127,246	112,703	14,543
Motor vehicles taxed at prior years rate	3,158,000	0.05	1,579	-	1,579
Cliffside Sanitary					
Property taxed at current years rate	6,411,250	0.08	5,129	4,771	358
Motor vehicles taxed at prior years rate	23,750	0.08	19	-	19
Bills Creek Fire					
Property taxed at current years rate	186,492,500	0.08	149,194	143,690	5,504
Motor vehicles taxed at prior years rate	626,250	0.08	501	-	501
Shingle Hollow Fire					
Property taxed at current years rate	90,059,000	0.10	90,059	82,502	7,557
Motor vehicles taxed at prior years rate	691,000	0.10	691	-	691
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current years rate	336,866,000	0.05	168,433	151,059	17,374
Motor vehicles taxed at prior years rate	2,980,000	0.05	1,490	-	1,490
Cherry Mountain Fire					
Property taxed at current years rate	177,124,444	0.09	159,412	150,558	8,854
Motor vehicles taxed at prior years rate	900,000	0.09	810	-	810
Hudlow Fire					
Property taxed at current years rate	251,232,500	0.08	200,986	184,861	16,125
Motor vehicles taxed at prior years rate	1,577,500	0.08	1,262	-	1,262
Rutherfordton Fire					
Property taxed at current years rate	197,376,250	0.08	157,901	143,917	13,984
Motor vehicles taxed at prior years rate	1,463,750	0.08	1,171	-	1,171
Cliffside Fire					
Property taxed at current years rate	164,963,488	0.08	131,971	117,813	14,158
Motor vehicles taxed at prior years rate	1,654,286	0.07	1,158	-	1,158
Ellenboro Fire					
Property taxed at current years rate	275,060,000	0.07	192,542	171,201	21,341
Motor vehicles taxed at prior years rate	2,898,333	0.06	1,739	-	1,739

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2013

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Bostic Fire					
Property taxed at current years rate	111,358,000	0.05	55,679	50,219	5,460
Motor vehicles taxed at prior years rate	1,034,000	0.05	517	-	517
Union Mills Fire					
Property taxed at current years rate	146,476,000	0.05	73,238	67,349	5,889
Motor vehicles taxed at prior years rate	1,190,000	0.05	595	-	595
Green Hill Fire					
Property taxed at current years rate	219,260,000	0.07	153,482	141,886	11,596
Motor vehicles taxed at prior years rate	1,641,429	0.07	1,149	-	1,149
Hollis Fire					
Property taxed at current years rate	28,410,000	0.03	8,523	7,899	624
Motor vehicles taxed at prior years rate	200,000	0.03	60	-	60
Contracted Fire					
Property taxed at current years rate	657,510,000	0.03	197,253	184,056	13,197
Motor vehicles taxed at prior years rate	4,550,000	0.02	910	-	910
Total			1,914,152	1,743,391	170,761
Penalties			275	275	-
Discoveries			4,569	4,569	-
Gross tax levy			1,918,996	1,748,235	170,761
Releases			(6,565)	(5,058)	(1,507)
Net levy			1,912,431	1,743,177	169,254
Less: uncollected taxes at June 30, 2013			(108,444)	(80,764)	(27,680)
Current year taxes collected			<u>\$ 1,803,987</u>	<u>\$ 1,662,413</u>	<u>\$ 141,574</u>
Percent current year collected			<u>94.33%</u>	<u>95.37%</u>	<u>83.65%</u>

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									
	2013	2012	2011	2010	2009*	2008	2007	2006	2005	2004
Governmental activities:										
Investment in capital assets, net of related debt	\$ 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	\$ 2,667,572
Restricted	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	6,325,190
Unrestricted (deficit)	(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)	(19,208,792)
	\$ 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)	\$ (10,216,030)
Business-type activities:										
Investment in capital assets, net of related debt	\$ 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	\$ 1,728,497
Restricted	(101,696)	86,174	(332,106)	(340,250)	(196,286)	387,488	282,208	131,008	275,914	1,883,020
Unrestricted (deficit)	\$ 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	\$ 3,611,517
Primary government:										
Investment in capital assets, net of related debt	\$ 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	\$ 4,396,069
Restricted	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	6,325,190
Unrestricted (deficit)	(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)	(17,325,772)
	\$ 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)	\$ (6,604,513)

* 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

Expenses	Fiscal Year									
	2013	2012	2011	2010	2009*	2008	2007	2006	2005	2004
Governmental activities:										
General government	\$ 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	\$ 4,544,885
Public safety	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	10,821,652
Environmental protection	126,715	134,268	175,476	187,376	169,467	123,385	127,640	133,673	124,741	98,217
Econ & phys development	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	3,134,384
Human services	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	13,865,856
Cultural & recreational	664,187	678,603	677,277	995,584	898,237	848,479	696,619	496,255	468,023	440,354
Education	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	23,473,409
Interest on long-term debt	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	2,322,059
<i>Total governmental activities expenses</i>	<u>65,660,225</u>	<u>58,392,263</u>	<u>58,145,907</u>	<u>56,859,160</u>	<u>60,889,680</u>	<u>61,037,994</u>	<u>59,967,000</u>	<u>54,993,023</u>	<u>50,597,033</u>	<u>58,700,816</u>
Business-type activities:										
Solid Waste Disposal	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	3,235,872
<i>Total business-type activities expenses</i>	<u>4,101,824</u>	<u>3,866,075</u>	<u>3,589,701</u>	<u>3,474,066</u>	<u>4,001,900</u>	<u>3,539,647</u>	<u>3,384,899</u>	<u>3,219,636</u>	<u>3,438,732</u>	<u>3,235,872</u>
<i>Total primary government expenses</i>	<u>\$ 69,762,049</u>	<u>\$ 62,258,338</u>	<u>\$ 61,735,608</u>	<u>\$ 60,333,226</u>	<u>\$ 64,891,580</u>	<u>\$ 64,577,641</u>	<u>\$ 63,351,899</u>	<u>\$ 58,212,659</u>	<u>\$ 54,035,765</u>	<u>\$ 61,936,688</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 504,604	\$ 498,617	\$ 444,814	\$ 499,229	\$ 516,270	\$ 613,421	\$ 612,210	\$ 546,488	\$ 568,640	\$ 652,769
Public safety	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	2,952,281
Environmental protection	-	-	-	-	-	-	-	-	-	-
Econ & phys development	10,750	35,100	78,300	7,000	59,250	100,750	31,250	32,000	-	-
Human services	70,087	74,949	74,718	80,887	85,140	88,608	82,754	90,516	82,698	80,063
Op. grants and contributions	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	7,962,549
Cap. grants and contributions	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	944,225
<i>Total governmental activities program revenues</i>	<u>21,136,002</u>	<u>16,787,050</u>	<u>17,091,555</u>	<u>17,603,737</u>	<u>16,964,477</u>	<u>18,293,614</u>	<u>16,662,309</u>	<u>14,694,850</u>	<u>14,338,455</u>	<u>12,591,887</u>
Business-type activities:										
Charges for services:										
Solid Waste Disposal	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	3,227,006
Op. grants and contributions	198,234	168,224	128,935	172,970	150,950	136,512	182,374	129,721	117,345	213,493
Cap. grants and contributions	478,885	-	-	-	-	-	-	-	-	-
<i>Total business-type program revenues</i>	<u>4,576,676</u>	<u>4,250,910</u>	<u>3,474,756</u>	<u>3,191,828</u>	<u>3,198,894</u>	<u>3,275,588</u>	<u>3,336,442</u>	<u>3,338,229</u>	<u>3,494,488</u>	<u>3,440,499</u>
<i>Total primary government program revenues</i>	<u>\$ 25,712,678</u>	<u>\$ 21,037,960</u>	<u>\$ 20,566,311</u>	<u>\$ 20,795,565</u>	<u>\$ 20,163,371</u>	<u>\$ 21,569,202</u>	<u>\$ 19,998,751</u>	<u>\$ 18,033,079</u>	<u>\$ 17,832,943</u>	<u>\$ 16,032,386</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (46,108,929)
Business-type activities	474,852	384,835	(114,945)	(282,238)	(803,006)	(264,059)	(48,457)	118,593	55,756	204,627
<i>Total primary government net</i>	<u>\$ (44,049,371)</u>	<u>\$ (41,220,378)</u>	<u>\$ (41,169,297)</u>	<u>\$ (39,537,661)</u>	<u>\$ (44,728,209)</u>	<u>\$ (43,008,439)</u>	<u>\$ (43,353,148)</u>	<u>\$ (40,179,580)</u>	<u>\$ (36,202,822)</u>	<u>\$ (45,904,302)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 25,192,052
Local Option Sales Tax	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	11,278,753
Other Taxes and Licenses	221,355	213,350	755,034	735,385	778,778	935,485	1,118,992	952,574	634,370	1,588,027
Investment earnings	40,674	367,635	240,847	255,178	530,073	1,078,129	1,286,059	1,020,453	518,211	443,135
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	544,205	532,106	509,693	268,784	210,944	160,056	526,876	449,090	429,586	889,217
Transfers	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(80,365)	(80,365)	44,635
<i>Total governmental activities</i>	<u>57,545,286</u>	<u>57,310,937</u>	<u>44,384,423</u>	<u>43,751,069</u>	<u>46,655,725</u>	<u>48,843,879</u>	<u>44,684,107</u>	<u>47,356,722</u>	<u>38,671,788</u>	<u>39,435,819</u>
Business-type activities:										
Investment earnings	9,570	8,755	10,725	26,215	41,445	82,158	40,000	32,000	35,174	35,788
Transfers	125,000	125,000	125,000	125,000	125,000	125,000	125,000	80,365	80,365	(44,635)
<i>Total business-type activities</i>	<u>134,570</u>	<u>133,755</u>	<u>135,725</u>	<u>151,215</u>	<u>166,445</u>	<u>207,158</u>	<u>165,000</u>	<u>112,365</u>	<u>115,539</u>	<u>(8,847)</u>
<i>Total primary government</i>	<u>\$ 57,679,856</u>	<u>\$ 57,444,692</u>	<u>\$ 44,520,148</u>	<u>\$ 43,902,284</u>	<u>\$ 46,822,170</u>	<u>\$ 49,051,037</u>	<u>\$ 44,849,107</u>	<u>\$ 47,469,087</u>	<u>\$ 38,787,327</u>	<u>\$ 39,426,972</u>
Change in Net Position										
Governmental activities	\$ 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	\$ (6,673,110)
Business-type activities	609,422	518,590	20,780	(131,023)	(636,561)	(56,901)	116,543	230,958	171,295	195,780
<i>Total primary government</i>	<u>\$ 13,630,485</u>	<u>\$ 16,224,314</u>	<u>\$ 3,350,851</u>	<u>\$ 4,364,623</u>	<u>\$ 2,093,961</u>	<u>\$ 6,042,598</u>	<u>\$ 1,495,959</u>	<u>\$ 7,289,507</u>	<u>\$ 2,584,505</u>	<u>\$ (6,477,330)</u>

* 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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Reserved	\$ 626,072	\$ 103,232	\$ 278,797							
Unreserved	6,931,059	3,339,563	2,837,483	3,761,124	3,680,844	4,074,203	4,126,704	3,920,463	3,915,909	3,780,885
Total General Fund	\$ 7,557,131	\$ 3,442,795	\$ 5,116,280	\$ 7,522,248	\$ 7,361,688	\$ 8,148,406	\$ 8,253,408	\$ 7,840,926	\$ 7,831,818	\$ 7,561,770
All other governmental funds										
Reserved				391,364	686,472	556,972	1,805,359	1,324,037	1,429,110	1,487,151
Unreserved, reported in:										
Debt service fund				6,640,609	5,811,482	8,080,868	4,246,534	3,959,633	3,701,003	4,021,431
Special revenue funds				2,358,646	3,670,511	9,117,150	2,883,906	3,375,401	2,202,181	4,855,762
Capital projects funds				9,390,619	10,168,465	17,754,990	8,935,799	8,659,071	7,332,294	10,374,862
Total all other governmental funds				\$ 18,319,784	\$ 17,012,387	\$ 17,571,841	\$ 17,012,387	\$ 17,012,387	\$ 17,012,387	\$ 17,012,387

General Fund										
Nonspendable	\$ 626,072	\$ 103,232	\$ 278,797							
Restricted	6,931,059	3,339,563	2,837,483	3,761,124	3,680,844	4,074,203	4,126,704	3,920,463	3,915,909	3,780,885
Assigned	814,721	1,043,000	1,657,769	11,916,835	13,196,079	12,751,211	10,891,729	10,519,641	9,010,221	8,931,431
Unassigned	9,947,932	12,526,592	12,797,792	15,677,959	16,876,923	16,825,414	15,018,433	14,440,104	12,926,130	12,712,316
Total General Fund	\$ 18,319,784	\$ 17,012,387	\$ 17,571,841	\$ 391,364	\$ 686,472	\$ 556,972	\$ 1,805,359	\$ 1,324,037	\$ 1,429,110	\$ 1,487,151
All other governmental funds										
Nonspendable										
Restricted	26,155,252	20,234,076	4,173,042							
Assigned	1,432,737	-	559,791							
Unassigned	-	-	1,543,823							
Total all other governmental funds	\$ 27,587,989	\$ 20,234,076	\$ 6,296,656							

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

Revenues	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Ad valorem taxes	\$ 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	\$ 24,992,262
Local option sales taxes	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	11,837,956
Other taxes and licenses	-	-	550,114	526,461	526,459	707,252	683,615	623,110	255,577	251,735
Restricted intergovernmental	16,762,561	13,478,963	13,218,233	13,960,162	13,698,050	12,480,558	12,480,558	11,213,535	10,834,718	9,109,617
Permits and fees	903,651	772,861	733,459	799,562	861,720	1,177,290	1,435,366	1,439,013	1,151,302	1,012,848
Sales and services	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	2,978,520
Investment earnings	40,674	85,288	74,005	134,324	471,754	1,084,487	1,243,368	1,012,369	473,461	443,136
Miscellaneous	12,458,793	15,657,035	626,673	287,325	527,821	729,808	590,273	415,034	412,112	228,642
<i>Total revenues</i>	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	50,854,716
Expenditures										
Current:										
General government	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	4,800,673
Public safety	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	10,421,427
Environmental protection	123,785	131,200	172,641	184,030	164,582	127,250	125,124	130,655	122,584	118,839
Economic and physical development	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	2,101,815
Human services	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	13,754,017
Cultural and recreational	1,213,149	643,028	701,926	943,010	737,637	757,187	647,449	444,650	424,877	398,368
Intergovernmental:										
Education	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	11,311,729
Capital outlay	544,313	123,750	384,755	2,488,388	10,782,995	5,249,596	6,372,376	3,856,087	3,281,177	18,381,582
Debt service										
Principal	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	4,828,539
Interest	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	1,885,760
<i>Total expenditures</i>	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	68,002,749
Excess of revenues over (under) expenditures	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)	(17,148,033)
Other financing sources (uses)										
Transfers from other funds	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	(5,642,601)
Transfers to other funds	(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)	5,687,236
Transfers From Component Units	-	-	-	-	-	-	-	-	-	-
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	767,336
General obligation debt issued	-	-	-	-	-	1,555,000	-	1,520,000	-	-
Economic loan, net	(400,000)	-	-	-	-	-	-	-	-	-
Refunding bonds issued	8,425,000	24,831,960	-	-	-	-	-	-	-	-
Pmt to refunding bond escrow agent	(8,266,667)	(15,835,431)	-	-	-	-	-	-	-	-
Sale of capital assets	44,606	75,687	3,156,244	58,532	-	-	-	-	-	-
<i>Total other financing sources (uses)</i>	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	811,971
Net change in fund balances	\$ 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)	\$ (16,336,062)
Debt services as a percentage of noncapital expenditures	10.90%	24.07%	18.14%	19.73%	14.92%	12.48%	12.45%	12.71%	13.23%	10.41%

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

Table 5

Fiscal Year	Assessed Value in Thousands							Total Taxable Assessed Value	Total Direct Tax Rate per \$100	Estimated Actual Taxable Value (in thousands)	Assessed Value as a Percentage of Actual Value
	Real Property		Personal Property			Public Service Companies	Other				
	Residential Property	Commercial Property	Motor Vehicles	Other	Other						
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		
2004	2,442,161	437,174	388,513	380,081	252,769	3,900,698	0.620	4,352,486	89.62		

Note - Property was revalued in fiscal year 2003, 2008 and 2012.

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

Table 6

	Year Taxes Are Payable									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
County Direct Rate	\$ 0.607	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.610	\$ 0.620	\$ 0.620	\$ 0.620
Town Rates										
Bostic	0.260	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Chimney Rock	0.075	0.075	0.075	0.075	0.075	0.075	0.115	0.115	0.115	0.115
Ellenboro	0.220	0.220	0.220	0.220	0.220	0.220	0.250	0.250	0.250	0.250
Forest City	0.290	0.290	0.290	0.290	0.300	0.290	0.300	0.300	0.280	0.260
Lake Lure	0.194	0.210	0.210	0.210	0.210	0.210	0.280	0.280	0.280	0.280
Ruth	0.280	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260	0.260
Rutherfordton	0.537	0.520	0.520	0.520	0.520	0.520	0.540	0.540	0.490	0.490
Spindale	0.633	0.600	0.600	0.560	0.560	0.510	0.510	0.510	0.510	0.450
Special Districts										
Bill's Creek Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.070	0.070
Bostic Fire	0.050	0.050	0.060	0.060	0.060	0.050	0.050	0.050	0.050	0.050
Cherry Mountain Fire	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
Chimney Rock Fire	0.050	0.050	0.050	0.050	0.050	0.040	0.060	0.060	0.060	0.060
Cliffside Fire	0.080	0.070	0.070	0.080	0.080	0.070	0.055	0.055	0.045	0.045
Cliffside Sanitary	0.080	0.080	0.080	0.070	0.070	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.030	0.020	0.020	0.020	0.020	0.020	0.030	0.030	0.030	0.030
Ellenboro Fire	0.070	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060
Green Hill Fire	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Hollis Fire	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Hudlow Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Rutherfordton Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.070	0.070
Sandy Mush Fire	0.050	0.050	0.050	0.050	0.050	0.040	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
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 and as of January 1, 2002 which affected the 2003 tax levy.

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

Table 7

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Fiscal Year 2013</u>			<u>Fiscal Year 2004</u>		
		<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Andale, LLC	Software	\$ 436,876	1	7.91%	\$ 175,018	1	4.49%
Duke Energy	Public Utility	416,004	2	7.54%			
Dell Equipment Funding LP	Leasing Company	99,404	3	1.80%			
CSX Transportation	Public Utility	31,602	4	0.57%	14,998	10	0.38%
Rutherford Electric Membership Corp	Public Utility	28,201	5	0.51%	19,084	7	0.49%
Bellsouth	Public Utility	20,765	6	0.38%	33,494	3	0.86%
Timken US Corp (Torrington)	Manufacturing	15,614	7	0.28%			
Walmart #01-1036	Retail	15,114	8	0.27%			
Trelleborg Coated System Inc	Manufacturing	14,050	9	0.25%			
Foxrun Townhouses POA	Resort Property	12,546	10	0.23%			
Cone Mills Corporation	Textiles				36,963	2	0.95%
Fairfield Communities	Resort Property				32,891	4	0.84%
Regtrol - Watts	Manufacturing				28,043	5	0.72%
Broyhill Furniture	Manufacturing				27,522	6	0.71%
National Textiles Inc	Textiles				18,476	8	0.47%
RCM Management Services, LLP	Aviation				17,000	9	0.44%
Other		4,429,911		80.25%	3,497,209		89.66%
Total		\$ 5,520,087		100.00%	\$ 3,900,698		100.00%

Source: Rutherford County Tax 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
2013	\$ 35,511,830	\$ 33,844,505	95.3	\$ -	\$ 33,844,505	95.3
2012	33,887,224	31,598,979	93.2	823,109	32,422,088	95.7
2011	33,478,863	31,210,949	93.2	1,186,784	32,397,733	96.8
2010	33,253,013	31,195,062	93.8	1,206,294	32,401,356	97.4
2009	33,213,924	31,362,647	94.4	1,254,178	32,616,825	98.2
2008	32,461,482	31,280,218	96.4	979,589	32,259,807	99.4
2007	27,557,905	26,491,335	96.1	952,372	27,443,707	99.6
2006	26,864,829	25,786,091	96.0	982,204	26,768,295	99.6
2005	25,833,919	24,843,268	96.2	904,022	25,747,290	99.7
2004	25,510,187	24,333,704	95.4	1,107,184	25,440,888	99.7

(1) Includes general fund and special districts.

Source: Rutherford County Tax Department

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

Table 9

Fiscal Year	Population in thousands (Estimated)	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
		General Obligation Bonds	Installment Purchase (1)	Capital Leases	Revolving Fund - DENR	Capital Leases	Capital Leases					
2004	64	\$ 16,050,000	\$ 39,707,500	\$ 1,382,678	\$ -	\$ 893,944	\$ 58,034,122	3.85%	\$ 906.78			
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	<i>not available</i>				

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)
2004	\$ 16,050,000	\$ -	\$ 16,050,000	0.28%	\$ 251.33
2005	13,765,000	-	13,765,000	0.24%	217.12
2006	13,010,000	-	13,010,000	0.23%	204.01
2007	10,675,000	-	10,675,000	0.19%	167.14
2008	9,975,000	-	9,975,000	0.17%	158.30
2009	7,720,000	-	7,720,000	0.13%	121.72
2010	7,035,000	-	7,035,000	0.12%	110.21
2011	4,820,000	-	4,820,000	0.08%	71.08
2012	4,490,000	-	4,490,000	0.08%	65.65
2013	4,160,000	-	4,160,000	0.07%	60.38

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, 2013

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
None currently outstanding	\$ -	100.00	\$ -
Subtotal, overlapping debt			-
Rutherford County direct debt - general obligation	4,160,000	100.00	4,160,000
Rutherford County direct debt - other outstanding (1)	45,456,851	100.00	45,456,851
			<u>49,616,851</u>
Total direct and overlapping debt			<u>\$ 49,616,851</u>

Source: Local finance offices as reported to North Carolina Local Government Commission.

(1) Certificates of participation and installment purchase agreements.

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

Table 12
2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value of property	\$ 3,900,697,986	\$ 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
Debt limit	312,055,839	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
Total net debt applicable to limit	57,140,177	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
Legal debt margin	\$ 254,915,662	\$ 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

Total net debt applicable to the limit
as a percentage of debt limit

	18.31%	17.03%	17.06%	17.05%	15.60%	15.02%	13.87%	13.23%	11.22%	11.18%
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Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value - January 1, 2012	\$ 5,546,006,202
Debt Limit (8% of total assessed value)	\$ 443,680,496
Debt applicable to limit:	
General obligation bonds	4,160,000
Other outstanding debt	45,456,851
Net debt applicable to limit	49,616,851
Legal debt margin	\$ 394,063,645

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

**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)
2004	63,861	1,508,280	23,315	39.49	9,967	10.9
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	<i>not available</i>		42.99	8,554	13.7

(1) 2003-2007 population projected by the Office of State Planning 2008-2013 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

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
AGI Schutz - Forest City	284	1	1.08%			
Timken - Shiloh Plant	232	2	0.88%			
Parker Hannifin Corporation	170	3	0.65%			
Trelleborg - Grace Plant (formerly Reeves)	155	4	0.59%			<i>information not available</i>
Sonoco Molded Plastics	135	5	0.51%			
Eaton	132	6	0.50%			
Parton Lumber Company	130	7	0.50%			
Truck Service, Inc	130	8	0.50%			
Diamondback Tactical (formerly First Choice)	125	9	0.48%			
Milliken & Company	125	10	0.48%			
Aallied Diecasting	120	11	0.46%			
Total	1,738		6.63%			

NON-MANUFACTURING

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rutherford County Schools (1)	1,355	1	5.17%			
Rutherford Hospital	851	2	3.25%			
State of North Carolina	708	3	2.70%			<i>information not available</i>
Rutherford County - Local Government	495	4	1.89%			
Isothermal Community College	201	5	0.77%			
Total	3,610		13.77%			

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

Function	Full-time Equivalent Employees					Full-time Equivalent Employees				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	70.7	69.7	69.7	68.7	68.7	66.0	64.0	65.0	63.0	61.0
Public safety	183.3	176.3	175.3	175.3	175.3	174.0	159.0	142.0	141.0	138.0
Environmental protection	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	2.0
Economic and physical development	13.0	12.0	12.0	12.0	12.0	11.0	10.0	11.0	11.0	11.0
Human services	122.0	121.0	118.0	118.0	118.0	118.0	115.0	115.5	109.5	106.5
Cultural and recreational	9.0	9.0	9.0	9.0	9.0	9.0	8.0	6.0	5.0	5.0
Enterprise Fund - Solid Waste	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	18.0
Total	417.0	407.0	403.0	402.0	403.0	398.0	376.0	359.5	349.5	341.5

Source: Rutherford County Finance Office

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

Table 16

Function	Fiscal Year						
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government							
# Deeds/Deeds of Trusts Processed	5,129	4,909	4,867	5,490	6,420	8,717	10,177
Parcel Count	56,297	56,102	55,915	54,140	53,904	53,590	52,598
Public Safety							
# Inmates Processed	3,050	3,211	4,764	4,981	5,255	5,971	5,576
# Arrests	2,547	2,331	2,516	3,341	2,953	3,627	3,093
# Building Permits Issued	478	459	468	604	469	786	797
Economic and Physical Development							
# of Subdivision Plan Reviews	not available	not available	not available	not available	34	23	50
Human Services							
# Senior Center Meals Served	72,837	75,919	77,069	80,667	83,889	89,453	93,499
# of Medicaid Recipients	15,398	14,652	14,198	14,318	12,927	15,454	11,430
Culture							
Library Book Circulation	263,273	313,134	336,373	355,060	357,898	330,125	307,922
Library Electronic Book Circulation	13,966	35,509	29,126	22,049	4,977	not available	not available
Enterprise Fund - Transit							
# Trips	54,429	56,679	58,340	57,199	56,138	56,317	53,354
Enterprise Fund - Landfill							
Total Tonnage	56,269	57,259	56,523	53,334	61,034	64,008	69,202

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

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

Table 17

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Government										
County Buildings	33	33	33	33	33	32	31	31	31	28
County Vehicles	226	237	234	239	230	219	226	235	235	221
Public Safety										
Detention Center Capacity	205	205	205	205	205	205	205	205	205	205
EMS Stations	4	3	3	3	3	3	3	3	3	3
Volunteer Fire Departments	14	14	14	14	14	14	14	14	14	14
Volunteer Rescue Squads	2	2	2	2	2	2	2	2	2	2
Volunteer EMS Agencies	1	1	1	1	1	1	1	1	1	1
Cultural and Recreation										
Park Acreage	144	48	48	48	48	48	48	48	48	36
Public Libraries	3	3	3	3	3	3	3	3	3	3
Education (Not included in the Reporting Entity)										
Elementary Schools	11	11	11	11	11	11	11	12	12	12
Middle Schools	3	3	3	3	3	3	3	3	3	3
High Schools	3	3	3	3	3	3	3	3	3	3
Community Colleges	1	1	1	1	1	1	1	1	1	1
Airport										
Acreage	313	250	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



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of County Commissioners
Rutherford County, North Carolina

We have audited, 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, 2013, and the related notes to the financial statements, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated November 27, 2013. 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

Donald Killian CPA Group, P.A.

Asheville, North Carolina

November 27, 2013



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Rutherford County, North Carolina

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, 2013. 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, 2013.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 27, 2013



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Rutherford County, North Carolina

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, 2013. 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, 2013.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

David Killian CPA Group, P.A.

Asheville, North Carolina
November 27, 2013

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assist. Program Cluster</u>					
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program	10.561		\$ 505,070	\$ -	\$ 505,070
Total Supplemental Nutrition Assist. Program Cluster			505,070	-	505,070
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children	10.557		1,429,122	-	-
Total U.S. Dept. of Agriculture			1,934,192	-	505,070
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant	14.228		936,655	-	-
Total U.S. Dept. of Housing and Urban Development			936,655	-	-
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Edward Byrne Memorial Justice Assistance Grant	16.738		10,092	-	-
Family Based Substance Abuse Treatment Grant	16.812		77,316	-	-
Total U.S. Dept. of Justice			87,408	-	-
<u>U.S. Dept. of Energy</u>					
Office of Energy Efficiency and Renewable Energy					
Passed-through the N.C. Dept of Commerce:					
ARRA-Methane Grant	81.128		236,068	-	-
Total U.S. Dept. of Energy			236,068	-	-
<u>U.S. Dept. of Transportation</u>					
<u>Federal Aviation Administration</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106		365,849	-	-
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other Than Urbanized Areas	20.509		156,823	9,801	-
Formula Grants	20.509		64,022	1,537	-
Total U.S. Dept. of Transportation			586,694	11,338	-
<u>Institute of Museum and Library Services</u>					
Passed-through the N.C. Department of Cultural Resources					
Planning Grant	45.310		22,325	-	-
Total Institute of Museum and Library Services			22,325	-	-
<u>U.S. Election Assistance Commission</u>					
Passed-through N.C. State Board of Elections:					
HAVA Grant	39.011		6,038	-	-
Total U.S. Election Assistance Commission			6,038	-	-

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management:					
Emergency Management Performance Grants	97.042		35,508	-	-
Total U. S. Department of Homeland Security			35,508	-	-
<u>U.S. Dept. of Health & Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Isothermal Planning and Development Commission:					
<u>Aging Cluster:</u> ²					
Special Programs for the Aging - Title III D					
Health Promotions Services	93.043		3,466	-	-
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		230,135	-	-
Special Programs for the Aging - Title III C					
Nutrition Services	93.045		182,068	-	-
Nutrition Services Incentive Program	93.053		40,800	-	-
Total Aging Cluster			456,469	-	-
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption</u> ²					
Title IV-E Foster Care - Administration	93.658		355,048	71,123	275,366
Foster Care - Direct Benefit Payments	93.658		307,670	93,227	94,295
Foster Care	93.658		513,379	54,650	-
Title IV-E Adoption Assistance - Administration	93.659		98,734	-	78,745
Adoption Assistance - Direct Benefit Payments	93.659		482,645	128,324	128,324
Total Foster Care and Adoption			1,757,476	347,324	576,730
<u>Temporary Assistance for Needy Families Cluster</u>					
Work First /Temporary Assistance for Needy Families (TANF)					
Work First/TANF-Direct Benefit Payments	93.558		55,667	-	58,236
TANF	93.558		928,457	(3)	323,011
Total TANF Cluster			320,115	-	-
			1,304,239	(3)	381,247
AFDC - Direct Benefit Payments	93.560		(954)	580	(262)
IV-D Administration	93.563		404,871	-	208,570
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		296,297	-	-
Crisis Intervention Program	93.568		537,105	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Direct Benefit Payments	93.645		-	156,166	52,055
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645		26,827	605	9,144
SSBG - Other Services and Training	93.667		457,613	38,565	91,824
Independent Living Grant	93.674		47,362	7,526	-
Family Preservation	93.556		6,822	-	-
Division of Aging and Adult Services:					
SSBG - State In Home Service Fund	93.667		49,006	-	7,000
SSBG - State Adult Day Care	93.667		12,478	11,623	3,443

(Continued on next page)

Division of Child Development:

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Subsidized Child Care</u>					
<u>Child Care Development Fund Cluster:</u> ²					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		84,709	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		508,181	-	-
Child Care and Development Fund - Mandatory	93.596		226,186	-	-
Child Care and Development Fund - Match	93.596		659,287	350,650	-
Total Child Care Development Fund Cluster			1,478,363	350,650	-
Smart Start			-	451,974	-
TANF MOE			-	37,495	-
Total Subsidized Child Care			1,478,363	840,119	-
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778		61,489,759	34,535,755	761
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		914,892	38,251	873,639
State Children's Insurance Program - N.C. Health Choice	93.767		29,607	2,614	6,815
Total U.S. Dept. of Health and Human Services			69,268,232	35,979,125	2,210,966
Total Federal Awards			\$ 73,113,120	\$ 35,990,463	\$ 2,716,036
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library:					
State Aid to Public Libraries			\$ -	\$ 120,599	\$ -
N.C. Arts Council:					
Grassroots Arts Program			-	17,506	-
Total N.C. Dept. of Cultural Resources			-	138,105	-
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Soil & Water Conservation:					
Administration			-	19,628	-
Local activities			-	3,600	-
Division of Waste Management:					
White Goods Management Program			-	201,435	-
Scrap Tire Program			-	15,637	-
Electronics Management			-	3,925	-
Division of Pollution Prevention and Environmental Assistance:					
Community Waste Reduction and Recycling			-	7,242	-
Division of Parks and Recreation:					
Parks and Recreation Trust Fund Grant - Youngs Mountain			-	300,000	-
Total N.C. Dept. of Environmental and Natural Resources Natural Resources			-	551,467	-

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Dept. of Health and Human Services</u>					
Passed-through Isothermal Planning and Development Commission:					
Division of Aging and Adult Services:					
Senior Center General Fund			-	11,752	-
Total Division of Aging and Adult Services			-	11,752	-
Division of Social Services:					
State Foster Care Benefits Program			-	133,994	122,434
State/County Special Assistance - Administration			-	-	19,173
State/County Special Assistance - Direct Benefit Payments			-	733,880	733,880
DCD Smart Start			-	50,000	-
Other County Funded Programs			-	-	543,965
Total Division of Social Services			-	917,874	1,419,452
Total N. C. Department of Health and Human Services			-	929,626	1,419,452
<u>N.C. Dept. of Public Safety</u>					
Juvenile Crime Prevention Programs			-	210,459	-
Total N.C. Dept. of Public Safety			-	210,459	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund:					
Lottery Proceeds			-	619,258	-
Total N.C. Dept. of Public Instruction			-	619,258	-
<u>N.C. Dept. of Transportation</u>					
Equipment Grant		DOT-14	-	94,096	-
State Aid to Airports		DOT-8	-	205,582	-
Rail Industrial Access Program (RIAP)		DOT-23	-	300,000	-
Transportation Improvement Program		DOT-23	-	1,000,000	-
Rural Operating Assistance Program (ROAP)					
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	68,584	-
ROAP Rural General Public Program		DOT-16CL	-	81,797	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	30,738	-
Total N.C. Dept. of Transportation			-	1,780,797	-
<u>N.C. Dept. of Commerce</u>					
Lite Up Program				19,615	
One NC Alliance Program				12,000	
Industrial Development Grant - Utility Fund				500,000	
Passed-through N.C. Rural Economic Development Center, Inc.:					
Horsehead Grant			-	500,000	
Facebook - Andale Grant			-	420,000	
Isothermal Textiles Grant			-	256,000	
Wells Jenkins Grant			-	96,000	
Ameridial Grant			-	41,008	
SECU Internship Grant			-	3,750	
Total N.C. Dept. of Commerce			-	1,848,373	
<u>N.C. Dept. of Administration</u>					
County Veterans Program			-	1,452	
Total N.C. Dept. of Administration			-	1,452	

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Housing Finance Agency</u>					
Urgent Repair Program			-	37,500	-
Total N.C. Housing Finance Agency			-	37,500	-
Total State Awards			-	6,117,037	1,419,452
Total Federal and State Awards			\$ 73,113,120	\$ 42,107,500	\$ 4,135,488

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, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes ___X_no
- Significant Deficiency(s) identified that are not considered to be material weaknesses ___yes ___X_none reported
- Noncompliance material to financial statements noted ___yes ___X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes ___X_no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ___yes ___X_none reported

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

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

Major federal programs for Rutherford County for the fiscal year ended June 30, 2013 are:

<u>Program Name</u>	<u>CFDA #</u>
Medicaid Assistance Program	93.778

The threshold for determining Federal Type A programs for Rutherford County is \$2,193,394. 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 determined that each of these programs expenditures meet the threshold to be a major program to be tested every three years. These programs were part of the Child Care Development Fund Cluster: (1) Child Care Mandatory and Matching Funds of the Child Care and Development Fund and (2) Child Care and Development Block Grant.

Rutherford County does not qualify as a low risk auditee under Section .530 of Circular No. A-133.

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2013

II. Financial Statement Findings

None reported.

III. Federal and State Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

RUTHERFORD COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the year ended June 30, 2013

Finding: 2012 -1

Status: Management implemented procedures to determine payroll liabilities. There were no material prior period adjustments for the year ended June 30, 2013 except for a required material prior period adjustment due to change in accounting principle.