

**Rutherford County, North Carolina**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2017**



**Prepared By**  
**Rutherford County Finance Department**



## TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page(s)</u>
<b>INTRODUCTORY SECTION</b>		
• Letter of Transmittal		i – vi
• Area Map		vii
• Organization Chart		viii
• GFOA Certificate of Achievement		ix
• Principal Officials		x
 <b>FINANCIAL SECTION</b>		
• Independent Auditors' Report		1 – 3
• Management’s Discussion and Analysis		4 – 14
• Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	5	19
Statement of Net Position - Proprietary Fund	6	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	7	21
Statement of Cash Flows - Proprietary Fund	8	22
Statement of Fiduciary Net Position - Fiduciary Funds	9	23
Notes to the Financial Statements		24 – 64
 <b>Required Supplemental Financial Data</b>		
• Law Enforcement Officers’ Special Separation Allowance – Schedule of Changes in Total Pension Liability		65
• Law Enforcement Officers’ Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll		65
• Local Government Employees’ Retirement System – County’s Proportionate Share of the Net Pension Liability (Asset)		66
• Local Government Employees’ Retirement System – Schedule of County’s Contributions		67
• Register of Deeds’ Supplemental Pension Fund – County’s Proportionate Share of the Net Pension Liability (Asset)		68

	<u>Page(s)</u>
• Register of Deeds' Supplemental Pension Fund – Schedule of County's Contributions	69
<b>Combining and Individual Fund Financial Statements and Schedules:</b>	
• General Fund:	
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	70 – 72
• Other Major Funds – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
- Debt Service Fund	73
- General Capital Projects Fund	74
• Nonmajor Governmental Funds:	
- Combining Balance Sheet	75
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Funds	76
- Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
• Queen's Gap Capital Project Fund	77
• Grey Rock Capital Project Fund	78
• Capital Projects – Isothermal Community College Fund	79
• Grant Fund	80
• Emergency Telephone System Fund	81
• Fire Districts Fund	82
• Register of Deeds Automation Enhancement Fund	83
• Proprietary Fund Types:	
- Enterprise Fund:	
• Combining Schedule of Revenues, Expenses, and Changes in Net Position	84
• Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	85
• Solid Waste Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	86
• Internal Service Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	87
• Agency Funds:	
- Combining Statement of Changes in Assets and Liabilities	88
• Discretely Presented Component Units:	
- Rutherford County Transit Administration - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	89
- Rutherford County Transit Administration - Statement of Cash Flows	90
- Rutherford County Airport Authority - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	91
- Rutherford County Airport Authority - Statement of Cash Flows	92

	<u>Table</u>	<u>Page(s)</u>
• Other Schedules:		
- Schedule of General Fund Ad Valorem Taxes Receivable		93
- Analysis of Current Tax Levy - General Fund		94
- Schedule of Special Districts Ad Valorem Taxes Receivable		95
- Analysis of Current Tax Levy - Special Districts Levy		96 – 97

## **STATISTICAL SECTION**

• Net Position By Component	1	98
• Changes in Net Position	2	99
• Fund Balances of Governmental Funds	3	100
• Changes in Fund Balances of Governmental Funds	4	101
• Assessed Value and Actual Value of Taxable Property	5	102
• Direct and Overlapping Property Tax Rates	6	103
• Principal Property Taxpayers	7	104
• Property Tax Levies and Collections	8	105
• Ratio of Outstanding Debt by Type	9	106
• Ratios of General Bonded Debt Outstanding	10	107
• Direct and Overlapping Governmental Activities Debt	11	108
• Legal Debt Margin	12	109
• Demographic and Economic Statistics	13	110
• Principal Employers	14	111
• Full-Time Equivalent County Government Employees by Function	15	112
• Operating Indicators by Function	16	113
• Capital Assets Statistics by Function	17	114

## **COMPLIANCE SECTION**

• Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		115 – 116
• Report on Compliance With Requirements Applicable To Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act		117 – 118
• Report on Compliance For Each Major State Program and On Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act		119 – 120
• Schedule of Expenditures of Federal and State Awards		121 – 124
• Schedule of Findings and Questioned Costs		125 – 127
• Summary Schedule of Prior Year Audit Findings		128

# **INTRODUCTORY SECTION**

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

**STEVE GARRISON**  
County Manager  
**HAZEL S. HAYNES**  
Clerk to the Board  
**PAULA ROACH**  
Finance Director

# Rutherford County

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

December 4, 2017

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, 2017. 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  
Vaya Health (formerly Smoky Mountain Center)

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

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

## ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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

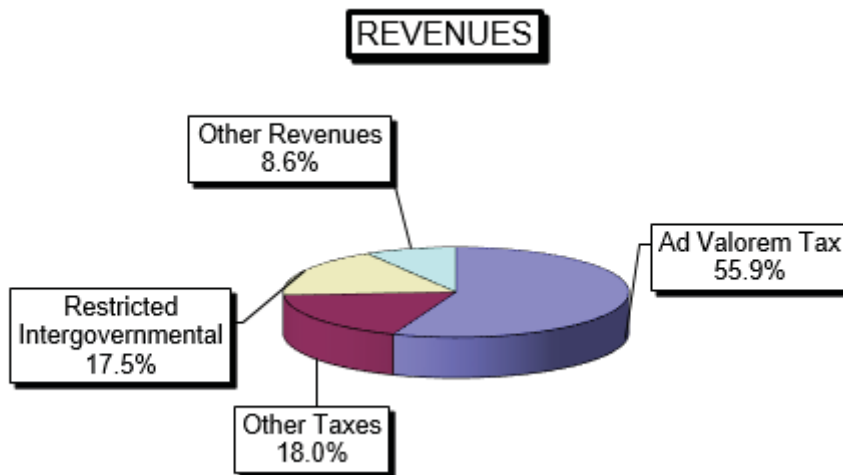


Budgetary or other control is exercised over all funds. Appropriations are made at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project and Debt Service Funds. The Governing Board amends appropriations as necessary. The budget shown in the financial statements is the budget ordinance as amended through June 30, 2017. 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 Debt Service Fund, and Enterprise Funds are prepared on an annual basis, and the budgets for the 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:

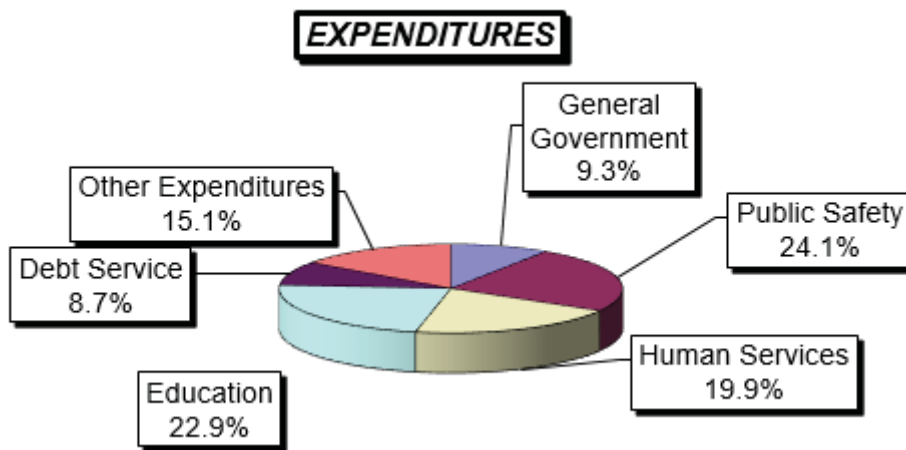


Rutherford County’s general governmental sources of revenue increased by approximately 3.96%, or \$2,824,095, attributable to growth in ad valorem tax and sales tax.

Ad valorem and restricted intergovernmental revenues are the largest source of revenues for the County accounting for 73.5% of total revenues. Ad valorem taxes account for 55.9% of revenues and increased by \$513,675 or 1.25% due to growth in the commercial tax base with the expansion at Andale. The fiscal year 2016-2017 budget was adopted based on a tax rate of 60.7 cents per \$100 of value. Other taxes increased by 19.85% or \$2,208,130 of which \$1.2 million consisted of a new sales tax distribution to the Counties with a restricted purpose (education or economic development). Also, as the economy continues to recover, sales tax revenues with new commercial construction, including the Hampton Inn and the expansion at Andale using local contractors helped to provide overall sales tax growth of 8.77% this past year. The local

economy has also had a positive influence with the development of the Tryon International Equestrian Center located just outside the County. Sales tax and occupancy taxes have been positively impacted with their activities. The County experienced increases in the areas of permits and fees during FY 2016-2017 with increased land transfers and other register of deeds fees.

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 66.97% 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 4.06% as compared to FY 2015-2016. This increase was largely a result of increased capital improvement projects such as the Emergency Training Facility and the college construction for the Comprehensive Applied Sciences project. Debt service expenditures and Human Services expenditures were essentially flat.

The County's fund balance available for appropriation as of June 30, 2017 of approximately \$18.9 million or 31.15% 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 most recent recession, described by many as the worst recession since the Great Depression, is one instance where a healthy fund balance for a government can be useful in weathering the economy while still providing the services to its citizens that they have come to expect.

### THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 66,421 with a work force of 24,667. The population has decreased by 2.05% since the 2010 census. The goods-producing industry employment has declined over the last decade, while the service industry employment has increased. The median age has increased to 43.57 as compared to 40.56 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.

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 farm and wind farm component manufacturing), plastics and composites, and metal working along with a continued focus on traditional manufacturing that is now being performed to advanced standards and with new technologies.

Other recent announcements included the location of US Precision LLC, as well as, industry expansions at Facebook. Unfortunately, the County has not had immunity from the nationwide trend of increased unemployment brought on by plant slowdowns and layoffs. Unemployment in Rutherford County peaked at 17.9% in January 2010 and has been in decline each month since that time with 5.8% being the rate in June 2017.

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 1,220 people and generates over \$164 million in revenues. Over 1,300 rentable units are available to visitors for overnight stays. In addition to traditional hotels, rental cabins, rental cottages and rental houses – B&Bs are here, as well. Utilizing the 5% occupancy tax revenue (which will be increased to 6% effective January 1, 2018) to promote the area as a travel, tourism, retirement and convention destination, the Rutherford County Tourism Development Authority (TDA) is the destination management organization for Rutherford County. The TDA invites visitors who are longing to live more simply to come “revisit their senses” here, where “remembered pleasures thrive in abundance.” As the TDA says in its advertising, “With great food, great things to do, and great things to see, the lake may lure you – the rest will keep you.”

## INDEPENDENT AUDIT

The General Statutes of North Carolina require an independent financial audit of all local governments in the state. Gould Killian CPA Group, P.A., 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 performed 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 unmodified 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, 2016. This was the twenty-eighth 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

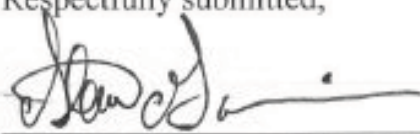
Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

## 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 on the County's website at [www.rutherfordcountync.gov](http://www.rutherfordcountync.gov).

Respectfully submitted,



Steve Garrison  
County Manager



Paula Roach  
Finance Director

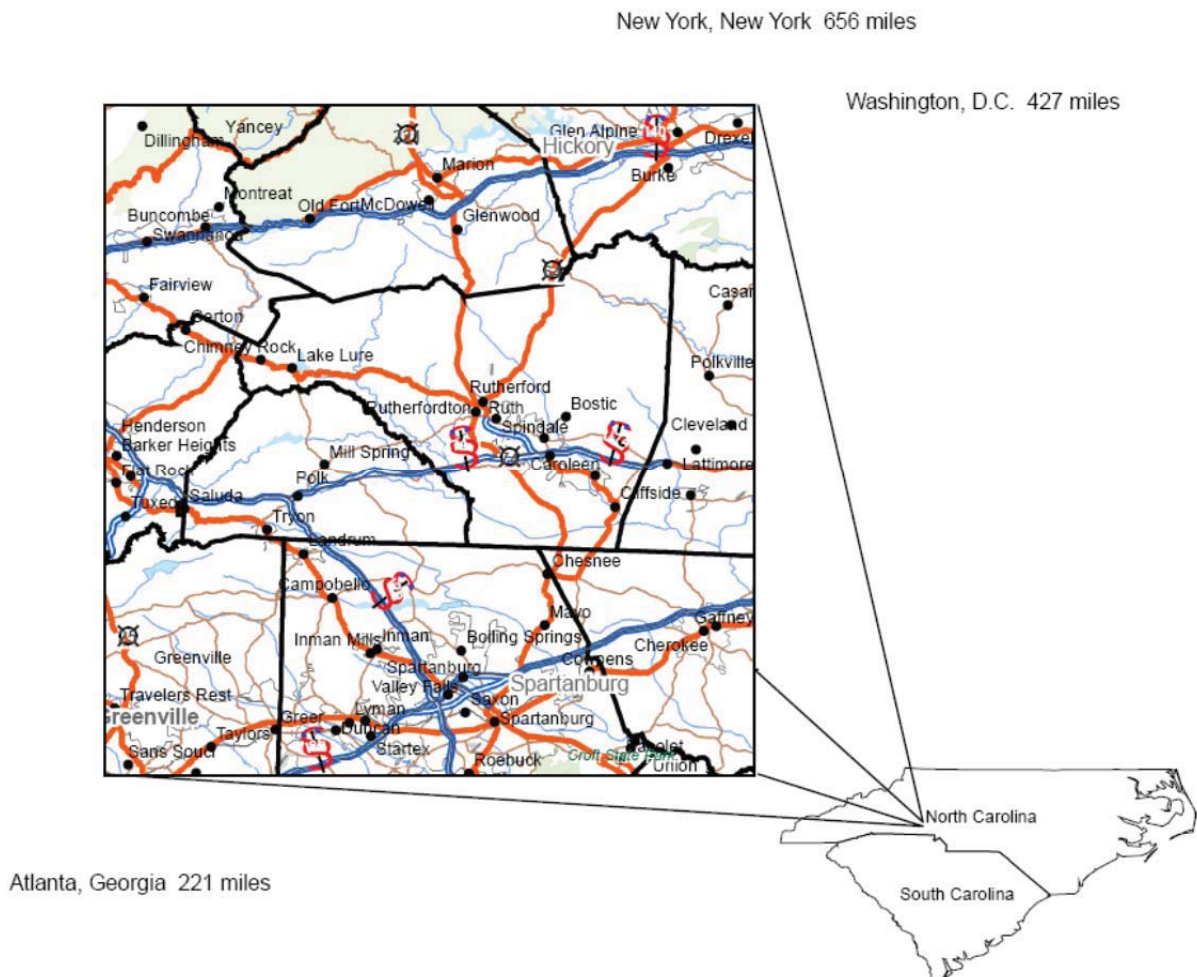
## THE COUNTY

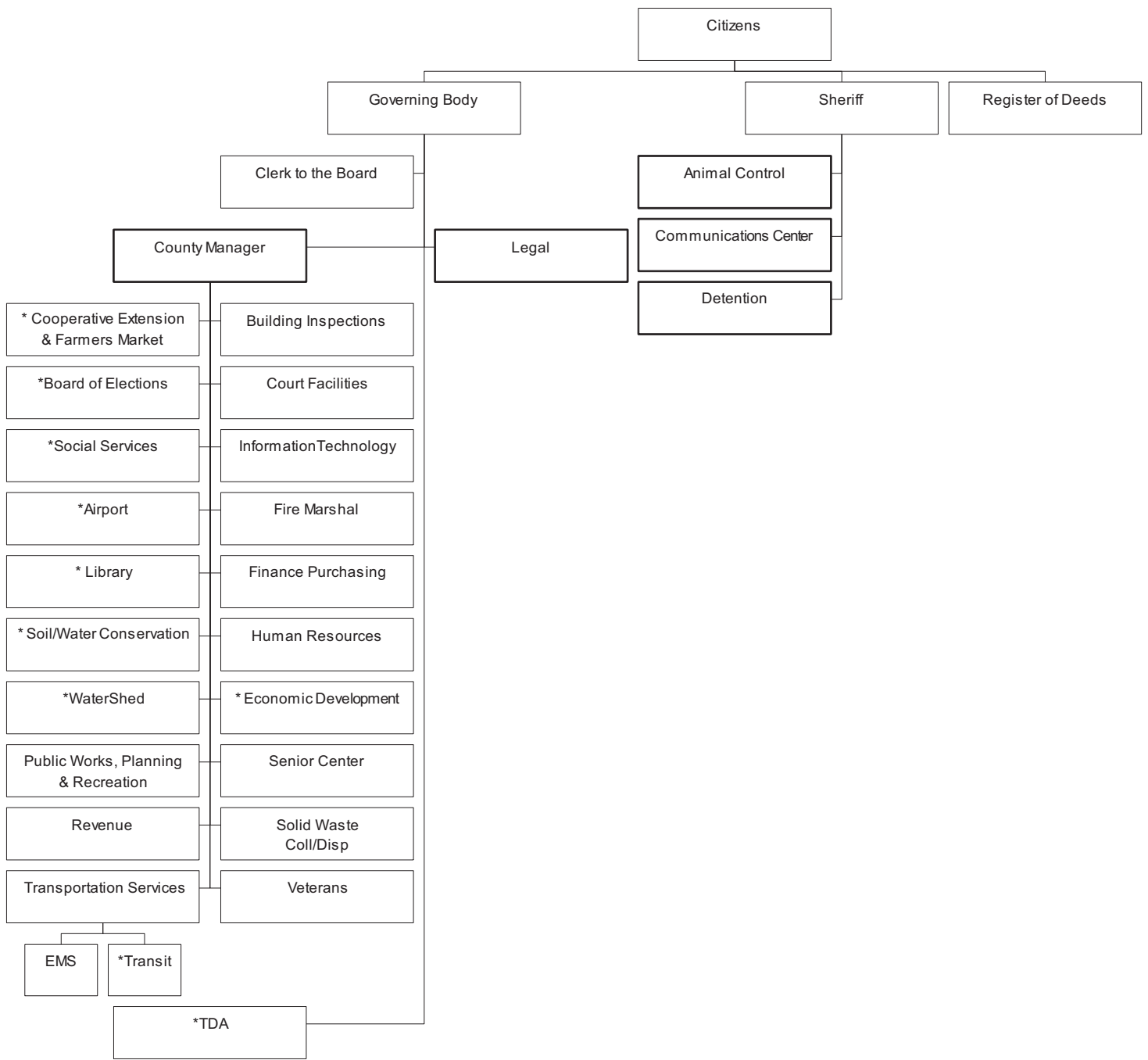
### General Description

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, 2016**

Executive Director/CEO

**RUTHERFORD COUNTY, NORTH CAROLINA**

**June 30, 2017**

**Board of County Commissioners**

Bryan King, Chairman

Alan Toney, Vice Chairman

Greg Lovelace

Michael Benfield

Eddie Holland

**County Manager**

Steve Garrison

**Finance Director**

Paula Roach



# **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, 2017, 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.

### ***Auditors' 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 *Government 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, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the 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 on pages 4 through 14, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 65 through 69, 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 Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost, Principles, and Audit Requirements for Federal Awards*, 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 December 4, 2017 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  
December 4, 2017

## 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, 2017. 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**

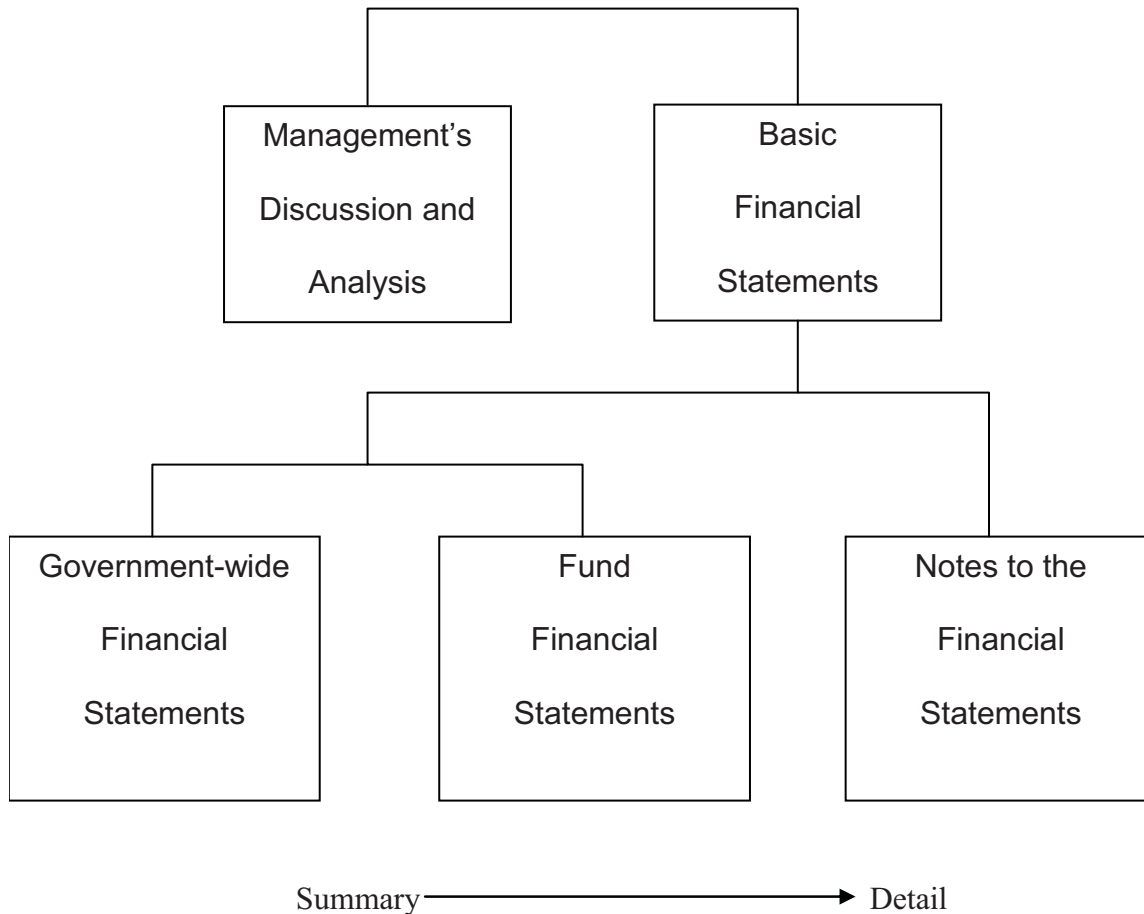
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$45,358,607, an increase of \$7,330,540 in comparison with the prior year amount of \$38,028,067. The combined fund balance consisted of: general fund - \$24,711,635 compared to \$21,463,273 (2016); non-major special revenue funds \$8,311,945; General Capital Projects Fund - \$7,902,959; and debt service fund \$4,432,068.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,663,518, or 21.2% 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 by \$54,969,749 (*net position*). This compares to a restated June 30, 2016, net position of \$44,943,958. In accordance with North Carolina law, liabilities of the County includes \$11,798,734 in long-term debt associated with assets belonging to the Rutherford County Board of Education and Isothermal Community College. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County has reported a net deficit in unrestricted net assets in prior years.
- The primary government's long-term debt, excluding pension liability, compensated absences and landfill post-closure accrual increased by \$2,306,845.
- The primary government's total net position increased by \$10,493,966.

### **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, the Local Government Employees Retirement System, and the Register of Deeds Supplemental Pension Fund.

### **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 it has 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 and a legally separate transit authority 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 five 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 24 through 64 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 employees. Required supplementary information can be found beginning on page 65 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 \$59,216,082 as of June 30, 2017. The County's net position increased by \$10,493,966 for the fiscal year ended June 30, 2017, compared to an increase of \$2,088,066 in 2016. One of the largest portions \$34,586,994 (58.4%) 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 \$19,330,487 (32.6%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2017, the total unrestricted balance in the amount of \$5,298,601 is primarily attributable to the governmental activities unrestricted balance of 3,343,607. In 2016, the amount of net investment in capital assets was \$20,509,997, with restricted net position standing at \$21,895,919, leaving an unrestricted balance of \$6,316,200.

**Figure 2**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>(As restated)</u>				<u>(As restated)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$54,086,183	\$47,935,588	\$ 5,122,392	\$ 4,516,748	\$59,208,575	\$52,452,336
Capital assets	49,418,314	43,800,322	2,406,147	2,485,639	51,824,461	46,285,961
Total Assets	<u>103,504,497</u>	<u>91,735,910</u>	<u>7,528,539</u>	<u>7,002,387</u>	<u>111,033,036</u>	<u>98,738,297</u>
Total deferred outflows of resources	<u>6,029,469</u>	<u>2,320,599</u>	<u>-</u>	<u>-</u>	<u>6,029,469</u>	<u>2,320,599</u>
Long-term liabilities outstanding	49,527,132	41,296,431	2,996,414	2,935,668	52,523,546	44,232,099
Other liabilities	4,620,752	6,985,339	285,792	288,561	4,906,544	7,273,900
Total liabilities	<u>54,147,884</u>	<u>48,281,770</u>	<u>3,282,206</u>	<u>3,224,229</u>	<u>57,430,090</u>	<u>51,505,999</u>
Total deferred inflows of resources	<u>416,333</u>	<u>830,781</u>	<u>-</u>	<u>-</u>	<u>416,333</u>	<u>830,781</u>
Net position						
Net investment in capital assets	32,295,655	18,093,988	2,291,339	2,416,009	34,586,994	20,509,997
Restricted	19,330,487	21,895,919	-	-	19,330,487	21,895,919
Unrestricted	3,343,607	4,954,051	1,954,994	1,362,149	5,298,601	6,316,200
Total net position	<u>\$54,969,749</u>	<u>\$44,943,958</u>	<u>\$ 4,246,333</u>	<u>\$ 3,778,158</u>	<u>\$59,216,082</u>	<u>\$48,722,116</u>

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, Business Sciences and Communication Buildings, and Rutherfordton Elementary are exceptions where the County owns the building. At the end of the fiscal year, \$11,798,734 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 with the County's collection percentage of 97.26%.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.
- Continued low cost of debt due to the County's reaffirmed bond ratings and recent refinancings.

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>(As restated)</b>				<b>(As restated)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues:						
Program revenues:						
Charges for services	\$ 5,321,680	\$ 4,647,496	\$ 3,804,863	\$ 3,786,670	\$ 9,126,543	\$12,502,133
Operating grants and contributions	11,551,304	12,056,219	453,146	445,914	12,004,450	1,266,916
Capital grants and contributions	8,199,819	1,266,916	-	-	8,199,819	8,434,166
General revenues:						
Property taxes	41,622,198	41,137,349	-	-	41,622,198	41,137,349
Other taxes	13,653,552	11,416,375	-	-	13,653,552	11,416,375
Other	469,117	522,481	3,135	3,045	472,252	525,526
Total revenues	<u>80,817,670</u>	<u>71,046,836</u>	<u>4,261,144</u>	<u>4,235,629</u>	<u>85,078,814</u>	<u>75,282,465</u>
Expenses:						
General government	7,101,860	6,571,693	-	-	7,101,860	6,571,693
Public safety	18,222,247	17,041,922	-	-	18,222,247	17,041,922
Environmental protection	154,628	133,992	-	-	154,628	133,992
Economic and physical development	10,274,454	11,010,474	-	-	10,274,454	11,010,474
Human services	15,302,178	15,025,723	-	-	15,302,178	15,025,723
Cultural and recreation	624,210	581,125	-	-	624,210	581,125
Education	18,001,176	16,693,749	-	-	18,001,176	16,693,749
Interest on long-term debt	986,126	1,152,070	-	-	986,126	1,152,070
Landfill	-	-	3,917,969	3,786,627	3,917,969	3,786,627
Total expenses	<u>70,666,879</u>	<u>68,210,748</u>	<u>3,917,969</u>	<u>3,786,627</u>	<u>74,584,848</u>	<u>71,997,375</u>
Increase in net position before transfers	10,150,791	1,639,064	343,175	449,002	10,493,966	2,088,066
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase in net position	<u>10,025,791</u>	<u>1,514,064</u>	<u>468,175</u>	<u>574,002</u>	<u>10,493,966</u>	<u>2,088,066</u>
Net position, July 1	44,943,958	43,429,894	3,778,158	3,204,156	48,722,116	46,634,050
Net position, June 30	<u>\$54,969,749</u>	<u>\$44,943,958</u>	<u>\$ 4,246,333</u>	<u>\$ 3,778,158</u>	<u>\$59,216,082</u>	<u>\$48,722,116</u>

**Governmental activities.** Governmental activities increased the County's net position by \$10,025,791. This compares to an increase of \$1,514,064 in 2016. The primary driver of this increase is the County receiving a contribution of two buildings from Isothermal Community College for approximately \$6.8 million for purposes of collateralizing a County debt issuance for various projects at the College. While there is a debt issuance associated with this contribution, the proceeds were mostly unspent at June 30, 2017, thereby resulting in a large increase to net position. Another key element of this increase was an increase in local option sales taxes and an increase in sales and services. The County received a new sales tax distribution restricted for education or economic development (\$1.2M for FYE2017). The government's long-term debt, excluding pension liability, compensated absences, landfill post-closure accrual, and grant repayments increased by \$2,306,845.

**Business-type activities.** Business-type activities increased Rutherford County's net position by \$468,175. The key element of this increase in net position was increased tipping fees and reduced operating costs.

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, 2020.

The County operates a Construction and Demolition (C&D) landfill. As of June 30, 2017 it is estimated that the County has used 86.2 percent of the total estimated capacity of the current phase of this landfill. The County is reviewing options for maximizing the space available for continued C&D landfill operations.

The County has established the following tipping fee system. The tipping fee for C&D is \$37 per ton and the tipping fee for all other municipal solid waste is \$57 per ton. There is also a \$35 per ton tipping fee for brush and \$45 per ton fee for metal. In addition, the State established a fee of \$2 per ton on municipal solid waste and construction and demolition debris as a result of the North Carolina General Assembly passing the Solid Waste Act of 2007. The statewide solid waste disposal tax must be collected at the Landfill and submitted to the State. The County's household fee is \$120 per household per year with a reduced homestead exemption fee of \$30 per household per year. Nine convenience centers and one manned green box site are now in operation throughout the County.

### **Financial Analysis of the County's Funds**

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

**Governmental Funds.** The focus of Rutherford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information

is useful in assessing Rutherford County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, Rutherford County's fund balance available in the General Fund was \$17,838,702, while total fund balance was \$24,711,635. 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 29.4% of General Fund expenditures, while total fund balance represents 45.46% of that same amount. The County's fund balance as of June 30, 2017 remains comparable to the state-wide average and that of other North Carolina counties in our population group.

At June 30, 2017, the governmental funds of Rutherford County reported a combined fund balance of \$45,358,607, a 19.28% increase as compared to last year's. The primary reason for this increase is largely due to unspent debt proceeds and additional sales tax distributions as have already been discussed.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total budget amendments to the General Fund decreased revenues by \$1,739,087 which represents a decrease of 2.8% of the original revenue budgeted.

The main amended increases in the budget were in general government, public safety and education. Amendments in the areas of general government, public safety and education were primarily due to capital expenditures that had been appropriated in the previous year but were unexpended in FY 2015-2016 and were therefore carried "re-budgeted" into FY 2016-2017 after the Budget Ordinance was adopted. Expenditures in some functional areas experienced notable positive variances as compared to the budget due to expenditures being curtailed due to the economy. Growth in sales tax, ad valorem tax collections and building permit fees helped to offset previously appropriated fund balance.

**Proprietary Funds.** Rutherford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to a balance of \$1,954,994. The total increase in net position was \$468,175. 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, 2017, totals \$51,824,461 (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, equipment and software for Public Safety, General Government, Human Services and Solid Waste;
- Contribution to the County of the Isothermal Community College Business Sciences and Communication Buildings. These assets were used as the collateral for the May 2017 financing to construct the Comprehensive Applied Science Building, roof replacements on the two college buildings and other County facility projects.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land and CIP	\$ 5,962,599	\$ 5,962,599	\$ 716,875	\$ 708,869	\$ 6,679,474	\$ 6,671,468
Buildings and System	40,209,152	34,637,798	1,166,182	1,259,902	41,375,334	35,897,700
Improvements other than buildings	333,213	203,076	-	-	333,213	203,076
Machinery and equipment	894,677	815,742	85,867	173,463	980,544	989,205
Intangibles	737,242	938,973	-	-	737,242	938,973
Vehicle and motorized equipment	1,281,431	1,242,134	437,223	343,405	1,718,654	1,585,539
Total	<u>\$49,418,314</u>	<u>\$43,800,322</u>	<u>\$ 2,406,147</u>	<u>\$ 2,485,639</u>	<u>\$51,824,461</u>	<u>\$46,285,961</u>

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

**Long-term Debt.** As of June 30, 2017, Rutherford County had total bonded debt outstanding of \$2,884,000 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**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
General obligation bonds	\$ 2,884,000	\$ 3,233,000	\$ -	\$ -	\$ 2,884,000	\$ 3,233,000
Capital leases	1,443,711	1,177,204	114,808	69,630	1,558,519	1,246,834
Installment purchase	35,812,301	33,451,571	-	-	35,812,301	33,451,571
Revolving fund - NCDENR	165,700	182,270	-	-	165,700	182,270
Total	<u>\$40,305,712</u>	<u>\$38,044,045</u>	<u>\$ 114,808</u>	<u>\$ 69,630</u>	<u>\$40,420,520</u>	<u>\$38,113,675</u>

Rutherford County's total debt (excluding pension liability, accrued vacation and compensatory pay, landfill postclosure accruals and grant repayments) increased \$2,306,845 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 \$477,000,000. The County has no un-issued authorized bonds at June 30, 2017.

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

**Economic Factors and Next Year's Budgets and Rates**

The County has positioned itself for other business expansion opportunities. The County and private developers have developed industrial/business sites and buildings for sale. The County has completed a site-readiness program sponsored by Duke Energy for the shell building in Riverstone Business Park, Rutherford 221 Corporate Center, as well as the county-owned Gateway West site. The County continues to review other sites that offer opportunity for economic growth and sites marketed as a data center location. The County has been positively impacted by the recent construction of the Tryon International Equestrian Center located just outside the County.

## **Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities:** The tax rate adopted for fiscal year 2017-2018 was 60.7 cents.

The FY 2017-18 General Fund budget anticipates relatively flat property values reflecting little change in overall values, with the exception of Facebook, and budgeted at a collection rate of 97.02%. The County may only budget property tax revenues based upon the prior fiscal tax collection by State law as compared to the Fiscal Year 2016-17 actual collection rate of 97.26%. Sales tax revenues are projected to increase by 5%. Budgeted expenditures and transfers in the General Fund are expected to increase to \$64,162,423.

The County anticipates expending approximately two million dollars of its fund balance in the fiscal year ending June 30, 2018 to continue work for the upcoming 2019 property revaluation and address critical capital needs for the County. As of the fiscal year ended June 30, 2017, Rutherford County has fund balance available for appropriation of approximately \$17.84 million or 29.4% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 31.57% of FY 2015-2016 general fund expenditures and, on average state-wide, other North Carolina counties were at 28.24%.

**Business – Type Activities:** The County rates for landfill services were increased effective July 2017. The tipping fee structure was analyzed and adjusted in conjunction with the expiration of the contract for MSW transportation out of County which expired June 30, 2015. The current contract expires June 30, 2020. Construction for the transfer station renovation enhanced recycling building was completed summer 2013. Reserves and grant funding were budgeted to complete the project. Through conservative budgeting, the County anticipates replenishing reserves used for the construction.

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. Since the FY 2016-17 budget the County has appropriated some of these funds to continue an extensive recycling program in the County public school system and throughout the County. This includes retaining a part-time recycling coordinator in addition to using these funds as a match to a grant which will be used to purchase two additional recycling compactors for the convenience centers.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Rutherford County, 289 North Main Street, Rutherfordton, NC 28139. You can also call (828) 287-6085 or visit our website at [www.rutherfordcountync.gov](http://www.rutherfordcountync.gov) for more information.

# **BASIC FINANCIAL STATEMENTS**



**Rutherford County, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Tourism Development Authority	Rutherford County Airport Authority	Transit Administration
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 28,495,695	\$ 4,452,988	\$ 32,948,683	\$ 575,948	\$ -	\$ 562,341
Receivables (net)	4,812,639	569,610	5,382,249	118,174	-	-
Due from other governments	4,868,248	99,794	4,968,042	-	169,982	205,077
Due from component unit	94,852	-	94,852	-	-	-
Prepaid items	467,793	-	467,793	-	-	-
Inventories	429,311	-	429,311	-	26,510	-
Cash and cash equivalents - restricted	14,794,469	-	14,794,469	-	-	-
Total current assets	53,963,007	5,122,392	59,085,399	694,122	196,492	767,418
Noncurrent assets:						
Net pension asset	123,176	-	123,176	-	-	-
Capital assets:						
Land and construction in progress	5,962,599	716,875	6,679,474	-	1,063,191	-
Other capital assets, net of depreciation	43,455,715	1,689,272	45,144,987	145,120	2,886,839	536,518
Total capital assets	49,418,314	2,406,147	51,824,461	145,120	3,950,030	536,518
Total noncurrent assets	49,541,490	2,406,147	51,947,637	145,120	3,950,030	536,518
Total assets	103,504,497	7,528,539	111,033,036	839,242	4,146,522	1,303,936
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Charge on refunding	1,028,586	-	1,028,586	-	-	-
Pension deferrals	5,000,883	-	5,000,883	-	-	-
Total deferred outflows of resources	6,029,469	-	6,029,469	-	-	-
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	4,410,629	285,792	4,696,421	26,954	42,101	90,070
Accrued interest payable	210,123	-	210,123	-	-	-
Due to primary government	-	-	-	-	94,852	-
Total current liabilities	4,620,752	285,792	4,906,544	26,954	136,953	90,070
Long-term liabilities:						
Net pension liability - LGERS	5,866,771	-	5,866,771	-	-	-
Total pension liability - LEOWSA	2,132,626	-	2,132,626	-	-	-
Due within one year	6,941,274	66,052	7,007,326	-	-	-
Due in more than one year	34,586,461	2,930,362	37,516,823	-	-	-
Total long-term debt	49,527,132	2,996,414	52,523,546	-	-	-
Total liabilities	54,147,884	3,282,206	57,430,090	26,954	136,953	90,070
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid taxes	141,373	-	141,373	-	-	-
Pension deferrals	274,960	-	274,960	-	-	-
Total deferred inflows of resources	416,333	-	416,333	-	-	-
<b>NET POSITION</b>						
Net investment in capital assets	32,295,655	2,291,339	34,586,994	145,120	3,950,030	536,518
Restricted for:						
Stabilization by State statute	8,138,967	-	8,138,967	118,174	169,982	205,077
Debt service	4,324,189	-	4,324,189	-	-	-
Court facilities	5,687	-	5,687	-	-	-
Capital projects	5,470,026	-	5,470,026	-	-	-
Emergency communications	856,361	-	856,361	-	-	-
Register of deeds	377,135	-	377,135	-	-	-
Register of deeds pension plan	158,122	-	158,122	-	-	-
Unrestricted (deficit)	3,343,607	1,954,994	5,298,601	548,994	(110,443)	472,271
Total net position	\$ 54,969,749	\$ 4,246,333	\$ 59,216,082	\$ 812,288	\$ 4,009,569	\$ 1,213,866

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

**Rutherford County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Rutherford County Airport Authority	Transit Administration
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 7,101,860	\$ 436,638	\$ -	\$ -	\$ (6,665,222)	\$ -	\$ (6,665,222)			
Public safety	18,222,247	4,377,039	626,449	8,880	(13,209,879)	-	(13,209,879)			
Environmental protection	154,628	2,105	28,753	-	(123,770)	-	(123,770)			
Economic and physical development	10,274,454	2,975	284,495	897,927	(9,089,057)	-	(9,089,057)			
Human services	15,302,178	502,923	10,611,607	-	(4,187,648)	-	(4,187,648)			
Cultural and recreation	624,210	-	-	-	(624,210)	-	(624,210)			
Education	18,001,176	-	-	7,293,012	(10,708,164)	-	(10,708,164)			
Interest on long-term debt	986,126	-	-	-	(986,126)	-	(986,126)			
Total governmental activities	<u>70,666,879</u>	<u>5,321,680</u>	<u>11,551,304</u>	<u>8,199,819</u>	<u>(45,594,076)</u>	<u>-</u>	<u>(45,594,076)</u>			
Business-type activities:										
Solid waste disposal	3,917,969	3,804,863	453,146	-	-	340,040	340,040			
Total business-type activities	<u>3,917,969</u>	<u>3,804,863</u>	<u>453,146</u>	<u>-</u>	<u>-</u>	<u>340,040</u>	<u>340,040</u>			
Total primary government	<u>\$ 74,584,848</u>	<u>\$ 9,126,543</u>	<u>\$ 12,004,450</u>	<u>\$ 8,199,819</u>	<u>(45,594,076)</u>	<u>340,040</u>	<u>(45,254,036)</u>			
Component units:										
Tourism Development Authority	\$ 896,933	\$ -	\$ -	\$ -			\$ (896,933)	\$ -	\$ -	
Rutherford County Airport Authority	721,526	333,790	499,524	-			-	111,788	-	
Transit Administration	1,116,329	798,878	390,785	338,028			-	-	411,362	
Total component units	<u>\$ 2,734,788</u>	<u>\$ 1,132,668</u>	<u>\$ 890,309</u>	<u>\$ 338,028</u>			<u>(896,933)</u>	<u>111,788</u>	<u>411,362</u>	
<b>General revenues:</b>										
Taxes:										
Property taxes, levied for general purpose					41,622,198	-	41,622,198	-	-	-
Local option sales tax					13,331,022	-	13,331,022	-	-	-
Other taxes and licenses					322,530	-	322,530	918,690	-	-
Investment earnings, unrestricted					66,120	3,135	69,255	2,830	-	-
Miscellaneous, unrestricted					402,997	-	402,997	544	-	-
Total general revenues excluding transfers					<u>55,744,867</u>	<u>3,135</u>	<u>55,748,002</u>	<u>922,064</u>	<u>-</u>	<u>-</u>
Transfers					(125,000)	125,000	-	-	-	-
Total general revenues and transfers					<u>55,619,867</u>	<u>128,135</u>	<u>55,748,002</u>	<u>922,064</u>	<u>-</u>	<u>-</u>
Change in net position					<u>10,025,791</u>	<u>468,175</u>	<u>10,493,966</u>	<u>25,131</u>	<u>111,788</u>	<u>411,362</u>
Net position, beginning, previously reported					46,139,568	3,778,158	49,917,726	787,157	3,897,781	802,504
Restatement (Note 9)					(1,195,610)	-	(1,195,610)	-	-	-
Net position, beginning, restated					<u>44,943,958</u>	<u>3,778,158</u>	<u>48,722,116</u>	<u>787,157</u>	<u>3,897,781</u>	<u>802,504</u>
Net position, ending					<u>\$ 54,969,749</u>	<u>\$ 4,246,333</u>	<u>\$ 59,216,082</u>	<u>\$ 812,288</u>	<u>\$ 4,009,569</u>	<u>\$ 1,213,866</u>

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

**Rutherford County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	Major			Non-major	Total
	General	Debt Service	General Capital Projects	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,831,198	\$ 4,284,478	\$ 1,039,174	\$ 234,198	\$ 28,389,048
Receivables, net	3,056,327	-	-	978,319	4,034,646
Due from other governments	4,532,944	147,590	70	164,952	4,845,556
Due from component unit	94,852	-	-	-	94,852
Due from other funds	310,262	-	-	1,800,000	2,110,262
Prepaid items	417,267	-	-	50,526	467,793
Inventories	429,311	-	-	-	429,311
Cash and cash equivalents - restricted	1,449,304	-	6,932,243	6,412,922	14,794,469
Total assets	\$ 33,121,465	\$ 4,432,068	\$ 7,971,487	\$ 9,640,917	\$ 55,165,937
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 3,422,601	\$ -	\$ 68,528	\$ 919,500	\$ 4,410,629
Due to other funds	1,800,000	-	-	-	1,800,000
Total liabilities	5,222,601	-	68,528	919,500	6,210,629
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	139,412	-	-	1,961	141,373
Property taxes and other receivables	3,047,817	-	-	407,511	3,455,328
Total deferred inflows of resources	3,187,229	-	-	409,472	3,596,701
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories and prepaid items	846,578	-	-	50,526	897,104
Long-term loans	-	-	-	570,808	570,808
Restricted:					
Stabilization by State statute	6,026,355	147,590	70	1,964,952	8,138,967
Debt service	39,711	4,284,478	-	-	4,324,189
Court facilities	5,687	-	-	-	5,687
Capital projects	1,362,666	-	7,902,889	4,539,090	13,804,645
Public safety	46,927	-	-	809,434	856,361
Register of deeds	-	-	-	377,135	377,135
Assigned:					
Subsequent year's expenditures	3,075,475	-	-	-	3,075,475
HVAC replacement	302,870	-	-	-	302,870
Roof replacement	341,848	-	-	-	341,848
Unassigned	12,663,518	-	-	-	12,663,518
Total fund balances	24,711,635	4,432,068	7,902,959	8,311,945	45,358,607
Total liabilities, deferred inflows of resources and fund balances	\$ 33,121,465	\$ 4,432,068	\$ 7,971,487	\$ 9,640,917	\$ 55,165,937

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

Total fund balances - total governmental funds	\$ 45,358,607
Reconciliation to full accrual basis of accounting (see Note 1)	9,611,142
Net position of governmental activities	\$ 54,969,749

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, 2017**

	Major			Non-major	Total
	General	Debt Service	General Capital Projects	Other Governmental Funds	
<b>REVENUES</b>					
Ad valorem taxes	\$ 39,129,528	\$ -	\$ -	\$ 2,393,297	\$ 41,522,825
Local option sales taxes	6,506,698	5,967,898	-	856,426	13,331,022
Restricted intergovernmental	10,649,222	550,000	-	1,824,319	13,023,541
Permits and fees	1,022,166	-	-	-	1,022,166
Sales and services	4,735,390	3,000	-	-	4,738,390
Investment earnings	47,157	3,789	101	15,073	66,120
Miscellaneous	504,021	-	-	2,814	506,835
Total revenues	62,594,182	6,524,687	101	5,091,929	74,210,899
<b>EXPENDITURES</b>					
Current:					
General government	6,924,022	-	-	7,516	6,931,538
Public safety	14,356,476	-	-	3,639,205	17,995,681
Environmental protection	143,692	-	-	11,935	155,627
Economic and physical development	4,948,281	-	971,162	4,532,701	10,452,144
Human services	14,856,946	-	-	77,795	14,934,741
Cultural and recreational	560,934	-	-	-	560,934
Intergovernmental:					
Education	17,099,713	-	-	-	17,099,713
Debt service:					
Principal	700,212	4,557,570	-	-	5,257,782
Interest and other charges	14,657	1,180,947	-	-	1,195,604
Total expenditures	59,604,933	5,738,517	971,162	8,269,152	74,583,764
Revenues over (under) expenditures	2,989,249	786,170	(971,061)	(3,177,223)	(372,865)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	1,346,093	86,913	1,800,000	66,335	3,299,341
Transfers to other funds	(2,090,385)	-	(1,000,000)	(333,956)	(3,424,341)
Proceeds from sale of assets	36,686	-	-	-	36,686
Installment obligations issued	-	-	6,825,000	-	6,825,000
Capital lease obligations issued	966,719	-	-	-	966,719
Total other financing sources (uses)	259,113	86,913	7,625,000	(267,621)	7,703,405
Net changes in fund balances	3,248,362	873,083	6,653,939	(3,444,844)	7,330,540
Fund balances, beginning	21,463,273	3,558,985	1,249,020	11,756,789	38,028,067
Fund balances, ending	\$ 24,711,635	\$ 4,432,068	\$ 7,902,959	\$ 8,311,945	\$ 45,358,607

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different:

Net changes in fund balances - total governmental funds	\$ 7,330,540
Reconciliation to full accrual basis of accounting (see Note 1)	2,695,251
Total change in net assets of governmental activities	\$ 10,025,791

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 38,172,389	\$ 38,172,389	\$ 39,129,528	\$ 957,139
Local option sales taxes	4,839,579	4,839,579	6,506,698	1,667,119
Restricted intergovernmental	11,644,992	11,713,375	10,649,222	(1,064,153)
Permits and fees	840,500	840,500	1,022,166	181,666
Sales and services	4,615,240	4,770,913	4,735,390	(35,523)
Investment earnings	20,000	20,000	47,157	27,157
Miscellaneous	225,768	360,089	504,021	143,932
Total revenues	<u>60,358,468</u>	<u>60,716,845</u>	<u>62,594,182</u>	<u>1,877,337</u>
Expenditures:				
Current:				
General government	7,736,436	8,219,270	6,924,022	1,295,248
Public safety	14,771,150	15,168,106	14,356,476	811,630
Environmental protection	156,043	156,667	143,692	12,975
Economic and physical development	5,390,937	5,434,118	4,948,281	485,837
Human services	16,198,724	16,350,723	14,856,946	1,493,777
Cultural and recreational	567,306	570,535	560,934	9,601
Intergovernmental:				
Education	16,778,153	17,451,629	17,099,713	351,916
Total current expenditures	<u>61,598,749</u>	<u>63,351,048</u>	<u>58,890,064</u>	<u>4,460,984</u>
Debt service:				
Principal retirement			700,212	
Interest and other charges			14,657	
Total debt service	<u>987,320</u>	<u>987,320</u>	<u>714,869</u>	<u>272,451</u>
Total expenditures	<u>62,586,069</u>	<u>64,338,368</u>	<u>59,604,933</u>	<u>4,733,435</u>
Revenues over (under) expenditures	<u>(2,227,601)</u>	<u>(3,621,523)</u>	<u>2,989,249</u>	<u>6,610,772</u>
Other financing sources (uses):				
Transfers from other funds	440,710	732,961	1,346,093	613,132
Transfers to other funds	(209,828)	(2,027,178)	(2,090,385)	(63,207)
Capital lease financing	966,719	966,719	966,719	-
Proceeds from sale of capital assets	30,000	30,562	36,886	6,124
Appropriated fund balances	1,000,000	3,918,459	-	(3,918,459)
Total other financing sources (uses)	<u>2,227,601</u>	<u>3,621,523</u>	<u>259,113</u>	<u>(3,362,410)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>3,248,362</u>	<u>\$ 3,248,362</u>
Fund balance, beginning			<u>21,463,273</u>	
Fund balance, ending			<u>\$ 24,711,635</u>	

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

**Rutherford County, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<u>Enterprise Fund</u>	<u>Internal Service</u>
	<u>Solid</u>	<u>Fund</u>
	<u>Waste</u>	<u>County</u>
	<u>Disposal</u>	<u>Technology</u>
	<u>Fund</u>	<u>Upgrade</u>
	<u>Fund</u>	<u>Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,452,988	\$ 106,647
Receivables, net	569,610	-
Due from other governments	99,794	22,692
Total current assets	<u>5,122,392</u>	<u>129,339</u>
Capital assets:		
Land and improvements	716,875	-
Other capital assets, net of depreciation	1,689,272	-
Total capital assets	<u>2,406,147</u>	<u>-</u>
Total assets	<u>7,528,539</u>	<u>129,339</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	285,792	-
Current portion of long-term liabilities	66,052	-
Total current liabilities	<u>351,844</u>	<u>-</u>
Noncurrent liabilities:		
Advance from the general fund	-	310,262
Accrued landfill closure and postclosure care costs	2,856,727	-
Long-term debt	73,635	-
Total long-term liabilities	<u>2,930,362</u>	<u>310,262</u>
Total liabilities	<u>3,282,206</u>	<u>310,262</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,291,339	-
Unrestricted	1,954,994	(180,923)
Total net position (deficit)	<u>\$ 4,246,333</u>	<u>\$ (180,923)</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 Funds**  
**For the Year Ended June 30, 2017**

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Solid Waste Disposal Fund</b>	<b>County Technology Upgrade Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,804,863	\$ 261,557
Miscellaneous	453,146	-
Total operating revenues	<u>4,258,009</u>	<u>261,557</u>
<b>OPERATING EXPENSES</b>		
Salaries, wages, and fringe benefits	1,119,989	70,179
Maintenance and repairs	21,767	-
Other operating expenses	2,408,345	-
Landfill closure and postclosure care costs	78,620	-
Depreciation	288,543	-
Total operating expenses	<u>3,917,264</u>	<u>70,179</u>
Operating income	<u>340,745</u>	<u>191,378</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	3,135	-
Interest and other charges	(705)	-
Total nonoperating revenue (expenses)	<u>2,430</u>	<u>-</u>
Income before transfers	343,175	191,378
Transfers from other funds, net	<u>125,000</u>	<u>-</u>
Change in net position	468,175	191,378
Total net position (deficit), beginning	<u>3,778,158</u>	<u>(372,301)</u>
Total net position (deficit), ending	<u>\$ 4,246,333</u>	<u>\$ (180,923)</u>

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

**Rutherford County, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Solid Waste Disposal Fund</b>	<b>County Technology Upgrade Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 4,224,417	\$ 261,557
Cash paid to employees for services	(1,121,816)	(70,179)
Cash paid for goods and services	(2,493,206)	-
Net cash provided by operating activities	<u>609,395</u>	<u>191,378</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers in	125,000	-
Due to other funds	-	(143,959)
Due from other governments	(34,480)	(8,138)
Net cash provided (used) by noncapital financing activities	<u>90,520</u>	<u>(152,097)</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(209,051)	(397,421)
Proceeds from the issuance of long-term debt	125,000	-
Principal paid on long-term debt	(79,822)	-
Interest paid on long-term debt	(705)	-
Net cash used by capital and related financing activities	<u>(164,578)</u>	<u>(397,421)</u>
<b>Cash flows from investing activities:</b>		
Interest and investment revenue	3,135	-
Net cash provided by investing activities	<u>3,135</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	538,472	(358,140)
Cash and cash equivalents, beginning of year	3,914,516	464,787
Cash and cash equivalents, end of year	<u>\$ 4,452,988</u>	<u>\$ 106,647</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 340,745	\$ 191,378
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	288,543	-
Landfill closure and postclosure care costs	78,620	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	(33,592)	-
(Increase) decrease in prepaids	900	-
Increase (decrease) in accounts payable and accrued liabilities	(65,821)	-
Total adjustments	<u>268,650</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 609,395</u>	<u>\$ 191,378</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, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 264,594
Accounts receivable	45,329
Total assets	<u>309,923</u>
<b>LIABILITIES</b>	
Accounts payable	214,746
Due to other taxing units	95,177
Total liabilities	<u>309,923</u>
<b>NET POSITION</b>	<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, 2017

#### **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.

<b>Component Unit</b>	<b>Reporting Method</b>	<b>Separate Financial Statements</b>
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 146 North Main 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.

*General Capital Projects Fund.* This fund accounts for various capital projects that are ongoing in 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:

*County Technology Upgrade Fund.* This internal service fund is used to account for the accumulation and allocation of costs associated with the County's efforts to upgrade and improve certain areas of the technological infrastructure.

*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 monies deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Department Advisory Council Fund, which accounts for monies deposited for the benefit of the Council; the Cities Tax Collection Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates; and the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

*Non-major Funds.* The County maintains seven legally budgeted non-major funds. Queen's Gap Capital Project Fund, Grey Rock Capital Project Fund and the ICC Capital Projects Fund are reported as capital projects funds. The Grant Fund, Emergency Telephone System Fund, the Fire Districts Fund, and the Register of Deeds Automation Enhancement Fund are reported as non-major special revenue funds.

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-Wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all

eligibility requirements have been satisfied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

*Enterprise Fund.* The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Internal Service Fund.* The County has appropriated funds for the purpose of upgrading and improving various technologies used in County operations. A portion of these funds are also allocated to administrative support related to these systems.

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

(C) **Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Debt Service Fund, Fire Districts Fund, Register of Deeds Automation Enhancement Fund, Isothermal Community College Capital Project Fund, the Grant Fund and Solid Waste Disposal Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grey Rock Capital Project Fund, Queen's Gap Capital Project Fund, and the General Capital Projects Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and proprietary funds, and at the object level for the capital projects funds. All amendments at the functional level must be approved by the governing board. During the year, several amendments to the original budget were necessary. The 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 NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, 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:

Governmental Activities:	
General Fund	
Unspent bond proceeds	\$ 1,402,377
Drug Forfeiture Funds	46,927
Grant Fund	
Unexpended grant funds	150,522
Grey Rock Capital Project Fund	
Unexpended surety bond settlement proceeds	431,346
Queen's Gap Capital Project Fund	
Unexpended surety bond settlement proceeds	4,208,576
General Capital Projects Fund	
Unexpended bond proceeds	6,932,243
Emergency Telephone System	
E-911 Funds	544,583
Fire District Fund	
Taxes collected and held on behalf of County fire districts	692,890
Register of Deeds Automation Enhancement Fund	
Unexpended restricted Register of Deeds fees	385,005
Total restricted cash and cash equivalents	<u>\$ 14,794,469</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, 2016. 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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. 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. The County has several items that meet this criterion - a charge on refunding, pension-related deferrals, and contributions made to the pension plan in the current fiscal year. 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 four items that meet the criterion for this category: prepaid taxes, property taxes receivable, pension-related deferrals, and other receivables.

(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 an other 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 as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

**Fund Balances**

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

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

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

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

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

Restricted for Stabilization by 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 Public Safety – portion of fund balance that is restricted by revenue source for public safety purposes such as emergency communications, fire protection, or law enforcement.

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.

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 is 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.

#### (12) **Defined Benefit Pension Plans**

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

#### (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 \$9,611,142 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)	\$ 84,029,331
Less accumulated depreciation	(34,611,017)
Net capital assets	<u>49,418,314</u>
Net pension asset	123,176
Contributions to pension plans in the current fiscal year are deferred inflows of resources on the Statement of Net Position	1,096,131
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	54,498
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	777,993
Net deficit of internal service fund	(180,923)
Net pension liability - LGERS	(5,866,771)
Total pension liability - LEOSSA	(2,132,626)
Pension related deferrals	3,575,294
Liabilities for deferred inflows of resources recorded in the fund statements but not the government-wide	3,455,328
Deferred charges related to advance refunding bonds issued recorded on the government-wide statement of net position but are not current financial resources	1,028,586
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	(40,305,712)
Compensated absences	(1,222,023)
Accrued interest payable	<u>(210,123)</u>
Total adjustment	<u>\$ 9,611,142</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 \$2,695,251 consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net position	\$ 1,306,967
The fair market value of assets contributed from other organizations is recorded as revenue on the statement of activities but not on the fund statements	6,743,012
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	(2,431,987)
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	(7,791,719)
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	5,257,782
Principal payments received for a long-term note receivable are recorded as revenue on the fund statements but affect only the statement of net position on the government-wide statements.	(200,000)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	1,096,131
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	54,498
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)	41,723
Amortization of debt premiums	272,270
Amortization of refunding costs not recorded on fund statements	(104,515)
Pension expense	(1,743,462)

Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(23,900)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Difference in interest revenue between fund statements (modified accrual) and government-wide statements (full accrual)	71,973
Increase of deferred inflows of resources – taxes receivable	27,400
Decrease of deferred inflows of resources – Other receivable	(72,300)
Net expense, including transfers, of internal funds determined to be governmental type	<u>191,378</u>
Total adjustment	<u>\$ 2,695,251</u>

**Note 2 – Assets****(A) Deposits**

All of the County's, Airport Authority's, Transit Administration's, and Tourism Development 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 be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Airport Authority, Transit Administration, Tourism Development 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, 2017, the County's deposits had a carrying amount of \$38,594,850 and a bank balance of \$38,922,460. Of the bank balance \$1,250,000 was covered by federal depository insurance, and \$37,672,460 was covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2017 of \$2,630.

The Transit Administration's deposits had a carrying amount and bank balance of \$562,341, all of which was covered by collateral held under the pooling method.

The Tourism Development Authority's deposits had a carrying amount and bank balance of \$575,948, all of which was covered by collateral held under the pooling method.

The Fiduciary Funds' deposits had a carrying amount and bank balance of \$264,594, all of which was covered by collateral held under the pooling method.

(B) **Investments**

At June 30, 2017, the County's investments consisted of \$9,410,266 the North Carolina Capital Cash Management Trust's Government 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, 2017, the County only invested in North Carolina Capital Cash Management Trust's Government Portfolio and North Carolina Short-Term Investment Fund and as of June 30, 2017, had no investment securities with a counterparty.

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

	Primary Government	Transit Administration	Tourism Development Authority	Fiduciary Funds	Total
Deposits	\$ 38,332,886	\$ 562,341	\$ 575,948	\$ 264,594	\$ 39,735,769
Investments	9,410,266	-	-	-	9,410,266
	<u>\$ 47,743,152</u>	<u>\$ 562,341</u>	<u>\$ 575,948</u>	<u>\$ 264,594</u>	<u>\$ 49,146,035</u>

Reported on government-wide statement of net position:

	Primary Government	Transit Administration	Tourism Development Authority	Fiduciary Funds	Total
Cash and cash equivalents	\$ 32,948,683	\$ 562,341	\$ 575,948	\$ 264,594	\$ 34,351,566
Restricted cash	14,794,469	-	-	-	14,794,469
	<u>\$ 47,743,152</u>	<u>\$ 562,341</u>	<u>\$ 575,948</u>	<u>\$ 264,594</u>	<u>\$ 49,146,035</u>

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

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

Year Levied	Tax	Interest	Total
2014	\$ 904,967	\$ 214,930	\$ 1,119,897
2015	931,200	137,352	1,068,552
2016	970,585	55,808	1,026,393
2017	973,566	-	973,566
Total	<u>\$ 3,780,318</u>	<u>\$ 408,090</u>	<u>\$ 4,188,408</u>

(D) Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts	Economic Development Loans	Taxes and Related Accrued Interest	Total
Governmental Activities:				
General	\$ 1,624,242	\$ -	\$ 6,985,720	\$ 8,609,962
Other Governmental	-	570,808	407,511	978,319
Total receivables	1,624,242	570,808	7,393,231	9,588,281
Allowance for doubtful accounts	(1,475,642)	-	(3,300,000)	(4,775,642)
Total - governmental activities	<u>\$ 148,600</u>	<u>\$ 570,808</u>	<u>\$ 4,093,231</u>	<u>\$ 4,812,639</u>
Business-type Activities				
Solid waste	\$ 651,923	\$ -	\$ -	\$ 651,923
Allowance for doubtful accounts	(82,313)	-	-	(82,313)
Total - business-type activities	<u>\$ 569,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 569,610</u>

Amounts due from other governments at the government-wide level at June 30, 2017 consists of the following:

	Local Option Sales Tax	Other	Total
Governmental Activities:			
General	\$ 3,559,565	\$ 996,071	\$ 4,555,639
Other Governmental	-	312,612	312,612
Total - governmental activities	<u>\$ 3,559,565</u>	<u>\$ 1,308,683</u>	<u>\$ 4,868,248</u>
Business-type Activities			
Solid waste	<u>\$ -</u>	<u>\$ 99,794</u>	<u>\$ 99,794</u>



(E) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,962,599	\$ -	\$ -	\$ 5,962,599
Total capital assets not being depreciated	<u>5,962,599</u>	<u>-</u>	<u>-</u>	<u>5,962,599</u>
Capital assets being depreciated:				
Buildings	55,269,153	6,965,338	-	62,234,491
Other improvements	863,008	161,055	-	1,024,063
Intangibles	1,518,419	-	-	1,518,419
Equipment	6,596,914	385,705	-	6,982,619
Vehicles	5,960,344	537,881	191,085	6,307,140
Total capital assets being depreciated	<u>70,207,838</u>	<u>8,049,979</u>	<u>191,085</u>	<u>78,066,732</u>
Less accumulated depreciation for:				
Buildings	20,631,355	1,393,984	-	22,025,339
Other improvements	659,932	30,918	-	690,850
Intangibles	579,446	201,731	-	781,177
Equipment	5,781,172	306,770	-	6,087,942
Vehicles	4,718,210	498,584	191,085	5,025,709
Total accumulated depreciation	<u>32,370,115</u>	<u>2,431,987</u>	<u>191,085</u>	<u>34,611,017</u>
Capital assets being depreciated, net	<u>37,837,723</u>			<u>43,455,715</u>
Governmental Activities capital assets, net	<u>\$ 43,800,322</u>			<u>\$ 49,418,314</u>

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

Governmental activities:	
General government	\$ 456,065
Public safety	785,064
Economic and physical development	1,506
Environmental protection	-
Human services	233,770
Cultural and recreational	54,119
Education	901,463
Total depreciation expense	<u>\$ 2,431,987</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 708,869	\$ 8,006	\$ -	\$ 716,875
Total capital assets not being depreciated	<u>708,869</u>	<u>8,006</u>	<u>-</u>	<u>716,875</u>
Capital assets being depreciated:				
Buildings and improvements	4,033,200	18,800	-	4,052,000
Equipment	1,745,983	22,079	-	1,768,062
Vehicles	858,082	160,166	-	1,018,248
Total capital assets being depreciated	<u>6,637,265</u>	<u>201,045</u>	<u>-</u>	<u>6,838,310</u>
Less accumulated depreciation for:				
Buildings and improvements	2,773,298	112,520	-	2,885,818
Equipment	1,572,520	109,675	-	1,682,195
Vehicles	514,677	66,348	-	581,025
Total accumulated depreciation	<u>4,860,495</u>	<u>288,543</u>	<u>-</u>	<u>5,149,038</u>
Solid Waste Disposal capital assets, net	<u>1,776,770</u>			<u>1,689,272</u>
	<u>\$ 2,485,639</u>			<u>\$ 2,406,147</u>

**Construction commitments**

The County has commitments with contractors for active construction projects at June 30, 2017 as follows:

Project	Spent-to-date	Remaining Commitment
Queens Gap	\$ 3,107,364	\$ 1,957,012

## Discretely presented component units

	Beginning Balances	Increases	Decreases	Ending Balances
Transit Administration:				
Capital assets being depreciated:				
Buildings and improvements	\$ 29,915	\$ -	\$ -	\$ 29,915
Equipment	17,167	8,450	-	25,617
Vehicles	1,433,425	353,628	218,444	1,568,609
Total capital assets being depreciated	<u>1,480,507</u>	<u>362,078</u>	<u>218,444</u>	<u>1,624,141</u>
Less accumulated depreciation for:				
Buildings and improvements	2,243	1,496	-	3,739
Equipment	17,167	282	-	17,449
Vehicles	1,152,052	132,827	218,444	1,066,435
Total accumulated depreciation	<u>1,171,462</u>	<u>134,605</u>	<u>218,444</u>	<u>1,087,623</u>
Transit Authority capital assets, net	<u>309,045</u>			<u>536,518</u>
	<u>\$ 309,045</u>			<u>\$ 536,518</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Airport Authority:				
Capital assets not being depreciated				
Land	\$ 925,804	\$ -	\$ -	\$ 925,804
Construction in progress	-	137,387	-	137,387
Total capital assets not being depreciated	<u>925,804</u>	<u>137,387</u>	<u>-</u>	<u>1,063,191</u>
Capital assets being depreciated:				
Land improvements	-	93,355	-	93,355
Equipment	4,906,440	-	-	4,906,440
Vehicles	293,251	-	-	293,251
Total capital assets being depreciated	<u>5,199,691</u>	<u>93,355</u>	<u>-</u>	<u>5,293,046</u>
Less accumulated depreciation for:				
Equipment	2,000,421	118,589	-	2,119,010
Vehicles	263,554	23,643	-	287,197
Total accumulated depreciation	<u>2,263,975</u>	<u>142,232</u>	<u>-</u>	<u>2,406,207</u>
Airport Authority capital assets, net	<u>2,935,716</u>			<u>2,886,839</u>
	<u>\$ 3,861,520</u>			<u>\$ 3,950,030</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Tourism Development Authority (TDA):				
Capital assets being depreciated:				
Buildings and improvements	\$ 241,867	\$ -	\$ -	\$ 241,867
Less accumulated depreciation for:				
Buildings and improvements	72,560	24,187	-	96,747
TDA capital assets, net	<u>\$ 169,307</u>			<u>\$ 145,120</u>

**Note 3 – Liabilities****(A) Payables**

Payables at the government-wide level at June 30, 2017, were as follows:

	Vendors	Salaries and Accrued Benefits	Total
Governmental Activities			
General	\$ 2,115,071	\$ 1,307,530	\$ 3,422,601
Other Governmental	988,028	-	988,028
Total - governmental activities	<u>\$ 3,103,099</u>	<u>\$ 1,307,530</u>	<u>\$ 4,410,629</u>
Business-type Activities			
Solid Waste	<u>\$ 207,473</u>	<u>\$ 78,319</u>	<u>\$ 285,792</u>

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

*Plan Description.* The County is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of

creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,090,181 for the year ended June 30, 2017.

*Refunds of Contributions* – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the County reported a liability of \$5,866,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .27643%, which was an increase of .00198% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,581,013. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources

related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 110,226	\$ 205,578
Changes of assumptions	401,821	-
Net difference between projected and actual earnings on pension plan investments	3,243,585	-
Changes in proportion and differences between County contributions and proportionate share of contributions	61,462	23,820
County contributions subsequent to the measurement date	1,090,181	-
Total	<u>\$ 4,907,275</u>	<u>\$ 229,398</u>

\$1,090,181 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 556,926
2019	557,293
2020	1,546,889
2021	926,588
2022	-
Total	<u>\$ 3,587,696</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 201 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 13,924,584	\$ 5,866,771	\$ (863,714)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2015 (valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	7
Active plan members	<u>79</u>
Total	<u>86</u>

*Summary of Significant Accounting Policies:*

*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. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statement 73.

*Actuarial Assumptions:* The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.



*Contributions:* The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned 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. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$97,182 as benefits came due for the reporting period.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the County reported a total pension liability of \$2,132,626. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$155,869.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	41,397
County benefit payments made subsequent to the measurement date	54,498	-
Total	<u>\$ 54,498</u>	<u>\$ 41,397</u>

\$54,498 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ (8,181)
2019	(8,181)
2020	(8,181)
2021	(8,181)
2022	(8,181)
Thereafter	(492)
Total	<u>\$ (41,397)</u>

\$53,697 paid as benefits came due and \$801 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the County’s total pension liability to changes in the discount rate.* The following presents the County’s total pension liability calculated using the discount rate of 3.86 percent, as well as what the County’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<u>1% Decrease</u> <u>(2.86%)</u>	<u>Discount Rate</u> <u>(3.86%)</u>	<u>1% Increase</u> <u>(4.86%)</u>
Total Pension Liability	\$ 2,308,934	\$ 2,132,626	\$ 1,971,081

**Changes in the Total Pension Liability**

	<u>2017</u>
Beginning balance	\$ 2,115,637
Service cost	89,955
Interest on the total pension liability	73,794
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Change of assumptions or other inputs	(49,578)
Benefit payments	(97,182)
Other changes	-
Ending balance of the total pension liability	<u>\$ 2,132,626</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**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. The County's Contributions for the year ended June 30, 2017 were \$170,106. No amounts were forfeited.

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 Airport Authority, Rutherford County Transit Administration, and Rutherford County 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. The County's contributions for the fiscal year ended June 30, 2017 were \$402,429. Contributions from Rutherford County Transit Administration for its employees for the fiscal year ended June 30, 2017 were \$8,031. Contributions from Tourism Development Authority for its employees for the fiscal year ended June 30, 2017 were \$4,811. Contributions from Airport Authority for its employees were \$2,210. No amounts were forfeited.

***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, 2017, the County paid all annual required contributions to the Plan for postemployment healthcare benefits of \$951,428. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2017 were \$23,773. Contributions for Tourism Development Authority employees for the fiscal year ended June 30, 2017 were \$10,705. Contributions for Airport Authority employees for the fiscal year ended June 30, 2017 were \$4,093. These contributions represented 6.02% of covered payroll.

#### Post-Employment Death Benefits

The County, Rutherford County Transit Administration, and Tourism Development Authority, have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple- employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County, Rutherford County Transit Administration, and Tourism Development Authority have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, Rutherford County Transit Administration, Airport Authority, nor Tourism Development Authority, the County, Rutherford County Transit Administration, Airport Authority, and Tourism Development Authority, do not determine the number of eligible participants. For the fiscal year ended June 30, 2017, the County made \$19,110 in 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 0.14% and 0.11% of covered payroll, respectively. For the fiscal year ended June 30, 2017, the Rutherford County Transit Administration, Airport Authority, and Tourism Development Authority made no required contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

#### Registers of Deeds' Supplemental Pension Fund

*Plan Description.* Rutherford County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers 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 Registers 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,950 for the year ended June 30, 2017.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the County reported an asset of \$123,176 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension asset was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .65884%, which was an increase of .00310% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$6,580. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 132	\$ 1,594
Changes in assumptions	32,817	-
Net difference between projected and actual earnings on pension plan investments	211	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	2,570
County contributions subsequent to the measurement date	5,950	-
Total	<u>\$ 39,110</u>	<u>\$ 4,164</u>

\$5,950 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 11,247
2019	13,453
2020	5,672
2021	(1,376)
2022	-
Total	<u>\$ 28,996</u>

*Actuarial Assumptions.* The total pension asset in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension asset was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

*Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate.* The following presents the County’s proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	<u>1% Decrease (2.75%)</u>	<u>Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (99,320)	\$ (123,176)	\$ (143,219)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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) 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, 2017, the program had 422 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, 2017 were North Carolina State Health Plan for medical and Delta Dental 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.

**(D) Deferred Outflows and Inflows of Resources**

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

Deferred Outflows of Resources:

	Statement of Net Position
Pensions - difference between expected and actual experience	\$ 110,358
Pensions - changes of assumptions	434,638
Pensions - difference between projected and actual investment earnings	3,243,796
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	61,462
Contributions to pension plans subsequent to measurement date	1,096,131
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	54,498
Charge on refunding of debt	1,028,586
Total	<u>\$ 6,029,469</u>



Deferred Inflows of Resources:

	<u>Statement of Net Position</u>	<u>Governmental Fund Balance Sheet</u>
Pensions - difference between expected and actual experience	\$ 207,172	\$ -
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	67,788	-
Prepaid taxes not yet earned (General Fund)	141,373	141,373
Ad valorem taxes receivable, net (General Fund)	-	2,907,727
Other receivables, net (General Fund)	-	140,090
Ad valorem taxes receivable, net (Special Revenue)	-	407,511
Total	<u>\$ 416,333</u>	<u>\$ 3,596,701</u>

(E) Claims and Judgments

At June 30, 2017, 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, 2017:

Buildings, net	\$ 37,906,877
Vehicles, net	566,578
Equipment and software, net	<u>38,939</u>
	<u>\$ 38,512,394</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 June 30, 2016	Additions	Retirements	Balance June 30, 2017
<b><u>Governmental Activities</u></b>				
<u>Serviced by the General Fund:</u>				
Vehicle and equipment lease purchase agreement , 2014, \$598,500 issue, monthly payments of \$16,871, including interest at .956% through January 2017	\$ 117,722	\$ -	\$ 117,722	\$ -
Vehicle and equipment lease purchase agreement , 2015, \$872,803 issue, monthly payments of \$24,671, including interest at 1.136% through February 2018	488,559	-	292,025	196,534
Vehicle and equipment lease purchase agreement , 2016, \$640,825 issue, monthly payments of \$18,181, including interest at 1.378% through February 2019	570,923	-	211,643	359,280
Vehicle and equipment lease purchase agreement , 2017, \$966,719 issue, monthly payments of \$27,512, including interest at 1.58% through March 2020	-	966,719	78,822	887,897
Total capital leases	<u>\$ 1,177,204</u>	<u>\$ 966,719</u>	<u>\$ 700,212</u>	<u>\$ 1,443,711</u>

For Rutherford County, the future minimum payments as of June 30, 2017, including interest are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 729,531	\$ 16,167
2019	468,190	7,411
2020	245,990	1,622
Total	<u>\$ 1,443,711</u>	<u>\$ 25,200</u>

(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, 2017 by installment purchases, private placement, certificates of participation (COP's), or limited obligation bonds (LOB's).

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
<b><u>Governmental Activities</u></b>				
<u>Serviced by the Debt Service Fund:</u>				
Public facilities project lease purchase agreement, 2015 \$1,800,000 issue, interest at 2.65%, due semiannually to 2030.	\$ 1,680,000	\$ -	\$ 120,000	\$ 1,560,000
Public facilities project certificates of participation, 2007 \$14,680,000 issue, interest at 4% to 5% due semiannually to 2017. A premium of \$741,007 is included and will be amortized over the life of the debt.	1,760,192	-	881,781	878,411
Refunding certificates of participation, 2011, \$22,555,000 issue interest at 2.0% to 5.0%, payable semiannually, due semiannually to 2024. A premium of \$2,276,960 is included and will be amortized over the life of the debt.	15,883,379	-	2,615,489	13,267,890
Refunding certificates of participation, 2013, \$9,790,000 issue interest at 2.190%, payable semiannually, due semiannually to 2028.	9,308,000	-	157,000	9,151,000
Refunding limited obligation bonds, 2012, \$8,425,000 issue, interest at 2.0%, due semiannually to 2024.	4,820,000	-	690,000	4,130,000
Public facilities project lease purchase agreement, 2017, \$6,825,000 issue, interest at 2.49% due semiannually to 2032	-	6,825,000	-	6,825,000
Total installment purchases	<u>\$ 33,451,571</u>	<u>\$ 6,825,000</u>	<u>\$ 4,464,270</u>	<u>\$ 35,812,301</u>

For Rutherford County, the future minimum payments as of June 30, 2017, including interest are:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 4,785,494	\$ 1,043,060
2019	4,638,713	884,817
2020	4,598,342	733,025
2021	4,388,051	562,285
2022	3,946,648	429,246
2023-2027	10,028,053	972,062
2028-2032	3,427,000	197,266
Total	<u>\$ 35,812,301</u>	<u>\$ 4,821,761</u>

(C) Revolving Fund – Water Quality Loan

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

<u>Governmental Activities</u>	<u>Balance</u>			<u>Balance</u>
<u>Serviced by the Debt Service Fund:</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Public utilities DENR water quality loan, 2007 \$331,400 issue, interest at 2.305% due semiannually to 2027.	\$ 182,720	\$ -	\$ 16,570	<u>\$ 165,700</u>

For Rutherford County, the future minimum payments as of June 30, 2017, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 16,570	\$ 3,819
2019	16,570	3,437
2020	16,570	3,056
2021	16,570	2,674
2022	16,570	2,292
2023-2027	82,850	5,538
Total	<u>\$ 165,700</u>	<u>\$ 20,816</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.

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
<u>General Obligation Bonds</u>				
General obligation bonds, 2008 \$1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028.	\$ 955,000	\$ -	\$ 75,000	\$ 880,000
Refunding bonds, 2013 \$1,683,000 issue interest at 2.020%, payable semiannually, due serially 2026.	1,378,000	-	174,000	1,204,000
General obligation bonds, 2010 \$1,500,000 issue interest at 4.53%, due semiannually to 2025	900,000	-	100,000	800,000
Total general obligation bonds	<u>\$ 3,233,000</u>	<u>\$ -</u>	<u>\$ 349,000</u>	<u>\$ 2,884,000</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>
2018	\$ 345,000	\$ 93,357
2019	342,000	82,301
2020	339,000	71,501
2021	330,000	60,803
2022	328,000	50,246
2023-2027	1,001,000	109,455
2028	199,000	5,624
Total	<u>\$ 2,884,000</u>	<u>\$ 473,287</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$17,122,659 relates to assets the County holds title. Unspent restricted cash related to this debt amounts to \$8,334,619.

(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, 2017:

	(As Restated)			Balance June 30, 2017	Current Portion
	Balance June 30, 2016	Additions	Retirements		
Governmental Activities:					
By type of debt:					
Capital leases	\$ 1,177,204	\$ 966,719	\$ 700,212	\$ 1,443,711	\$ 729,531
Installment purchases	33,451,571	6,825,000	4,464,270	35,812,301	4,785,494
Revolving fund - DENR	182,270	-	16,570	165,700	16,570
General obligation bonds	3,233,000	-	349,000	2,884,000	345,000
Total pension liability (LEOSSA)	2,115,637	16,989	-	2,132,626	-
Net pension liability (LGERS)	1,231,719	4,635,052	-	5,866,771	-
Compensated absences	1,198,123	1,088,579	1,064,679	1,222,023	1,064,679
	<u>\$ 42,589,524</u>	<u>\$ 13,532,339</u>	<u>\$ 6,594,731</u>	<u>\$ 49,527,132</u>	<u>\$ 6,941,274</u>

	(As Restated)			Balance June 30, 2017
	Balance June 30, 2016	Additions	Retirements	
By purpose:				
School	\$ 26,527,933	\$ 6,245,621	\$ 3,625,213	\$ 29,148,341
General government				
-equipment/vehicles/software	969,973	650,000	578,498	1,041,475
-public facilities	7,374,511	896,098	997,981	7,272,628
-economic development	3,171,628	-	328,360	2,843,268
Total pension liability (LEOSSA)	2,115,637	16,989	-	2,132,626
Net pension liability (LGERS)	1,231,719	4,635,052	-	5,866,771
Compensated absences	1,198,123	1,088,579	1,064,679	1,222,023
	<u>\$ 42,589,524</u>	<u>\$ 13,532,339</u>	<u>\$ 6,594,731</u>	<u>\$ 49,527,132</u>

## Reconciliation:

Current portion	\$ 6,941,274
Subsequent years	42,585,858
	<u>\$ 49,527,132</u>

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

	Balance			Balance		Current
	June 30, 2016	Additions	Retirements	June 30, 2017	Portion	
Business-type activities:						
By type of debt:						
Capital lease - equipment	\$ 69,630	\$ 125,000	\$ 79,822	\$ 114,808	\$ 41,173	
Closure and post-closure care costs	2,839,332	17,395	-	2,856,727	-	
Compensated absences	26,706	27,585	29,412	24,879	24,879	
	<u>\$ 2,935,668</u>	<u>\$ 169,980</u>	<u>\$ 109,234</u>	<u>\$ 2,996,414</u>	<u>\$ 66,052</u>	

At June 30, 2017, the County had a legal debt margin of approximately \$477,000,000.

(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, 2017, there were no industrial revenue bonds outstanding.

**Note 5 – Closure and Post-Closure 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 post-closure 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 post-closure care remaining at June 30, 2017 is \$314,642. In addition, the County is now under a corrective action plan for this landfill for which the County has accrued a projected cost of \$228,305 as of June 30, 2017. The combined post-closure and corrective action plan liability of \$542,947 represents the projected actual costs over the next 12 years based on what it would cost to perform all post-closure care and corrective action in 2017. 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 post-closure costs of \$1,220,511 reported as of June 30, 2017 representing a cumulative amount reported to date based on the use of 86.2% of the total estimated capacity of this landfill. This amount is based on what it would cost to perform all closure and post-closure care in 2017. 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 \$1,093,269 as of June 30, 2017. The projected assessment and corrective costs remaining to accrue as of June 30, 2017 is \$1,012,763. This liability of \$2,313,780 represents the projected actual costs over the next 30 years based on what it would cost to perform all corrective action in 2017. 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 post-closure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and post-closure care costs.

**Note 6 – Interfund Balances and Activities**

Balances due to the general fund at June 30, 2017 consist of \$310,262 due from the internal service fund to advance the cost of technology enhancements and upgrades made by the County that were paid for through the internal service fund. The balance will be repaid in the coming years through contributions made by other funds to the internal service fund.

Balances due from the general fund at June 30, 2017 consist of \$1,800,000 due to the fire districts fund. Funds were advanced by the fire districts fund to the general capital project fund for the construction of a new Emergency Services Training Facility. The general fund then assumed the payable since the fire district fund will be repaid in the coming years with funds from the general fund.

Transfers to/from the general fund during the year ended June 30, 2017 consists of the following:

From	To	For	Amount
<u>General Fund:</u>			
General	Register of Deeds Automation	Accumulate resources for office automation	\$ 57,278
General	Grant Fund	Matching funds for grant projects	17,350
General	Emergency Telephone System	Reimbursement for certain expenditures	9,057
General	Debt Service	Contribution for EMS station	81,700
General	General Capital Projects	Absorbing interfund loan for Emergency Service Training Facility	1,800,000
General	Solid Waste	Transfer for landfill post closure costs	<u>125,000</u>
			<u>\$ 2,090,385</u>
<u>Other Governmental Funds:</u>			
Grant Fund	General	Matching funds for Airport grant projects	\$ 24,533
ICC Capital Reserve	General	Capital improvements at the community college	321,560
General Capital Projects	General	Capital improvements at the community college	<u>1,000,000</u>
			<u>\$ 1,346,093</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	\$24,711,635
Less:	
Prepaid items and inventories	846,578
Stabilization by State statute	6,026,355
Restricted for debt service	39,711
Restricted for capital projects	1,362,666
Restricted for public safety	46,927
Restricted for court facilities	5,687
Assigned - Subsequent year's expenditures	3,075,475
Assigned - HVAC replacement	302,870
Assigned - Roof replacement	341,848
Minimum fund balance informal policy	<u>11,920,987</u>
Remaining fund balance	<u><u>\$ 742,531</u></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 outstanding encumbrances in the general fund in the amount of \$1,079,787 at June 30, 2017.

**Note 8 – Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets, net of depreciation	\$ 49,418,314	\$ 2,406,147
Less:		
Capital leases	(1,443,711)	(114,808)
Installment purchase contracts	(35,812,301)	-
Revolving fund - DENR	(165,700)	-
General obligation bonds	(2,884,000)	-
Add:		
School related debt	11,798,734	-
Water/Sewer debt	3,049,700	-
Unspent debt proceeds	8,334,619	-
	<u><u>\$ 32,295,655</u></u>	<u><u>\$ 2,291,339</u></u>

**Note 9 – Change in Accounting Principle / Restatement**

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$1,195,610.

**Note 10 – Joint Ventures****(A) Mental Health**

Vaya Health (formerly Smoky Mountain Center) is the local Medicaid health plan administrator for mental health, substance abuse, and intellectual/developmental disability Medicaid services. Vaya Health serves residents of Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes and Yancey counties.

The twenty-three counties participating within Vaya Health are represented through a County Commissioner Advisory Board or positions on board membership. Within available resources, the County has an ongoing financial responsibility for the Vaya Health 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 Vaya Health, so no equity interest has been reflected in the financial statements at June 30, 2017. The County contributed \$102,168 to fund operations during fiscal year June 30, 2017. Complete financial statements for Vaya Health may be obtained from the offices at 200 Ridgefield Court, Asheville, NC 28806.

**(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, 2017. The County contributed \$441,728 to the District to fund operations during fiscal year June 30, 2017. 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 \$2,553,235 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2017. 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, 2017. 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 11 – 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 \$18,983 to the Council during the fiscal year ended June 30, 2017.

**Note 12 – 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 13 – 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	\$ 107,257,950
Children's Insurance Program	1,920,871
Special Supplemental Nutrition Program for Women, Infants, and Children	1,260,015
Temporary assistance to needy families	416,493
Title IV-E adoption / foster care	923,815
State / County special assistance	550,914
Independent Living Grant	4,370
CWS Adoption Subsidy	141,066
State Foster Home	109,332
SFHF Maximization	154,227
	<u>\$ 112,739,053</u>

**REQUIRED SUPPLEMENTAL  
FINANCIAL DATA**

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

**Schedule of Changes in Total Pension Liability**

	2017*
Beginning balance	\$ 2,115,637
Service cost	89,955
Interest on the total pension liability	73,794
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Change of assumptions or other inputs	(49,578)
Benefit payments	(97,182)
Other changes	-
Ending balance of the total pension liability	\$ 2,132,626

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

Total pension liability	\$	2,132,626
Covered payroll		3,523,604
Total pension liability as a percentage of covered payroll		60.52%

Notes to the schedules:

Rutherford County has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**RUTHERFORD COUNTY, NORTH CAROLINA**

COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS \*

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportionate share of the net pension liability (asset) (%)	0.27643%	0.27445%	0.26645%	0.26540%
County's proportion of the net pension liability (asset) (\$)	\$ 5,866,771	\$ 1,231,719	\$(1,571,379)	\$ 3,199,089
County's covered payroll	16,224,597	16,011,558	15,382,073	15,169,034
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.16%	7.69%	( 10.22%)	21.09%
Plan fiduciary net position as a percentage of the total pension liability **	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS**

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,090,181	\$ 1,088,227	\$ 1,130,416	\$ 1,087,513
Contribution in relation to the contractually required contribution	<u>1,090,181</u>	<u>1,088,227</u>	<u>1,130,416</u>	<u>1,087,513</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 16,488,891	\$ 16,224,597	\$ 16,011,558	\$ 15,382,073
Contributions as a percentage of covered payroll	6.61%	6.71%	7.06%	7.07%

**RUTHERFORD COUNTY, NORTH CAROLINA**

COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST FOUR FISCAL YEARS \*

Register of Deeds' Supplemental Pension Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportionate share of the net pension liability (asset) (%)	0.65884%	0.65574%	0.63346%	0.62267%
County's proportion of the net pension liability (asset) (\$)	\$ (123,176)	\$ (151,964)	\$ (143,580)	\$ (133,002)
County's covered payroll	69,393	67,250	66,020	65,120
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	( 177.50%)	( 225.97%)	( 217.48%)	( 204.24%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	( 160.17%)	( 197.29%)	( 193.88%)	( 190.50%)

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.



**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS**

Register of Deeds' Supplemental Pension Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,950	\$ 5,373	\$ 4,822	\$ 5,172
Contribution in relation to the contractually required contribution	<u>5,950</u>	<u>5,373</u>	<u>4,822</u>	<u>5,172</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 68,523	\$ 69,393	\$ 67,250	\$ 66,020
Contributions as a percentage of covered payroll	8.68%	7.74%	7.17%	7.83%

**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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 36,358,389	\$ 37,938,965	\$ 1,580,576
Prior years	1,490,000	853,352	(636,648)
Penalties and interest	324,000	337,211	13,211
Total	<u>38,172,389</u>	<u>39,129,528</u>	<u>957,139</u>
Local option sales taxes	<u>4,839,579</u>	<u>6,506,698</u>	<u>1,667,119</u>
Restricted intergovernmental revenues:			
ABC net revenues	12,000	14,430	2,430
Court facilities	85,000	87,528	2,528
Federal and state grants	11,616,375	10,547,264	(1,069,111)
Total	<u>11,713,375</u>	<u>10,649,222</u>	<u>(1,064,153)</u>
Permits and fees:			
Building permits	317,500	368,749	51,249
Register of deeds	290,000	315,153	25,153
Marriage license	12,000	14,060	2,060
Revenue stamps	156,000	243,563	87,563
Video programming tax	42,000	39,965	(2,035)
Other fees	23,000	40,676	17,676
Total	<u>840,500</u>	<u>1,022,166</u>	<u>181,666</u>
Sales and services:			
Rents, concessions and fees	495,996	573,991	77,995
Sheriff's fees	895,870	930,534	34,664
Senior center meals	39,080	38,323	(757)
EMS fees	2,790,100	2,625,564	(164,536)
Court costs, fees and charges	69,000	73,228	4,228
Detention center fees	435,440	441,986	6,546
Tax collection fees	42,000	43,485	1,485
Animal shelter fees	3,427	8,279	4,852
Total	<u>4,770,913</u>	<u>4,735,390</u>	<u>(35,523)</u>
Investment earnings	<u>20,000</u>	<u>47,157</u>	<u>27,157</u>
Miscellaneous	<u>360,089</u>	<u>504,021</u>	<u>143,932</u>
Total revenues	<u>60,716,845</u>	<u>62,594,182</u>	<u>1,877,337</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General Government:			
Governing body	293,790	<b>273,377</b>	20,413
Manager	148,327	<b>145,708</b>	2,619
Board of elections	280,142	<b>263,281</b>	16,861
Finance and purchasing	401,853	<b>349,788</b>	52,065
Information technology	1,655,917	<b>1,280,291</b>	375,626
Revenue collections	2,027,056	<b>1,770,651</b>	256,405
Legal	130,000	<b>87,534</b>	42,466
Register of deeds	280,275	<b>262,576</b>	17,699
Human resources	192,901	<b>174,732</b>	18,169
Public buildings/recreation	2,212,103	<b>1,774,860</b>	437,243
County garage	171,476	<b>162,338</b>	9,138
Court facilities	154,775	<b>157,168</b>	(2,393)
Special allocations	270,655	<b>221,718</b>	48,937
	<hr/>	<hr/>	
Total general government	8,219,270	<b>6,924,022</b>	1,295,248
	<hr/>	<hr/>	
Public Safety:			
Sheriff's department	5,632,296	<b>5,269,184</b>	363,112
College security officer	689,623	<b>690,003</b>	(380)
Detention center	2,761,043	<b>2,676,989</b>	84,054
Communications	1,298,325	<b>1,251,207</b>	47,118
Inspections	433,744	<b>425,486</b>	8,258
Coroner	60,000	<b>62,400</b>	(2,400)
Emergency services	3,779,355	<b>3,504,876</b>	274,479
Special allocations	13,090	<b>13,109</b>	(19)
Fire prevention	241,512	<b>204,315</b>	37,197
Animal control	259,118	<b>258,907</b>	211
	<hr/>	<hr/>	
Total public safety	15,168,106	<b>14,356,476</b>	811,630
	<hr/>	<hr/>	
Environmental Protection:			
Soil conservation	121,917	<b>118,091</b>	3,826
Watershed	34,750	<b>25,601</b>	9,149
	<hr/>	<hr/>	
Total environmental protection	156,667	<b>143,692</b>	12,975
	<hr/>	<hr/>	
Economic and Physical Development:			
Agricultural extension	230,327	<b>200,195</b>	30,132
Farmers market	8,685	<b>6,277</b>	2,408
Forestry	99,688	<b>80,344</b>	19,344
Airport Authority	183,306	<b>162,005</b>	21,301
Economic Development Commission	4,912,112	<b>4,499,460</b>	412,652
	<hr/>	<hr/>	
Total economic and physical development	5,434,118	<b>4,948,281</b>	485,837
	<hr/>	<hr/>	

**RUTHERFORD COUNTY, NORTH CAROLINA**

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures (cont.)			
Human Services:			
Contribution to public health district	441,728	<b>441,728</b>	-
Contribution to mental health district	162,170	<b>102,168</b>	60,002
Veterans service officers	104,807	<b>103,240</b>	1,567
Special appropriation	(69,520)	<b>(55,581)</b>	(13,939)
Social services administration	8,292,712	<b>8,094,033</b>	198,679
Social services programs	6,545,632	<b>5,373,504</b>	1,172,128
Senior citizens center	327,997	<b>327,822</b>	175
Meals program	545,197	<b>470,032</b>	75,165
Total human services	<u>16,350,723</u>	<u><b>14,856,946</b></u>	<u>1,493,777</u>
Cultural and recreational:			
Libraries	570,535	<b>560,934</b>	9,601
Education:			
Public schools:			
Current expenditures	13,598,146	<b>13,598,146</b>	-
Capital outlay	948,332	<b>948,332</b>	-
Community college:			
Current expenditures	2,231,675	<b>2,231,675</b>	-
Capital outlay	673,476	<b>321,560</b>	351,916
Total education	<u>17,451,629</u>	<u><b>17,099,713</b></u>	<u>351,916</u>
Debt Service:			
Principal retirement		<b>700,212</b>	
Interest and fees		<b>14,657</b>	
Total debt service	<u>987,320</u>	<u><b>714,869</b></u>	<u>272,451</u>
Total expenditures	<u>64,338,368</u>	<u><b>59,604,933</b></u>	<u>4,733,435</u>
Revenues over (under) expenditures	<u>(3,621,523)</u>	<u><b>2,989,249</b></u>	<u>6,610,772</u>
Other Financing Sources (Uses):			
Transfers:			
From other funds	732,961	<b>1,346,093</b>	613,132
To other funds	(2,027,178)	<b>(2,090,385)</b>	(63,207)
Capital lease financing	966,719	<b>966,719</b>	-
Proceeds from sale of fixed assets	30,562	<b>36,686</b>	6,124
Appropriated fund balance	3,918,459	<b>-</b>	(3,918,459)
Total other financing sources (uses)	<u>3,621,523</u>	<u><b>259,113</b></u>	<u>(3,362,410)</u>
Net change in fund balance	<u>\$ -</u>	<u><b>3,248,362</b></u>	<u>\$ 3,248,362</u>
Fund balance, beginning of year		<u><b>21,463,273</b></u>	
Fund balance, end of year		<u><b>\$ 24,711,635</b></u>	

**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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Sales tax	\$ 6,132,418	\$ 5,967,898	\$ (164,520)
Lottery funds	550,000	550,000	-
Taps fees	-	3,000	3,000
Investment earnings	-	3,789	3,789
Total revenues	6,682,418	6,524,687	(157,731)
Expenditures:			
Debt service:			
Principal retirement	4,557,570	4,557,570	-
Interest	1,174,495	1,174,277	218
Bond issuance costs	10,000	6,670	3,330
Contingency	883,081	-	883,081
Total expenditures	6,625,146	5,738,517	886,629
Revenues over expenditures	57,272	786,170	728,898
Other Financing Sources (Uses):			
Transfer (to) from general fund	(59,010)	81,700	140,710
Transfer from fire district fund	1,738	5,213	3,475
Total other financing sources (uses)	(57,272)	86,913	144,185
Net change in fund balance	\$ -	873,083	\$ 873,083
Fund balance, beginning of year		3,558,985	
Fund balance, end of year		\$ 4,432,068	



**RUTHERFORD COUNTY, NORTH CAROLINA**

GENERAL CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 From inception and for the year ended June 30, 2017

	Project Authorization	Actual through June 30, 2017			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>Revenues:</b>					
Real estate tax delinquency collections	\$ 1,425,800	\$ 1,425,800	\$ -	\$ 1,425,800	\$ -
Restricted intergovernmental	15,856	15,800	-	15,800	(56)
Investment income	-	-	<b>101</b>	101	101
Total revenues	<u>1,441,656</u>	<u>1,441,600</u>	<u><b>101</b></u>	<u>1,441,701</u>	<u>45</u>
<b>Expenditures:</b>					
Economic and physical development:					
Municipal/authority water and sewer	4,535,786	4,252,813	-	4,252,813	282,973
Industrial development	25,000	9,500	-	9,500	15,500
Revenue department implementation	1,425,800	764,675	<b>89,933</b>	854,608	571,192
EMS construction project	1,065,856	854,605	-	854,605	211,251
Library construction project	800,000	682,570	-	682,570	117,430
Toms St. Building	366,152	-	<b>203,920</b>	203,920	162,232
Emergency Services Training Facility	1,800,000	-	<b>15,338</b>	15,338	1,784,662
Detention Center Improvements	520,098	-	-	-	520,098
Comprehensive Applied Sciences Bldg	4,700,000	-	<b>417,531</b>	417,531	4,282,469
RCS Land Purchase	163,750	-	<b>163,851</b>	163,851	(101)
Debt issuance costs	75,000	-	<b>80,589</b>	80,589	(5,589)
Total expenditures	<u>15,477,442</u>	<u>6,564,163</u>	<u><b>971,162</b></u>	<u>7,535,325</u>	<u>7,942,117</u>
Revenues under expenditures	<u>(14,035,786)</u>	<u>(5,122,563)</u>	<u><b>(971,061)</b></u>	<u>(6,093,624)</u>	<u>7,942,162</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from general obligation bonds	4,575,000	4,575,000	-	4,575,000	-
Installment obligations issued	8,625,000	1,800,000	<b>6,825,000</b>	8,625,000	-
Transfers in:					
General Fund	1,825,000	25,000	<b>1,800,000</b>	1,825,000	-
Debt Service	40,431	40,431	-	40,431	-
Transfers out:					
Debt Service	-	(39,203)	-	(39,203)	(39,203)
Grant Fund	(29,645)	(29,645)	-	(29,645)	-
General Fund	<u>(1,000,000)</u>	<u>-</u>	<u><b>(1,000,000)</b></u>	<u>(1,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>14,035,786</u>	<u>6,371,583</u>	<u><b>7,625,000</b></u>	<u>13,996,583</u>	<u>(39,203)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,249,020</u>	<u><b>6,653,939</b></u>	<u>\$ 7,902,959</u>	<u>\$ 7,902,959</u>
Fund balance, beginning of year			<u><b>1,249,020</b></u>		
Fund balance, end of year			<u><b>\$ 7,902,959</b></u>		

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2017

	Capital Projects			Special Revenue Funds			Total Non-Major Governmental Funds	
	Queen's Gap Capital Project Fund	Grey Rock Capital Project Fund	ICC Capital Projects Fund	Grants Fund	Emergency Telephone System Fund	Fire Districts Fund		Register of Deeds Automation Enhancement Fd
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ 234,198	\$ -	\$ -	\$ -	\$ -	\$ 234,198
Cash and cash equivalents, restricted	4,208,576	431,346	-	150,522	544,583	692,890	385,005	6,412,922
Receivables, net	-	-	-	570,808	-	407,511	-	978,319
Due from other governments	-	-	-	71,994	70,685	22,257	16	164,952
Due from the General Fund	-	-	-	-	-	1,800,000	-	1,800,000
Prepaid items	-	-	-	-	50,526	-	-	50,526
Total assets	<u>\$ 4,208,576</u>	<u>\$ 431,346</u>	<u>\$ 234,198</u>	<u>\$ 793,324</u>	<u>\$ 665,794</u>	<u>\$ 2,922,658</u>	<u>\$ 385,021</u>	<u>\$ 9,640,917</u>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 333,186	\$ 1,844	\$ -	\$ 116,282	\$ 221,962	\$ 238,356	\$ 7,870	\$ 919,500
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Prepaid taxes	-	-	-	-	-	1,961	-	1,961
Property taxes receivable	-	-	-	-	-	407,511	-	407,511
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,472</u>	<u>-</u>	<u>409,472</u>
<b>FUND BALANCES</b>								
Non Spendable:								
Prepaid items	-	-	-	-	50,526	-	-	50,526
Long-term loans	-	-	-	570,808	-	-	-	570,808
Restricted:								
Stabilization by State statute	-	-	-	71,994	70,685	1,822,257	16	1,964,952
Capital projects	3,875,390	429,502	234,198	-	-	-	-	4,539,090
Public safety	-	-	-	34,240	322,621	452,573	-	809,434
Register of deeds	-	-	-	-	-	-	377,135	377,135
Total fund balance	<u>3,875,390</u>	<u>429,502</u>	<u>234,198</u>	<u>677,042</u>	<u>443,832</u>	<u>2,274,830</u>	<u>377,151</u>	<u>8,311,945</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,208,576</u>	<u>\$ 431,346</u>	<u>\$ 234,198</u>	<u>\$ 793,324</u>	<u>\$ 665,794</u>	<u>\$ 2,922,658</u>	<u>\$ 385,021</u>	<u>\$ 9,640,917</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
For the year ended June 30, 2017

	Capital Projects			Special Revenue Funds			Total Non-Major Governmental Funds	
	Queen's Gap Capital Project Fund	Grey Rock Capital Project Fund	ICC Capital Projects Fund	Grants Fund	Emergency Telephone System Fund	Fire Districts Fund		Register of Deeds Automation Enhancement Fund
<b>REVENUES</b>								
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,393,297	\$ -	\$ 2,393,297
Local option sales tax	-	-	200,000	-	-	656,426	-	856,426
Restricted intergovernmental	-	-	-	1,338,950	485,369	-	-	1,824,319
Miscellaneous	-	-	-	2,814	-	-	-	2,814
Investment earnings	8,739	-	1,891	4,443	-	-	-	15,073
Total revenues	8,739	-	201,891	1,346,207	485,369	3,049,723	-	5,091,929
<b>EXPENDITURES</b>								
General government	-	-	-	-	-	-	7,516	7,516
Public safety	-	-	-	126,810	619,131	2,893,264	-	3,639,205
Environmental protection	-	-	-	-	-	11,935	-	11,935
Economic and physical development	2,443,153	1,336,722	-	752,826	-	-	-	4,532,701
Human services	-	-	-	77,795	-	-	-	77,795
Total expenditures	2,443,153	1,336,722	-	957,431	619,131	2,905,199	7,516	8,269,152
Revenues over (under) expenditures	(2,434,414)	(1,336,722)	201,891	388,776	(133,762)	144,524	(7,516)	(3,177,223)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers:								
From other funds	-	-	-	-	9,057	-	57,278	66,335
To other funds	-	-	(321,560)	(7,183)	-	(5,213)	-	(333,956)
Total other financing sources (uses)	-	-	(321,560)	(7,183)	9,057	(5,213)	57,278	(267,621)
Net change in fund balance	(2,434,414)	(1,336,722)	(119,669)	381,593	(124,705)	139,311	49,762	(3,444,844)
Fund balance, beginning of year	6,309,804	1,766,224	353,867	295,449	568,537	2,135,519	327,389	11,756,789
Fund balance, end of year	\$ 3,875,390	\$ 429,502	\$ 234,198	\$ 677,042	\$ 443,832	\$ 2,274,830	\$ 377,151	\$ 8,311,945

**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, 2017

Project Authorization	<b>Actual through June 30, 2017</b>			Total To Date	Variance Positive (Negative)
	Prior Years	Current Year			
<b>Revenues:</b>					
Surety bond settlement	\$ 12,100,000	\$ 12,100,000	\$ -	\$ 12,100,000	\$ -
Investment earnings	-	26,176	<b>8,739</b>	34,915	34,915
Total revenues	<u>12,100,000</u>	<u>12,126,176</u>	<u><b>8,739</b></u>	<u>12,134,915</u>	<u>34,915</u>
<b>Expenditures:</b>					
Economic and physical development:					
Land development	12,100,000	5,816,372	<b>2,443,153</b>	8,259,525	3,840,475
Total expenditures	<u>12,100,000</u>	<u>5,816,372</u>	<u><b>2,443,153</b></u>	<u>8,259,525</u>	<u>3,840,475</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 6,309,804</u>	<u><b>(2,434,414)</b></u>	<u>\$ 3,875,390</u>	<u>\$ 3,875,390</u>
Fund balance, beginning of year			<u><b>6,309,804</b></u>		
Fund balance, end of year			<u><b>\$ 3,875,390</b></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, 2017

	Project Authorization	Actual through June 30, 2017			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues:					
Surety bond settlement	\$ 15,250,000	\$ 15,260,000	\$ -	\$ 15,260,000	\$ 10,000
Expenditures:					
Economic and physical development:					
Land development	15,250,000	13,493,776	<b>1,336,722</b>	14,830,498	419,502
Total expenditures	<u>15,250,000</u>	<u>13,493,776</u>	<u><b>1,336,722</b></u>	<u>14,830,498</u>	<u>419,502</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,766,224</u>	<u><b>(1,336,722)</b></u>	<u>\$ 429,502</u>	<u>\$ 429,502</u>
Fund balance, beginning of year			<u><b>1,766,224</b></u>		
Fund balance, end of year			<u><b>\$ 429,502</b></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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Local option sales tax	\$ 200,000	\$ <b>200,000</b>	\$ -
Investment earnings	-	<b>1,891</b>	1,891
Total revenues	200,000	<b>201,891</b>	1,891
Expenditures	-	-	-
Revenues over expenditures	200,000	<b>201,891</b>	1,891
Other financial sources (uses):			
Transfer to general fund	(292,251)	<b>(321,560)</b>	(29,309)
Fund balance appropriated	92,251	-	(92,251)
Total other financing sources (uses)	(200,000)	<b>(321,560)</b>	(121,560)
Net change in fund balance	\$ -	<b>(119,669)</b>	\$ (119,669)
Fund balance, beginning of year		<b>353,867</b>	
Fund balance, ending of year		<b>\$ 234,198</b>	

**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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 2,105,876	\$ 1,338,950	\$ (766,926)
Miscellaneous	11,564	47,039	35,475
Investment earnings	-	4,443	4,443
Total revenues	2,117,440	1,390,432	(727,008)
Expenditures:			
Public safety	174,055	126,810	47,245
Human services	120,317	77,795	42,522
Economic and physical development	2,042,262	1,367,859	674,403
Total expenditures	2,336,634	1,572,464	764,170
Revenues under expenditures	(219,194)	(182,032)	37,162
Other Financing Sources (Uses):			
Appropriated fund balance	201,844	-	(201,844)
Transfer (to) from General Fund	17,350	(7,183)	(24,533)
Total other financing sources (uses)	219,194	(7,183)	(226,377)
Revenues and other sources under expenditures and other uses	\$ -	(189,215)	\$ (189,215)
Reconciliation from budget and actual schedule (budgetary basis) to the fund schedule (modified accrual)			
Reconciling items:			
Disbursements of funds for long-term loans		615,033	
Net collections on long-term loans		(44,225)	
Total reconciling items		570,808	
Change in fund balance		\$ 381,593	

**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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 485,368	\$ <b>485,369</b>	\$ 1
Total revenues	485,368	<b>485,369</b>	1
Expenditures:			
Public safety	785,001	<b>619,131</b>	165,870
Total expenditures	785,001	<b>619,131</b>	165,870
Revenues over (under) expenditures	(299,633)	<b>(133,762)</b>	165,871
Other financial sources:			
Appropriated fund balance	299,633	-	(299,633)
Transfer from general fund	-	<b>9,057</b>	9,057
Total other financing sources	299,633	<b>9,057</b>	(290,576)
Net change in fund balance	\$ -	<b>(124,705)</b>	\$ (124,705)
Fund balance, beginning of year		<b>568,537</b>	
Fund balance, end of year		<b>\$ 443,832</b>	



**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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,238,361	\$ 2,303,039	\$ 64,678
Prior years	37,190	61,787	24,597
Penalties and interest	-	28,471	28,471
	<u>2,275,551</u>	<u>2,393,297</u>	<u>117,746</u>
Other taxes and licenses:			
Local option sales tax	557,529	656,426	98,897
Total revenues	<u>2,833,080</u>	<u>3,049,723</u>	<u>216,643</u>
Expenditures:			
Public safety:			
Cliffside	345,966	345,966	-
Chimney Rock	34,447	34,447	-
Sandy Mush	277,515	277,515	-
Bills Creek	207,230	207,230	-
Shingle Hollow	139,047	139,047	-
Shiloh, Danielstown, and Oakland	265,395	265,395	-
Cherry Mountain	242,355	242,355	-
Hudlow	315,010	315,010	-
Rutherfordton	278,212	278,212	-
Ellenboro	286,548	286,548	-
Bostic	101,511	101,511	-
Union Mills	101,568	101,568	-
Green Hill	198,129	198,129	-
Spindale	7,904	7,904	-
Hollis Community	20,745	20,745	-
Edneyville	12,863	12,863	-
Broad River	4,544	3,787	757
Forest City	6,784	7,541	(757)
Lake Lure	8,514	8,514	-
Fairfield	16,473	15,100	1,373
Contracted	438,100	23,877	414,223
Fire Advisory Training Ground	1,268,861	-	1,268,861
	<u>4,577,721</u>	<u>2,893,264</u>	<u>1,684,457</u>
Environmental protection:			
Cliffside Sanitary District	12,122	11,935	187
Total expenditures	<u>4,589,843</u>	<u>2,905,199</u>	<u>1,684,644</u>
Revenues over (under) expenditures	<u>(1,756,763)</u>	<u>144,524</u>	<u>1,901,287</u>
Other Financing Sources (Uses):			
Transfers:			
Debt service fund	(1,737)	(5,213)	(3,476)
Appropriated fund balance	1,758,500	-	(1,758,500)
	<u>1,756,763</u>	<u>(5,213)</u>	<u>(1,761,976)</u>
Net change in fund balance	<u>\$ -</u>	<u>139,311</u>	<u>\$ 139,311</u>
Fund balance, beginning of year		<u>2,135,519</u>	
Fund balance, end of year		<u>\$ 2,274,830</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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -
Expenditures:			
General Government:			
Administration	5,597	-	5,597
Automation equipment	39,423	7,516	31,907
Total expenditures	45,020	7,516	37,504
Revenues under expenditures	(45,020)	(7,516)	37,504
Other Financing Sources:			
Transfer from general fund	45,020	57,278	(12,258)
Net change in fund balance	\$ -	49,762	\$ 49,762
Fund balance, beginning of year		327,389	
Fund balance, end of year		\$ 377,151	

# **PROPRIETARY FUNDS**

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

For the year ended June 30, 2017

	Solid Waste Fund	Solid Waste Reserve Fund	Total
Operating Revenues:			
Charges for services	\$ 3,804,863	\$ -	\$ 3,804,863
Other operating revenues	453,146	-	453,146
Total operating revenues	4,258,009	-	4,258,009
Operating Expenses:			
Salaries	849,710	-	849,710
Employee benefits	270,279	-	270,279
Operating expenses	2,408,345	-	2,408,345
Landfill closure and postclosure care costs	-	78,620	78,620
Depreciation	288,543	-	288,543
Maintenance	21,767	-	21,767
Total operating expenses	3,838,644	78,620	3,917,264
Operating income (loss)	419,365	(78,620)	340,745
Nonoperating Revenues (Expenses):			
Interest income	3,135	-	3,135
Interest expense	(705)	-	(705)
Total nonoperating revenues (expenses)	2,430	-	2,430
Transfers in (out):			
General fund	-	125,000	125,000
Landfill postclosure expenditures	(61,225)	61,225	-
Total transfers	(61,225)	186,225	125,000
Change in net position	360,570	107,605	468,175
Net position (deficit), beginning of year	4,988,649	(1,210,491)	3,778,158
Net position (deficit), end of year	\$ 5,349,219	\$ (1,102,886)	\$ 4,246,333

**RUTHERFORD COUNTY, NORTH CAROLINA**

SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
For the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating Revenues:			
Charges for services	\$ 3,615,900	\$ 3,804,863	\$ 188,963
Other operating revenues	389,057	453,146	64,089
Total operating revenues	<u>4,004,957</u>	<u>4,258,009</u>	<u>253,052</u>
Nonoperating Revenues:			
Interest income	3,128	3,135	7
Total revenues	<u>4,008,085</u>	<u>4,261,144</u>	<u>253,059</u>
Expenditures:			
Salaries		847,883	
Employee benefits		270,279	
Operating expenses		2,408,345	
Landfill closure		61,225	
Interest and fees		705	
Debt principal		79,822	
Maintenance		21,767	
Capital outlay		209,051	
Contingency		-	
Total expenditures	<u>4,133,085</u>	<u>3,899,077</u>	<u>234,008</u>
Revenues over (under) expenditures	(125,000)	362,067	487,067
Other Financing Sources:			
Capital lease obligations issued	125,000	125,000	-
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>487,067</u>	<u>\$ 487,067</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Accrued vacation pay		(1,827)	
Payment of debt principal		79,822	
Capital outlay		209,051	
Lease purchase proceeds		(125,000)	
Depreciation		(288,543)	
Total reconciling items		<u>(126,497)</u>	
Change in net position		<u>\$ 360,570</u>	

**RUTHERFORD COUNTY, NORTH CAROLINA**

SOLID WASTE RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the year ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -
Expenditures	-	-	-
Revenues over expenditures before transfers	-	-	-
Transfer from General Fund	-	<b>125,000</b>	125,000
Revenues and transfers over expenditures	<b>\$ -</b>	<b>125,000</b>	<b>\$ 125,000</b>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Landfill closure and postclosure care cost accrual		(78,620)	
Payment for landfill closure by solid waste fund		61,225	
Total reconciling items		(17,395)	
Change in net position		<b>\$ 107,605</b>	

**RUTHERFORD COUNTY, NORTH CAROLINA**

INTERNAL SERVICE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 For the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues	<u>\$ 214,278</u>	<u>\$ 261,557</u>	<u>\$ 47,279</u>
Expenditures			
Salaries, wages, and fringe benefits	70,319	<b>70,179</b>	140
Loan repayment	<u>143,959</u>	<u>-</u>	<u>143,959</u>
Total expenses	<u>214,278</u>	<u><b>70,179</b></u>	<u>144,099</u>
Revenues over expenditures	<u>\$ -</u>	<u><b>\$ 191,378</b></u>	<u>\$ 191,378</u>

# **AGENCY FUNDS**



**RUTHERFORD COUNTY, NORTH CAROLINA**

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 For the year ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Social Services Fund</b>				
Assets:				
Cash and cash equivalents	\$ 79,620	\$ 370,899	\$ 346,237	\$ 104,282
Liabilities:				
Accounts payable	\$ 79,620	\$ 370,899	\$ 346,237	\$ 104,282
<b>Agricultural Department Advisory Council Fund</b>				
Assets:				
Cash and cash equivalents	\$ 25,083	\$ 49,305	\$ 48,850	\$ 25,538
Accounts receivable	492	599	510	581
	<u>\$ 25,575</u>	<u>\$ 49,904</u>	<u>\$ 49,360</u>	<u>\$ 26,119</u>
Liabilities:				
Accounts payable	\$ 25,575	\$ 49,904	\$ 49,360	\$ 26,119
<b>Other Taxing Units</b>				
Assets:				
Cash and cash equivalents	\$ 63,158	\$ 9,598,238	\$ 9,610,967	\$ 50,429
Accounts receivable	40,427	44,748	40,427	44,748
	<u>\$ 103,585</u>	<u>\$ 9,642,986</u>	<u>\$ 9,651,394</u>	<u>\$ 95,177</u>
Liabilities:				
Due to other taxing units	\$ 103,585	\$ 9,642,986	\$ 9,651,394	\$ 95,177
<b>Detention Center Commissary Fund</b>				
Assets:				
Cash and cash equivalents	\$ 51,501	\$ 290,265	\$ 258,316	\$ 83,450
Liabilities:				
Accounts payable	\$ 51,501	\$ 290,265	\$ 258,316	\$ 83,450
<b>Deed of Trust Fee Fund</b>				
Assets:				
Cash and cash equivalents	\$ 820	\$ 10,182	\$ 10,107	\$ 895
Liabilities:				
Accounts payable	\$ 820	\$ 10,182	\$ 10,107	\$ 895
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 220,182	\$ 10,318,889	\$ 10,274,477	\$ 264,594
Accounts receivable	40,919	45,347	40,937	45,329
	<u>\$ 261,101</u>	<u>\$ 10,364,236</u>	<u>\$ 10,315,414</u>	<u>\$ 309,923</u>
Liabilities:				
Accounts payable	\$ 157,516	\$ 721,250	\$ 664,020	\$ 214,746
Due to other taxing units	103,585	9,642,986	9,651,394	95,177
	<u>\$ 261,101</u>	<u>\$ 10,364,236</u>	<u>\$ 10,315,414</u>	<u>\$ 309,923</u>

**DISCRETELY PRESENTED  
COMPONENT UNITS**

**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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 713,964	\$ <b>798,878</b>	\$ 84,914
Restricted intergovernmental	695,669	<b>728,813</b>	33,144
Total revenue	1,409,633	<b>1,527,691</b>	118,058
Expenditures:			
Human services			
Salaries		477,174	
Employee benefits		155,090	
Operating expenses		185,892	
Maintenance		163,568	
Capital outlay		362,078	
Total expenditures	1,428,746	<b>1,343,802</b>	84,944
Revenues over (under) expenditures	(19,113)	<b>183,889</b>	203,002
Other Financing Sources:			
Fund balance appropriated	19,113	-	(19,113)
Revenues and other sources over expenditures	\$ -	<b>183,889</b>	\$ 183,889
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Capital outlay - items capitalized		362,078	
Depreciation		(134,605)	
Total reconciling items		227,473	
Change in net position		<b>\$ 411,362</b>	

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMPONENT UNIT  
**RUTHERFORD COUNTY TRANSIT ADMINISTRATION**  
**STATEMENT OF CASH FLOWS**  
 For the year ended June 30, 2017

	2017
Cash flows from operating activities:	
Cash received from operating revenues	\$ 798,878
Cash paid to employees for services	(629,647)
Cash paid for goods and services	(334,506)
Net cash used by operating activities	(165,275)
Cash flows from noncapital financing activities	
Cash received from operating grants	390,785
Net cash provided by noncapital financing activities	390,785
Cash flows from capital and related financing activities	
Cash received from capital grants	287,710
Acquisition of capital assets	(362,079)
Net cash used by capital and related financing activities	(74,369)
Net increase in cash and cash equivalents	151,141
Cash and cash equivalents at beginning of year	411,200
Cash and cash equivalents at end of year	\$ 562,341
Reconciliation of net income to net cash used by operating activities:	
Operating loss	(317,451)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	134,605
Changes in operating assets and liabilities:	
Increase (decrease) in accounts payable and accrued liabilities	17,571
Total adjustments	152,176
Net cash used by operating activities	\$ (165,275)

**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, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 794,085	\$ <b>337,519</b>	\$ (456,566)
Operating grant from Rutherford County	183,306	<b>162,005</b>	(21,301)
Charges for services	318,000	<b>333,790</b>	15,790
Miscellaneous	20,610	-	(20,610)
Total revenues	1,316,001	<b>833,314</b>	(482,687)
Expenditures:			
Economic and physical development			
Salaries and benefits	110,004	<b>111,784</b>	(1,780)
Other operating expenses	1,263,073	<b>698,252</b>	564,821
Total expenditures	1,373,077	<b>810,036</b>	563,041
Revenues over (under) expenditures	(57,076)	<b>23,278</b>	80,354
Other Financing Sources			
Fund balance appropriated	57,076	-	(57,076)
Revenues and other sources over expenditures	\$ -	<b>23,278</b>	\$ 23,278
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		<b>230,742</b>	
Depreciation		<b>(142,232)</b>	
Change in net position		<b>\$ 111,788</b>	

**RUTHERFORD COUNTY, NORTH CAROLINA**

COMPONENT UNIT  
**RUTHERFORD COUNTY AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
 For the year ended June 30, 2017

	2017
Cash flows from operating activities:	
Cash received from operating revenues	\$ 333,790
Cash paid to employees for services	(111,170)
Cash paid for goods and services	(489,092)
Net cash used by operating activities	(266,472)
Cash flows from noncapital financing activities	
Cash received from operating grants	162,005
Decrease in amount due to primary government	(4,783)
Net cash provided by noncapital financing activities	157,222
Cash flows from capital and related financing activities	
Cash received from capital grants	339,992
Acquisition and construction of capital assets	(230,742)
Net cash provided by capital and related financing activities	109,250
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ -
Reconciliation of net income to net cash used by operating activities:	
Operating loss	\$ (387,736)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	142,232
Changes in operating assets and liabilities:	
(Increase) decrease in inventory	1,870
Increase (decrease) in fuel deposits	(17,449)
Increase (decrease) in accounts payable and accrued liabilities	(5,389)
Total adjustments	121,264
Net cash used by operating activities	\$ (266,472)

## **OTHER SCHEDULES**

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

**RUTHERFORD COUNTY, NORTH CAROLINA**

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
GENERAL FUND  
June 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 39,291,067	\$ 38,213,764	\$ 1,077,303
2015-2016	1,154,328	-	426,912	727,416
2014-2015	747,648	-	193,538	554,110
2013-2014	673,036	-	106,411	566,625
2012-2013	479,754	-	55,657	424,097
2011-2012	912,202	-	34,736	877,466
2010-2011	758,743	-	23,505	735,238
2009-2010	618,004	-	12,860	605,144
2008-2009	525,307	-	7,039	518,268
2007-2008	125,854	-	3,794	122,060
2006-2007	95,081	-	95,081	-
	<u>\$ 6,089,957</u>	<u>\$ 39,291,067</u>	<u>\$ 39,173,297</u>	6,207,727
Less allowance for uncollectible ad valorem taxes receivable				<u>(3,300,000)</u>
Ad valorem taxes receivable - net				<u>\$ 2,907,727</u>
Reconcilement with revenues:				
Ad valorem taxes - General fund				<u>\$ 39,129,528</u>
Reconciling items:				
Interest collected				(261,758)
Discounts/adjustments				210,446
Taxes written off				95,081
Total reconciling items				<u>43,769</u>
Total collections and credits				<u>\$ 39,173,297</u>



**RUTHERFORD COUNTY, NORTH CAROLINA**

ANALYSIS OF CURRENT TAX LEVY  
GENERAL FUND  
For the year ended June 30, 2017

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 6,465,767,931	0.607	\$ 39,247,211	\$ 36,359,798	\$ 2,887,413
Penalties	-		77,475	77,475	-
Total	<u>6,465,767,931</u>		<u>39,324,686</u>	<u>36,437,273</u>	<u>2,887,413</u>
Discoveries:					
Current year taxes	2,906,423	0.607	17,642	17,642	-
Advertising costs			12,256	12,256	-
Abatements	<u>(10,464,107)</u>	0.607	<u>(63,517)</u>	<u>(63,517)</u>	-
Total property valuation	<u>\$ 6,458,210,247</u>				
Net levy			39,291,067	36,403,654	2,887,413
Uncollected taxes at June 30, 2017			<u>1,077,303</u>	<u>1,077,303</u>	<u>-</u>
Current year's taxes collected			<u>\$ 38,213,764</u>	<u>\$ 35,326,351</u>	<u>\$ 2,887,413</u>
Current levy collection percentage			<u>97.26%</u>	<u>97.04%</u>	<u>100.00%</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

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

June 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 2,409,386	\$ 2,315,986	\$ 93,400
2015-2016	96,151	-	34,204	61,947
2014-2015	62,233	-	15,249	46,984
2013-2014	51,402	-	8,341	43,061
2012-2013	32,518	-	3,885	28,633
2011-2012	43,792	-	2,416	41,376
2010-2011	34,329	-	1,604	32,725
2009-2010	27,633	-	783	26,850
2008-2009	23,184	-	405	22,779
2007-2008	9,962	-	206	9,756
2006-2007	5,677	-	5,677	-
	<u>\$ 386,881</u>	<u>\$ 2,409,386</u>	<u>\$ 2,388,756</u>	
Ad valorem taxes receivable at June 30, 2017				<u>\$ 407,511</u>
Reconcilement with revenues:				
Ad valorem taxes - special districts				<u>\$ 2,393,297</u>
Reconciling items:				
Interest collected				(6,967)
Discounts/adjustments				(3,251)
Taxes written off				5,677
Total reconciling items				<u>(4,541)</u>
Total collections and credits				<u>\$ 2,388,756</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2017

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicle	Registered Motor Vehicles
Original Levy:					
Chimney Rock Fire					
Property taxed at current year's rate	\$ 57,966,240	0.05	\$ 28,983	\$ 28,454	\$ 529
Sandy Mush Fire					
Property taxed at current year's rate	315,012,700	0.08	252,010	222,912	29,098
Cliffside Sanitary					
Property taxed at current year's rate	6,835,288	0.08	5,468	4,683	785
Bills Creek Fire					
Property taxed at current year's rate	304,563,567	0.06	182,738	175,535	7,203
Shingle Hollow Fire					
Property taxed at current year's rate	117,263,930	0.10	117,264	105,786	11,477
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current year's rate	449,246,120	0.05	224,623	200,866	23,757
Cherry Mountain Fire					
Property taxed at current year's rate	195,277,030	0.10	195,277	180,483	14,794
Hudlow Fire					
Property taxed at current year's rate	316,238,475	0.08	252,991	228,757	24,234
Rutherfordton Fire					
Property taxed at current year's rate	249,284,422	0.09	224,356	203,765	20,591
Cliffside Fire					
Property taxed at current year's rate	311,300,838	0.08	249,041	228,518	20,522
Ellenboro Fire					
Property taxed at current year's rate	325,150,971	0.07	227,606	196,961	30,645
Bostic Fire					
Property taxed at current year's rate	139,575,850	0.06	83,746	74,877	8,869
Union Mills Fire					
Property taxed at current year's rate	153,808,800	0.05	76,904	70,058	6,847
Green Hill Fire					
Property taxed at current year's rate	220,951,886	0.07	154,666	140,406	14,260
Hollis/Polkville Fire					
Property taxed at current year's rate	38,425,020	0.05	19,213	16,980	2,233

**RUTHERFORD COUNTY, NORTH CAROLINA**

ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2017

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicle	Registered Motor Vehicles
(Continued on next page)					
Contracted Fire					
Property taxed at current year's rate	183,340,200	0.03	55,002	40,298	14,704
Lake Lure Rural					
Property taxed at current year's rate	10,680,578	0.09	9,613	9,354	259
Fairfield Fire					
Property taxed at current year's rate	14,964,290	0.10	14,964	14,900	64
Broad River Fire					
Property taxed at current year's rate	3,349,392	0.12	4,019	3,803	216
Edneyville Fire					
Property taxed at current year's rate	8,503,550	0.10	8,504	8,504	-
Forest City Rural					
Property taxed at current year's rate	9,092,700	0.08	7,274	6,208	1,067
Spindale Rural					
Property taxed at current year's rate	9,830,688	0.08	7,865	6,503	1,361
Queens Gap Water					
Property taxed at current year's rate	1,653,486	0.313	5,175	5,175	-
Total			2,407,302	2,173,786	233,516
Penalties			9,783	9,783	-
Discoveries			2,036	2,036	-
Gross tax levy			2,419,121	2,185,605	233,516
Releases			(9,735)	(9,735)	-
Net levy			2,409,386	2,175,870	233,516
Less: uncollected taxes at June 30, 2017			93,400	93,400	-
Current year taxes collected			<u>\$ 2,315,986</u>	<u>\$ 2,082,470</u>	<u>\$ 233,516</u>
Percent current year collected			<u>96.12%</u>	<u>95.71%</u>	<u>100.00%</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.

<b>Contents</b>	<b>Tables</b>
<b>Financial Trends</b>	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.	
<b>Revenue Capacity</b>	5 – 8
These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.	
<b>Debt Capacity</b>	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.	
<b>Demographic and Economic Information</b>	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.	
<b>Operating Information</b>	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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009*	2008
Governmental activities:										
Net investment in capital assets	\$ 32,295,655	\$ 18,093,988	\$ 15,099,163	\$ 17,518,297	\$ 13,509,432	\$ 12,959,012	\$ 11,261,093	\$ 9,844,642	\$ 9,335,747	\$ 14,236,085
Restricted	19,330,487	21,895,919	25,159,105	24,007,228	37,395,989	23,573,639	7,664,487	2,918,608	3,300,045	9,527,682
Unrestricted (deficit)	3,343,607	6,149,661	4,367,236	3,297,882	(5,063,063)	(3,111,930)	90,305	2,922,565	(1,445,625)	(15,304,122)
	<u>\$ 54,969,749</u>	<u>\$ 46,139,568</u>	<u>\$ 44,625,504</u>	<u>\$ 44,823,407</u>	<u>\$ 45,842,358</u>	<u>\$ 33,420,721</u>	<u>\$ 19,015,885</u>	<u>\$ 15,685,815</u>	<u>\$ 11,190,167</u>	<u>\$ 8,459,645</u>
Business-type activities:										
Net investment in capital assets	\$ 2,291,339	\$ 2,416,009	\$ 2,464,016	\$ 2,608,706	\$ 2,787,465	\$ 1,990,173	\$ 1,933,713	\$ 1,921,077	\$ 1,908,137	\$ 1,960,924
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	1,954,994	1,362,149	740,140	192,905	(101,696)	86,174	(332,106)	(340,250)	(196,286)	387,488
	<u>\$ 4,246,333</u>	<u>\$ 3,778,158</u>	<u>\$ 3,204,156</u>	<u>\$ 2,801,611</u>	<u>\$ 2,685,769</u>	<u>\$ 2,076,347</u>	<u>\$ 1,601,607</u>	<u>\$ 1,580,827</u>	<u>\$ 1,711,851</u>	<u>\$ 2,348,412</u>
Primary government:										
Net investment in capital assets	\$ 34,586,994	\$ 20,509,997	\$ 17,563,179	\$ 20,127,003	\$ 16,296,897	\$ 14,949,185	\$ 13,194,806	\$ 11,765,719	\$ 11,243,884	\$ 16,197,009
Restricted	19,330,487	21,895,919	25,159,105	24,007,228	37,395,989	23,573,639	7,664,487	2,918,608	3,300,045	9,527,682
Unrestricted (deficit)	5,298,601	7,511,810	5,107,376	3,490,787	(5,164,759)	(3,025,756)	(241,801)	2,582,315	(1,641,911)	(14,916,634)
	<u>\$ 59,216,082</u>	<u>\$ 49,917,726</u>	<u>\$ 47,829,660</u>	<u>\$ 47,625,018</u>	<u>\$ 48,528,127</u>	<u>\$ 35,497,068</u>	<u>\$ 20,617,492</u>	<u>\$ 17,266,642</u>	<u>\$ 12,902,018</u>	<u>\$ 10,808,057</u>

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

Table 2

Expenses	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009*	2008
<b>Governmental activities:</b>										
General government	\$ 7,101,860	\$ 7,123,583	\$ 6,571,693	\$ 7,100,490	\$ 6,247,570	\$ 6,352,522	\$ 6,604,844	\$ 6,501,588	\$ 7,047,611	\$ 6,765,566
Public safety	18,222,247	16,918,343	17,041,922	16,891,797	16,148,372	15,291,357	15,180,889	14,639,570	14,076,757	14,150,480
Environmental protection	154,628	142,376	133,992	132,581	126,715	134,268	175,476	187,376	169,467	123,385
Econ & phys development	10,274,454	10,774,441	11,010,474	11,783,097	11,752,358	3,876,675	3,552,588	1,861,686	4,518,449	4,237,268
Human services	15,302,178	14,971,333	15,025,723	13,784,275	13,360,955	13,637,149	13,649,550	13,605,280	15,091,631	17,038,627
Cultural & recreational	624,210	131,504	581,125	657,004	664,187	678,603	677,277	995,584	898,237	848,479
Education	18,001,176	18,212,776	16,693,749	16,583,654	15,608,596	15,188,033	15,270,039	16,129,157	16,164,309	15,161,837
Interest on long-term debt	986,126	1,133,416	1,152,070	1,304,665	1,751,472	3,233,656	3,035,244	2,938,919	2,923,219	2,712,352
<i>Total governmental activities expenses</i>	<u>70,666,879</u>	<u>69,407,772</u>	<u>68,210,748</u>	<u>68,237,563</u>	<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>
<b>Business-type activities:</b>										
Solid Waste Disposal	3,917,969	3,786,627	3,764,871	4,109,451	4,101,824	3,866,075	3,589,701	3,474,066	4,001,900	3,539,647
<i>Total business-type activities expenses</i>	<u>3,917,969</u>	<u>3,786,627</u>	<u>3,764,871</u>	<u>4,109,451</u>	<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>
<i>Total primary government expenses</i>	<u>\$ 74,584,848</u>	<u>\$ 73,194,399</u>	<u>\$ 71,975,619</u>	<u>\$ 72,347,014</u>	<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>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 436,638	\$ 407,846	\$ 398,710	\$ 1,036,112	\$ 504,604	\$ 498,617	\$ 444,814	\$ 499,229	\$ 516,270	\$ 613,421
Public safety	4,377,039	3,675,180	3,535,600	3,882,349	4,271,558	3,239,027	3,681,614	3,726,640	3,631,922	3,940,854
Environmental protection	2,105	1,219	734	-	-	-	-	-	-	-
Econ & phys development	2,975	11,500	18,246	7,500	10,750	35,100	78,300	7,000	59,250	100,750
Human services	502,923	551,751	500,381	251,840	70,087	74,949	74,718	80,887	85,140	88,608
Op. grants and contributions	11,551,304	12,056,219	13,710,084	11,114,428	9,885,852	11,526,913	10,372,807	10,657,325	10,775,927	10,287,537
Cap.grants and contributions	8,199,819	1,266,916	701,839	862,206	6,393,151	1,412,444	2,439,302	2,632,656	1,895,968	3,262,444
<i>Total governmental activities program revenues</i>	<u>25,072,803</u>	<u>17,970,631</u>	<u>18,865,594</u>	<u>17,154,435</u>	<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>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Solid Waste Disposal	3,804,863	3,786,670	3,550,521	3,458,856	3,899,557	4,082,686	3,345,821	3,018,858	3,047,944	3,139,076
Op. grants and contributions	453,146	445,914	487,017	635,990	198,234	168,224	128,935	172,970	150,950	136,512
Cap. grants and contributions	-	-	-	-	478,885	-	-	-	-	-
<i>Total business-type program revenues</i>	<u>4,258,009</u>	<u>4,232,584</u>	<u>4,037,538</u>	<u>4,094,846</u>	<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>
<i>Total primary government program revenues</i>	<u>\$ 29,330,812</u>	<u>\$ 22,203,215</u>	<u>\$ 22,903,132</u>	<u>\$ 21,249,281</u>	<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>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (45,594,076)	\$ (51,437,141)	\$ (49,345,154)	\$ (51,083,128)	\$ (44,524,223)	\$ (41,605,213)	\$ (41,054,352)	\$ (39,255,423)	\$ (43,925,203)	\$ (42,744,380)
Business-type activities	340,040	445,957	272,667	(14,605)	474,852	384,835	(114,945)	(282,238)	(803,006)	(264,059)
<i>Total primary government net</i>	<u>\$ (45,254,036)</u>	<u>\$ (50,991,184)</u>	<u>\$ (49,072,487)</u>	<u>\$ (51,097,733)</u>	<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>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
<b>Taxes</b>										
Property taxes	\$ 41,622,198	\$ 41,137,349	\$ 40,668,238	\$ 39,589,058	\$ 35,066,855	\$ 31,372,766	\$ 33,342,043	\$ 33,187,061	\$ 32,982,004	\$ 32,293,717
Local Option Sales Tax	13,331,022	11,122,892	10,134,926	9,925,498	9,697,197	10,471,306	9,251,948	9,371,129	11,275,726	13,495,288
Other Taxes and Licenses	322,530	293,483	244,799	263,118	221,355	213,350	755,034	735,385	778,778	935,485
Investment earnings	66,120	39,246	16,803	15,268	40,674	367,635	240,847	255,178	530,073	1,078,129
Dissolution of Fiduciary Fd	-	-	-	-	-	-	-	-	1,003,200	-
Donated real estate	-	-	-	-	-	-	-	-	-	1,006,204
Gain (loss) on disposal of capital assets	-	-	-	-	-	(771,226)	409,858	58,532	-	-
Surety bond settlement	-	-	-	-	12,100,000	15,250,000	-	-	-	-
Miscellaneous, unrestricted	402,997	483,235	192,450	395,520	544,205	532,106	509,693	268,784	210,944	160,056
Transfers	(125,000)	(125,000)	(125,000)	(124,285)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
<i>Total governmental activities</i>	<u>55,619,867</u>	<u>52,951,205</u>	<u>51,132,216</u>	<u>50,064,177</u>	<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>
<b>Business-type activities:</b>										
Investment earnings	3,135	3,045	4,878	6,162	9,570	8,755	10,725	26,215	41,445	82,158
Transfers	125,000	125,000	125,000	124,285	125,000	125,000	125,000	125,000	125,000	125,000
<i>Total business-type activities</i>	<u>128,135</u>	<u>128,045</u>	<u>129,878</u>	<u>130,447</u>	<u>134,570</u>	<u>133,755</u>	<u>135,725</u>	<u>151,215</u>	<u>166,445</u>	<u>207,158</u>
<i>Total primary government</i>	<u>\$ 55,748,002</u>	<u>\$ 53,079,250</u>	<u>\$ 51,262,094</u>	<u>\$ 50,194,624</u>	<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>
<b>Change in Net Position</b>										
Governmental activities	\$ 10,025,791	\$ 1,514,064	\$ 1,787,062	\$ (1,018,951)	\$ 13,021,063	\$ 15,705,724	\$ 3,330,071	\$ 4,495,646	\$ 2,730,522	\$ 6,099,499
Business-type activities	468,175	574,002	402,545	115,842	609,422	518,590	20,780	(131,023)	(636,561)	(56,901)
<i>Total primary government</i>	<u>\$ 10,493,966</u>	<u>\$ 2,088,066</u>	<u>\$ 2,189,607</u>	<u>\$ (903,109)</u>	<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>



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

Table 3

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund										
Reserved								\$ 3,761,124	\$ 3,680,844	\$ 4,074,203
Unreserved								11,916,835	13,196,079	12,751,211
Total General Fund								<u>\$ 15,677,959</u>	<u>\$ 16,876,923</u>	<u>\$ 16,825,414</u>
All other governmental funds										
Reserved								\$ 391,364	\$ 686,472	\$ 556,972
Unreserved, reported in:										
Debt service fund								-	-	-
Special revenue funds								6,640,609	5,811,482	8,080,868
Capital projects funds								2,358,646	3,670,511	9,117,150
Total all other governmental funds								<u>\$ 9,390,619</u>	<u>\$ 10,168,465</u>	<u>\$ 17,754,990</u>
General Fund										
Nonspendable	\$ 846,578	\$ 714,826	\$ 499,280	\$ 847,608	\$ 626,072	\$ 103,232	\$ 278,797			
Restricted	7,481,346	5,331,125	5,017,086	4,234,132	6,931,059	3,339,563	2,837,483			
Assigned	3,720,193	1,632,802	2,341,293	1,940,740	814,721	1,043,000	1,657,769			
Unassigned	12,663,518	13,784,520	12,058,936	12,931,162	9,947,932	12,526,592	12,797,792			
Total General Fund	<u>\$ 24,711,635</u>	<u>\$ 21,463,273</u>	<u>\$ 19,916,595</u>	<u>\$ 19,953,642</u>	<u>\$ 18,319,784</u>	<u>\$ 17,012,387</u>	<u>\$ 17,571,841</u>			
All other governmental funds										
Nonspendable	\$ 621,334	\$ -	\$ -	\$ 9,093	\$ -	\$ 18,149	\$ 19,844			
Restricted	20,025,638	16,564,794	20,743,981	19,773,096	26,155,252	20,234,076	4,173,042			
Assigned	-	-	-	1,597,988	1,432,737	-	559,791			
Unassigned	-	-	-	-	-	-	1,543,823			
Total all other governmental funds	<u>\$ 20,646,972</u>	<u>\$ 16,564,794</u>	<u>\$ 20,743,981</u>	<u>\$ 21,380,177</u>	<u>\$ 27,587,989</u>	<u>\$ 20,252,225</u>	<u>\$ 6,296,500</u>			

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Ad valorem taxes	\$ 41,522,825	\$ 41,009,138	\$ 40,125,882	\$ 39,856,685	\$ 35,157,298	\$ 32,963,905	\$ 32,401,810	\$ 32,411,413	\$ 32,118,994	\$ 32,258,449
Local option sales taxes	13,331,022	11,122,892	10,134,926	9,925,498	9,697,197	10,471,306	9,251,948	9,371,128	11,275,726	13,369,301
Other taxes and licenses	-	-	-	-	-	-	550,114	526,461	526,459	707,252
Restricted intergovernmental	13,023,541	13,336,984	14,416,168	12,083,972	16,762,561	13,478,963	13,218,233	13,960,162	13,326,718	13,698,050
Permits and fees	1,022,166	1,020,999	786,701	823,972	903,651	772,861	733,459	799,562	861,720	1,177,290
Sales and services	4,738,390	4,446,218	4,018,899	3,959,190	3,598,872	3,199,137	3,047,002	3,080,873	3,119,947	3,801,501
Investment earnings	66,120	39,246	16,803	15,268	40,674	85,288	74,005	134,324	471,754	1,084,487
Miscellaneous	506,835	411,316	265,355	347,267	12,458,793	15,657,035	626,673	287,325	527,821	729,808
<i>Total revenues</i>	<i>74,210,899</i>	<i>71,386,793</i>	<i>69,764,734</i>	<i>67,011,852</i>	<i>78,619,046</i>	<i>76,628,495</i>	<i>59,903,244</i>	<i>60,571,248</i>	<i>62,229,139</i>	<i>66,826,138</i>
<b>Expenditures</b>										
Current:										
General government	6,571,578	6,761,457	6,321,036	6,402,576	6,238,861	6,422,596	6,074,636	5,805,454	6,615,187	11,334,882
Public safety	17,093,898	16,176,256	16,597,186	16,352,487	15,947,477	15,347,491	14,528,593	14,526,559	14,868,059	14,220,359
Environmental protection	155,627	142,280	133,367	134,975	123,785	131,200	172,641	184,030	164,582	127,250
Economic and physical development	10,452,144	10,275,103	11,064,920	11,760,028	11,734,567	3,797,851	4,102,277	2,384,886	4,081,840	4,856,946
Human services	14,889,517	14,884,684	15,134,073	13,773,350	13,183,622	13,353,462	13,614,958	13,442,160	14,844,012	16,521,713
Cultural and recreational	560,934	606,405	572,728	619,811	1,213,149	643,028	701,926	943,010	737,637	757,187
Intergovernmental:										
Education	17,099,713	17,311,313	15,792,286	14,457,301	14,162,820	14,162,820	13,883,820	14,059,565	14,480,287	13,967,220
Capital outlay	1,306,967	1,755,425	1,392,788	1,224,890	544,313	123,750	384,755	2,488,388	10,782,995	5,249,596
Debt service										
Principal	5,257,782	5,312,057	5,194,918	5,294,654	5,247,034	12,966,838	8,403,370	7,660,832	6,811,458	6,294,364
Interest	1,195,604	1,382,066	1,513,422	1,744,736	2,324,697	3,929,516	2,997,327	2,986,706	3,060,136	2,754,717
<i>Total expenditures</i>	<i>74,583,764</i>	<i>74,607,046</i>	<i>73,716,724</i>	<i>71,764,808</i>	<i>70,720,325</i>	<i>70,878,552</i>	<i>64,864,303</i>	<i>64,481,590</i>	<i>76,446,193</i>	<i>76,084,234</i>
Excess of revenues over (under) expenditures	(372,865)	(3,220,253)	(3,951,990)	(4,752,956)	7,898,721	5,749,943	(4,961,059)	(3,910,342)	(14,217,054)	(9,258,096)
<b>Other financing sources (uses)</b>										
Transfers from other funds	3,292,158	228,493	437,415	482,049	508,599	1,570,552	6,093,683	16,900,905	20,371,579	18,941,579
Transfers to other funds	(3,417,158)	(353,493)	(562,415)	(1,156,154)	(633,599)	(1,695,552)	(6,218,683)	(17,025,905)	(19,493,379)	(19,066,579)
Capital lease financing	966,719	640,825	872,803	598,500	-	-	-	-	-	-
Installment obligations issued	6,825,000	-	1,800,000	-	1,066,500	-	729,579	2,000,000	5,803,838	18,454,270
General obligation debt issued	-	-	-	-	-	-	-	-	-	1,555,000
Economic loan, net	-	-	100,000	100,000	(400,000)	-	-	-	-	-
Refunding bonds issued	-	-	-	11,473,000	8,425,000	24,831,960	-	-	-	-
Pmt to refunded bond escrow agent	-	-	-	(11,366,646)	(8,266,667)	(15,835,431)	-	-	-	-
Sale of capital assets	36,686	71,919	179,754	48,253	44,606	75,687	3,156,244	58,532	-	-
<i>Total other financing sources (uses)</i>	<i>7,703,405</i>	<i>587,744</i>	<i>2,827,557</i>	<i>179,002</i>	<i>744,439</i>	<i>8,947,216</i>	<i>3,760,823</i>	<i>1,933,532</i>	<i>6,682,038</i>	<i>19,884,270</i>
Net change in fund balances	\$ 7,330,540	\$ (2,632,509)	\$ (1,124,433)	\$ (4,573,954)	\$ 8,643,160	\$ 14,697,159	\$ (1,200,236)	\$ (1,976,810)	\$ (7,535,016)	\$ 10,626,174
Debt services as a percentage of noncapital expenditures	8.81%	9.19%	9.28%	9.98%	10.79%	23.88%	17.68%	17.18%	15.03%	12.77%

**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				
	Residential Property	Commercial Property	Motor Vehicles	Other					
2017	\$ 4,023,982	\$ 643,142	\$ 461,383	\$ 724,934	\$ 604,769	\$ 6,458,210	0.607	\$ 6,458,210	101.89
2016	3,561,551	476,050	449,007	1,321,286	549,277	6,357,171	0.607	6,357,171	100.00
2015	3,960,312	413,653	449,050	851,294	520,306	6,194,615	0.607	6,028,822	102.75
2014	3,936,928	442,983	361,428	704,260	511,380	5,956,979	0.607	5,956,979	100.00
2013	3,887,475	435,677	372,335	343,048	481,553	5,520,088	0.607	5,496,453	100.43
2012	4,412,408	495,788	358,511	298,867	417,796	5,983,370	0.530	5,954,787	100.48
2011	4,389,350	532,070	345,280	335,889	316,644	5,919,233	0.530	6,344,981	93.29
2010	3,989,458	877,699	373,025	359,316	299,422	5,898,920	0.530	6,463,153	91.27
2009	3,936,145	865,282	429,456	371,894	292,286	5,895,063	0.530	6,322,461	93.24
2008	3,866,901	819,357	429,870	371,205	276,120	5,763,453	0.530	6,154,905	93.64

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

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

**Table 6**

	Year Taxes Are Payable									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
County Direct Rate	\$ 0.607	\$ 0.607	\$ 0.607	\$ 0.607	\$ 0.607	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.530
Town Rates										
Bostic	0.260	0.260	0.260	0.260	0.260	0.250	0.250	0.250	0.250	0.250
Chimney Rock	0.110	0.085	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075
Ellenboro	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.220
Forest City	0.290	0.290	0.290	0.290	0.290	0.290	0.290	0.290	0.300	0.290
Lake Lure	0.194	0.189	0.191	0.191	0.194	0.210	0.210	0.210	0.210	0.210
Ruth	0.280	0.280	0.280	0.280	0.280	0.260	0.260	0.260	0.260	0.260
Rutherfordton	0.567	0.567	0.567	0.567	0.537	0.520	0.520	0.520	0.520	0.520
Spindale	0.633	0.633	0.633	0.633	0.633	0.600	0.600	0.560	0.560	0.510
Special Districts										
Bill's Creek Fire	0.060	0.060	0.060	0.060	0.080	0.080	0.080	0.080	0.080	0.080
Bostic Fire	0.060	0.060	0.060	0.050	0.050	0.050	0.060	0.060	0.060	0.050
Broad River Fire	0.140	0.100	0.100	0.100						
Cherry Mountain Fire	0.100	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
Chimney Rock Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.040
Cliffside Fire	0.080	0.080	0.080	0.080	0.080	0.070	0.070	0.070	0.070	0.070
Cliffside Sanitary	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.030	0.060	0.060	0.040	0.030	0.020	0.020	0.020	0.020	0.020
Edneyville Fire	0.100	0.100	0.090	0.090						
Ellenboro Fire	0.075	0.070	0.070	0.070	0.070	0.060	0.060	0.060	0.060	0.060
Fairfield Fire	0.100	0.100	0.100	0.080						
Forest City Rural	0.080	0.080	0.080	0.080						
Green Hill Fire	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Hollis/Polkville Fire	0.050	0.050	0.050	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Hudlow Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Lake Lure Rural Fire	0.090	0.090	0.090	0.080						
Rutherfordton Fire	0.090	0.090	0.090	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Sandy Mush Fire	0.070	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.040
Shiloh Danieltown Oakland Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Shingle Hollow Fire	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Spindale Rural Fire	0.080	0.080	0.080	0.080						
Union Mills Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050

Note: Property was revalued as of January 1, 2012 which affected the 2013 tax levy, as of January 1, 2007 which affected the 2008 tax levy.

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

**Table 7**

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Fiscal Year 2017</u>			<u>Fiscal Year 2008</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>
Duke Energy	Public Utility	\$ 603,349	1	9.34%	\$ 186,123	1	3.23%
Andale Inc. FKA	Software	599,586	2	9.28%			
Horsehead Metal Products	Manufacturing	522,549	3	8.09%			
Rutherford Electric Membership Corp	Public Utility	60,975	4	0.94%	23,144	7	0.40%
CSX Transportation	Public Utility	58,357	5	0.90%	20,181	8	0.35%
Bellsouth	Public Utility	36,444	6	0.56%	29,361	5	0.51%
Trelleborg	Manufacturing	28,011	7	0.43%			
DLP Rutherford Regional Health System LLC	Hospital	19,572	8	0.30%			
BMW Manufacturing Co LLC	Manufacturing	14,454	9	0.22%			
Walmart	Retail	12,849	10	0.20%			
RCM Management Services, LLP	Aviation				24,000	6	0.42%
Timken US Corp (Torrington)	Manufacturing				18,841	10	0.33%
LLR Buffalo Creek LLC	Land Development				90,757	2	1.57%
Fairfield Communities	Resort Property				32,606	4	0.57%
Queens Gap Mountain LLC	Land Development				78,542	3	1.36%
Fox Run POA	TimeShares				19,348	9	0.34%
Other		<u>4,502,064</u>		<u>69.61%</u>	<u>5,240,550</u>		<u>90.92%</u>
Total		<u>\$ 6,458,210</u>		<u>100.00%</u>	<u>\$ 5,763,453</u>		<u>100.00%</u>

Source: Rutherford County Revenue Department

**Rutherford County, North Carolina  
Property Tax Levies and Collections (1)  
Last Ten Fiscal Years**

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2017	\$ 41,700,452	\$ 40,529,750	97.2	\$ -	\$ 40,529,750	97.2
2016	41,030,225	39,779,746	97.0	461,115	40,240,861	98.1
2015	40,734,335	39,178,470	96.2	958,812	40,137,282	98.5
2014	39,404,494	37,988,441	96.4	723,643	38,712,084	98.2
2013	35,511,830	33,844,505	95.3	1,109,220	34,953,725	98.4
2012	33,887,224	31,598,979	93.2	1,394,232	32,993,211	97.4
2011	33,478,863	31,210,949	93.2	1,491,060	32,702,009	97.7
2010	33,253,013	31,195,062	93.8	1,413,892	32,608,954	98.1
2009	33,213,924	31,362,647	94.4	1,302,450	32,665,097	98.3
2008	32,461,482	31,280,218	96.4	997,650	32,277,868	99.4

(1) Includes general fund and special districts.

Source: Rutherford County Revenue Department

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

Table 9

Fiscal Year	Population in thousands (Estimated)	Governmental Activities				Business-type	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
		General Obligation Bonds	Installment Purchase (1)	Capital Leases	Revolving Fund - DENR	Capital Leases			
2008	63	\$ 9,975,000	\$ 57,668,467	\$ 3,963,343	\$ 314,830	\$ 667,632	\$ 72,589,272	4.22%	\$ 1,152
2009	63	7,720,000	58,074,856	4,758,537	298,260	621,299	71,472,952	4.08%	1,134
2010	63	7,035,000	54,911,271	3,240,000	281,690	402,330	65,870,291	3.64%	1,046
2011	67	4,820,000	50,601,731	2,385,102	265,120	174,067	58,246,020	3.08%	869
2012	68	4,490,000	48,052,854	1,235,626	248,550	24,379	54,051,409	2.85%	795
2013	68	4,160,000	43,729,878	1,494,993	231,980	-	49,616,851	2.63%	730
2014	67	3,932,000	40,483,026	1,279,409	215,410	305,438	46,215,283	2.46%	690
2015	67	3,582,000	37,906,877	1,343,865	198,840	188,098	43,219,680	2.30%	645
2016	67	3,233,000	33,451,571	1,177,204	182,270	69,630	38,113,675	1.97%	569
2017	67	2,884,000	35,812,301	1,443,711	165,700	114,808	40,420,520	2.03%	603

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 116 for personal income and population data.

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

**Table 10**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
2008	\$ 7,720,000	\$ -	\$ 7,720,000	0.13%	\$ 122
2009	7,035,000	-	7,035,000	0.12%	110
2010	4,820,000	-	4,820,000	0.08%	71
2011	4,490,000	-	4,490,000	0.08%	66
2012	4,160,000	-	4,160,000	0.07%	60
2013	3,932,000	-	3,932,000	0.07%	59
2014	3,582,000	-	3,582,000	0.06%	54
2015	3,582,000	-	3,582,000	0.06%	54
2016	3,233,000	-	3,233,000	0.05%	49
2017	2,884,000	-	2,884,000	0.05%	43

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 108 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 116.



**Rutherford County, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2017**

**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	2,884,000	100.00	2,884,000
Rutherford County direct debt - other outstanding (1)	37,421,712	100.00	<u>37,421,712</u>
			<u>40,305,712</u>
Total direct and overlapping debt			<u>\$ 40,305,712</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**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed value of property	\$ 5,763,453,025	\$ 5,895,063,019	\$ 5,898,920,189	\$ 5,941,961,062	\$ 6,018,877,170	\$ 5,546,006,202	\$ 5,956,979,212	\$ 5,792,219,942	\$ 6,374,447,776	\$ 6,458,210,247
Debt limit	461,076,242	471,605,042	471,605,042	471,913,615	481,510,174	443,680,496	476,558,337	463,377,595	509,955,822	516,656,820
Total net debt applicable to limit	<u>71,921,640</u>	<u>70,851,653</u>	<u>65,467,961</u>	<u>62,891,953</u>	<u>54,027,030</u>	<u>49,616,851</u>	<u>45,909,845</u>	<u>43,031,582</u>	<u>38,113,675</u>	<u>40,420,520</u>
Legal debt margin	<u>\$ 389,154,602</u>	<u>\$ 400,753,389</u>	<u>\$ 406,137,081</u>	<u>\$ 409,021,662</u>	<u>\$ 427,483,144</u>	<u>\$ 394,063,645</u>	<u>\$ 430,648,492</u>	<u>\$ 420,346,013</u>	<u>\$ 471,842,147</u>	<u>\$ 476,236,300</u>
Total net debt applicable to the limit as a percentage of debt limit	15.60%	15.02%	13.88%	13.33%	11.22%	11.18%	9.63%	9.29%	7.47%	7.82%

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed value - January 1, 2016	<u>\$ 6,458,210,247</u>
Debt Limit (8% of total assessed value)	\$ 516,656,820
Debt applicable to limit:	
General obligation bonds	2,884,000
Other outstanding debt	<u>37,536,520</u>
Net debt applicable to limit	<u>40,420,520</u>
Legal debt margin	<u>\$ 476,236,300</u>

**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**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2) (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
2008	63,012	1,736,446	25,861	40.56	9,533	7.7
2009	63,424	1,719,586	25,452	39.69	9,298	15.3
2010	63,835	1,751,149	25,838	40.08	9,016	14.8
2011	67,810	1,809,903	26,843	42.50	8,765	14.6
2012	68,392	1,893,341	28,123	42.89	8,672	14.5
2013	68,897	1,893,684	28,283	42.99	8,554	13.7
2014	66,956	1,890,026	28,379	43.18	8,474	8.7
2015	66,600	1,877,171	28,212	43.42	8,301	8.4
2016	66,390	1,934,743	29,142	43.48	8,169	6.8
2017	66,421	1,995,025	30,036	43.57	8,014	5.8

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

(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**

<b>MANUFACTURING</b>	<b>2017</b>			<b>2008</b>			
	<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County</b>		<b>Rank</b>	<b>Percentage of Total County</b>
				<b>Employment</b>	<b>Employment</b>		
Timken - Shiloh Plant	257	1	1.03%	250	4	0.81%	
West Rock (formerly Rock-Tenn AGI Schultz)	250	2	1.00%	260	3	0.84%	
Trelleborg Coated Systems US Inc (formerly R	218	3	0.87%	225	5	0.73%	
Parker Hannifin Corporation	170	4	0.68%	220	6	0.71%	
Milliken & Co	156	5	0.63%				
Allied Die Casting Co of NC	150	6	0.60%	150	10	0.49%	
Eaton Corporation	150	7	0.60%	199	7	0.65%	
Sonoco Molded Plastics	145	8	0.58%				
Parton Lumber	135	9	0.54%				
Valley Fine Foods	132	10	0.53%				
National Textiles (formerly Hanesbrand, Inc)				450	2	1.46%	
Watts Regulator Co				550	1	1.79%	
United Southern Industries, Inc				185	8	0.60%	
First Choice Armor				179	9	0.58%	
Mako Marine Intl - Tracker Marine Group				150	10	0.49%	
<b>Total</b>	<b>1,763</b>		<b>7.07%</b>	<b>2,818</b>		<b>9.15%</b>	

<b>NON-MANUFACTURING</b>	<b>2017</b>			<b>2008</b>			
	<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County</b>		<b>Rank</b>	<b>Percentage of Total County</b>
				<b>Employment</b>	<b>Employment</b>		
Rutherford County Schools (1)	1,215	1	4.88%	1,426	1	4.63%	
State of North Carolina	708	2	2.84%	657	3	2.13%	
Rutherford Hospital	578	3	2.32%	850	2	2.76%	
Rutherford County - Local Government	431	4	1.73%	495	4	1.61%	
Ameridial	235	5	0.94%				
Isothermal Community College	192	6	0.77%				
Walmart				380	5	1.23%	
<b>Total</b>	<b>3,359</b>		<b>13.48%</b>	<b>3,808</b>		<b>12.37%</b>	

Source: Economic Development Commission November 2017 and October 2008

**Rutherford County, North Carolina**  
**Full-time Equivalent County Government Employees by Function**  
**Last Ten Fiscal Years**

**Table 15**

<b>Function</b>	<b>Full-time Equivalent Employees</b>									
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
General government	70.7	70.7	70.7	69.7	69.7	68.7	68.7	66.0	64.0	65.0
Public safety	195.8	190.8	183.3	176.3	175.3	175.3	175.3	174.0	159.0	142.0
Environmental protection	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0
Economic and physical development	13.0	13.0	13.0	12.0	12.0	12.0	12.0	11.0	10.0	11.0
Human services	133.0	129.0	122.0	121.0	118.0	118.0	118.0	118.0	115.0	115.5
Cultural and recreational	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	6.0
Enterprise Fund - Solid Waste	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
<b>Total</b>	<b>441.5</b>	<b>431.5</b>	<b>417.0</b>	<b>407.0</b>	<b>403.0</b>	<b>402.0</b>	<b>403.0</b>	<b>398.0</b>	<b>376.0</b>	<b>359.5</b>

Source: Rutherford County Finance Office

**Rutherford County, North Carolina  
Operating Indicators by Function  
Last Nine Fiscal Years**

Table 16

Function	Fiscal Year								
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>General Government</b>									
# Deeds/Deeds of Trusts Processed	5,393	4,876	4,634	4,652	5,129	4,909	4,867	5,490	6,420
Parcel Count	56,756	56,188	56,619	56,399	56,297	56,102	55,915	54,140	53,904
<b>Public Safety</b>									
# Inmates Processed	2,945	2,760	2,945	3,042	3,050	3,211	4,764	4,981	5,255
# Arrests	3,885	2,779	2,504	2,882	2,547	2,331	2,516	3,341	2,953
# Building Permits Issued	558	503	449	463	478	459	468	604	469
<b>Economic and Physical Development</b>									
# of Subdivision Plan Reviews	not available	not available	not available	not available	not available	not available	not available	not available	34
<b>Human Services</b>									
# Senior Center Meals Served	77,924	79,005	72,602	71,154	72,837	75,919	77,069	80,667	83,889
# of Medicaid Recipients	16,302	16,585	16,588	18,995	15,398	14,652	14,198	14,318	12,927
<b>Culture</b>									
Library Book Circulation	197,084	201,574	267,282	259,179	263,273	313,134	336,373	355,060	357,898
Library Electronic Book Circulation	32,118	26,396	53,583	51,303	13,966	35,509	29,126	22,049	4,977
<b>Enterprise Fund - Transit</b>									
# Trips	56,571	51,616	47,798	54,825	54,429	56,679	58,340	57,199	56,138
<b>Enterprise Fund - Landfill</b>									
Total Tonnage	55,395	53,119	47,791	48,096	56,269	57,259	56,523	53,334	61,034

Sources: Various government departments.  
Information prior to 2008 not available.

**Rutherford County, North Carolina  
Capital Assets Statistics by Function  
Last Ten Fiscal Years**

**Table 17**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>General Government</b>										
County Buildings	35	34	33	33	33	33	33	33	33	32
County Vehicles	252	241	254	235	226	237	234	239	230	219
<b>Public Safety</b>										
Detention Center Capacity	205	205	205	205	205	205	205	205	205	205
EMS Stations	5	5	4	4	4	3	3	3	3	3
Volunteer Fire Departments	14	14	14	14	14	14	14	14	14	14
Volunteer Rescue Squads	1	1	1	1	2	2	2	2	2	2
Volunteer EMS Agencies	1	1	1	1	1	1	1	1	1	1
<b>Cultural and Recreation</b>										
Park Acreage	144	144	144	144	144	48	48	48	48	48
Public Libraries	3	3	3	3	3	3	3	3	3	3
<b>Education (Not included in the Reporting Entity)</b>										
Elementary Schools	11	11	11	11	11	11	11	11	11	11
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
<b>Airport</b>										
Acreage	313	313	313	313	313	250	250	250	250	250
<b>Solid Waste</b>										
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**





**Independent Auditors' 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, 2017, and the related notes to the financial statements, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated December 4, 2017. The financial statements of the Tourism Development Authority were not audited in accordance with *Government 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

December 4, 2017



**Independent Auditors' Report On Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance 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 *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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 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, 2017.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rutherford County's internal control over compliance.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 4, 2017



**Independent Auditors' Report On Compliance For Each Major State Program And  
On Internal Control Over Compliance In Accordance With OMB Uniform Guidance  
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, 2017. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Government Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 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, 2017.

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

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
December 4, 2017

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>SNAP Cluster</u>					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 580,950	\$ -	\$ -
Total SNAP Cluster			<u>580,950</u>	<u>-</u>	<u>-</u>
Division of Public Health:					
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		1,260,015	-	-
Total U.S. Dept. of Agriculture			<u>1,840,965</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
<u>Federal Aviation Administration</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106		374,773	-	-
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Rural Areas-Admin	20.509	DOT-11	159,769	9,985	-
Formula Grants for Rural Areas - Capital	20.509	DOT-14	323,295	38,324	-
Total U.S. Dept. of Transportation			<u>857,837</u>	<u>48,309</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>					
Passed-through the N.C. Department of Cultural Resources					
Planning Grant	45.310		4,145	-	-
Total Institute of Museum and Library Services			<u>4,145</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Health &amp; 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>					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		11,522	194,539	-
Special Programs for the Aging - Title III C					
Nutrition Services	93.045		167,653	36,500	-
Nutrition Services Incentive Program	93.053		58,444	-	-
Total Aging Cluster			<u>237,619</u>	<u>231,039</u>	<u>-</u>
<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 Cluster (Note 3)</u>					
Foster Care	93.658		351,049	56,401	-
Title IV-E Foster Care - Administration	93.658		237,039	14,538	-
Foster Care - Direct Benefit Payments	93.658		242,137	57,110	-
Foster Care - Child Protective Services	93.658		62,570	62,421	-
Title IV-E Adoption Assistance - Administration	93.659		48,755	-	-
Adoption Assistance - Direct Benefit Payments	93.659		499,746	124,822	-
Total Foster Care and Adoption Cluster			<u>1,441,296</u>	<u>315,292</u>	<u>-</u>
<u>TANF Cluster</u>					
Work First Admin	93.558		105,399	-	-
Work First Service	93.558		467,255	-	-
Work First/TANF-Direct Benefit Payments	93.558		416,493	-	-
Total TANF Cluster			<u>989,147</u>	<u>-</u>	<u>-</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
IV-D Administration	93.563		473,948	(6)	-
AFDC Payments and Penalties	93.560		(153)	(42)	-
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		380,287	-	-
Crisis Intervention Program	93.568		329,099	-	-
Stephanie Tubbs Jones Welfare Services Program:					
- Permanency Planning - Families for Kids	93.645		16,604	-	-
SSBG - Other Services and Training	93.667		248,346	17,109	-
Independent Living Grant - Administration	93.674		16,842	4,210	-
Independent Living Grant - Direct Benefit Payments	93.674		4,370	-	-
Community Response - Administration	93.556		92,219	-	-
Family Preservation	93.556		37,882	-	-
Division of Aging and Adult Services:					
SSBG - State In Home Service Fund	93.667		42,446	-	-
Adult Protective Services	93.667		25,480	-	-
SSBG - State Adult Day Care	93.667		15,353	13,698	-
CPS TANF to SSBG	93.667		191,205	-	-
Division of Child Development and Early Education:					
Subsidized Child Care Cluster (Note 3)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		94,722	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		758,374	-	-
Child Care and Development Fund - Mandatory	93.596		242,671	-	-
Child Care and Development Fund - Match	93.596		476,575	204,836	-
Total Child Care Development Fund Cluster			1,572,342	204,836	-
Temporary Assistance for Needy Families	93.558		208,083	-	-
Foster Care Title IV-E	93.658		22,127	11,078	-
State Appropriations			-	364,965	-
TANF MOE			-	325,805	-
Total Subsidized Child Care Cluster			1,802,552	906,684	-
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Medicaid Cluster					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778		70,054,033	37,203,917	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		1,911,279	8,405	-
Total Medicaid Cluster			71,965,312	37,212,322	-
Division of Medical Assistance:					
Direct Benefit Payments:					
State Children's Insurance Program - N.C. Health Choice	93.767		1,912,276	8,595	-
Division of Social Services:					
Administration:					
State Children's Insurance Program - N.C. Health Choice	93.767		64,306	72	-
Total U.S. Dept. of Health and Human Services			80,286,436	38,708,973	-



**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
<b>U.S. Dept. of Homeland Security</b>					
<b>Emergency Management</b>					
Passed-through the N.C. Dept. of Public Safety					
Emergency Management Performance Grant Program	97.042		38,584	-	-
Homeland Security Grant Program	97.067		11,000	-	-
Total U.S. Dept. of Homeland Security			49,584	-	-
Total Federal Awards			83,038,967	38,757,282	-
<b>State Awards:</b>					
<b>N.C. Dept. of Cultural and Natural Resources</b>					
Division of State Library:					
State Aid to Public Libraries			-	123,742	-
N.C. Arts Council:					
Grassroots Arts Program		88833	-	21,575	-
Total N.C. Dept. of Cultural Resources			-	145,317	-
<b>N.C. Department of Environmental Quality</b>					
Division of Soil & Water Conservation:					
Local activities			-	3,600	-
Division of Waste Management:					
White Goods Management Program			-	38,102	-
Electronics Management			-	5,016	-
Cliffside Sanitary Grant			-	26,995	-
Division of Pollution Prevention and Environmental Assistance:					
Community Waste Reduction and Recycling			-	31,472	-
Total N.C. Dept. of Environmental Quality Natural Resources			-	105,185	-
<b>N.C. Dept. of Health and Human Services</b>					
Passed-through Isothermal Planning and Development Commission:					
Division of Aging and Adult Services:					
Senior Center General Fund			-	10,878	-
Total Division of Aging and Adult Services			-	10,878	-
Division of Social Services:					
CWS Adoption Subsidy - Direct Benefit Payments			-	141,066	-
State/County Special Assistance - Direct Benefit Payments			-	550,914	-
DCD Smart Start			-	48,800	-
Special Assistance - Aged and Disabled			-	31,399	-
State Aid to Families with Dependent Children			-	1,893	-
State Child Protective Services			-	333,594	-
State Foster Home - Direct Benefit Payments			-	109,332	-
SFHF Maximization - Direct Benefit Payments			-	154,227	-
Community Response Grant			-	77,795	-
Total Division of Social Services			-	1,449,020	-
Total N. C. Department of Health and Human Services			-	1,459,898	-
<b>N.C. Dept. of Public Safety</b>					
Tier II Universal Grant			-	1,000	-
Juvenile Crime Prevention Programs			-	192,468	192,468
Total N.C. Dept. of Public Safety			-	193,468	192,468
<b>N.C. Dept. of Public Instruction</b>					
Public School Building Capital Fund:					
Lottery Proceeds			-	550,000	-
Total N.C. Dept. of Public Instruction			-	550,000	-

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
<u>N.C. Dept. of Transportation</u>					
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	80,944	-
ROAP Rural General Public Program		DOT-16CL	-	97,891	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	17,739	-
Total N.C. Dept. of Transportation			-	196,574	-
<u>N.C. Dept. of Commerce</u>					
One NC Alliance Program			-	257,500	257,500
Rural Infrastructure Grant			-	377,594	-
Total N.C. Dept. of Commerce			-	635,094	257,500
<u>N.C. Depart. of Military and Veterans Affairs</u>					
PMVA Community Grant		143B-211C4	-	2,000	-
Total N.C. Dept. of Military and Veterans Affairs			-	2,000	-
<u>N.C. Housing Finance Agency</u>					
Urgent Repair Program			-	69,853	-
Total N.C. Housing Finance Agency			-	69,853	-
Total State Awards			-	3,357,389	449,968
Total Federal and State Awards			\$ 83,038,967	\$ 42,114,671	\$ 449,968

**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 Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Single and Audit Requirements* and the State 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. Summary of Significant Accounting Policies  
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Rutherford County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
  
3. Cluster of Programs  
The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:  
Subsidized Child Care, Foster Care and Adoption

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2017

**I. Summary of Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes   no
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_yes   none reported
- Noncompliance material to financial statements noted \_\_\_yes   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_yes   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_yes   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes   no

The following were audited as major federal programs for the fiscal year ended June 30, 2017:

<u>Program Name</u>	<u>CFDA #</u>
Medicaid Cluster	93.778
Adoption Assistance – Title IV-E	93.659

The threshold for determining Type A programs for Rutherford County is \$2,491,169.

Rutherford County qualifies as a low risk auditee.



**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2017

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

None reported.

**IV. State Award Findings and Questioned Costs**

None reported.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the year ended June 30, 2017

There were no prior year findings reported in the fiscal year ended June 30, 2016.

