

Rutherford County, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016



Prepared By
Rutherford County Finance Department

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page(s)</u>
INTRODUCTORY SECTION		
• Letter of Transmittal		i – vi
• Area Map		vii
• Organization Chart		viii
• GFOA Certificate of Achievement		ix
• Principal Officials		x
 FINANCIAL SECTION		
• Independent Auditors' Report		1 – 3
• Management's Discussion and Analysis		4 – 15
• Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	16 – 17
Statement of Activities	2	18 – 19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	20 – 21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	22 – 23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	5	24
Statement of Net Position - Proprietary Fund	6	25
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	7	26
Statement of Cash Flows - Proprietary Fund	8	27 – 28
Statement of Fiduciary Net Position - Fiduciary Funds	9	29
Notes to the Financial Statements		30 – 67
 Required Supplemental Financial Data		
• Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress and Employer Contributions		68
• Local Government Employees' Retirement System – County's Proportionate Share of the Net Pension Liability (Asset)		69
• Local Government Employees' Retirement System – Schedule of County's Contributions		70
• Register of Deeds' Supplemental Pension Fund – County's Proportionate Share of the Net Pension Liability (Asset)		71
• Register of Deeds' Supplemental Pension Fund – Schedule of County's Contributions		72

Combining and Individual Fund Financial Statements and Schedules:	<u>Page(s)</u>
• General Fund:	
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	73 – 76
• Other Major Funds – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
- Debt Service Fund	77
- Grant Fund	78
- Grey Rock Capital Project Fund	79
- Queen’s Gap Capital Project Fund	80
• Nonmajor Governmental Funds:	
- Combining Balance Sheet	81 – 82
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Funds	83 – 84
- Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
• Capital Projects - General	85
• Capital Projects – Isothermal Community College Fund	86
• Emergency Telephone System Fund	87
• Fire Districts Fund	88
• Register of Deeds Automation Enhancement Fund	89
• Grant CDBG Project Fund	90
• Proprietary Fund Types:	
- Enterprise Fund:	
• Combining Schedule of Revenues, Expenses, and Changes in Net Position	91
• Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	92
• Solid Waste Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	93
• Internal Service Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	94
• Agency Funds:	
- Combining Statement of Changes in Assets and Liabilities	95
• Discretely Presented Component Units:	
- Rutherford County Transit Administration - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	96
- Rutherford County Transit Administration - Statement of Cash Flows	97
- Rutherford County Airport Authority - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	98
- Rutherford County Airport Authority - Statement of Cash Flows	99

	<u>Table</u>	<u>Page(s)</u>
• Other Schedules:		
- Schedule of General Fund Ad Valorem Taxes Receivable		100
- Analysis of Current Tax Levy - General Fund		101
- Schedule of Special Districts Ad Valorem Taxes Receivable		102
- Analysis of Current Tax Levy - Special Districts Levy		103 – 104

STATISTICAL SECTION

• Net Position By Component	1	105
• Changes in Net Position	2	106
• Fund Balances of Governmental Funds	3	107
• Changes in Fund Balances of Governmental Funds	4	108
• Assessed Value and Actual Value of Taxable Property	5	109
• Direct and Overlapping Property Tax Rates	6	110
• Principal Property Taxpayers	7	111
• Property Tax Levies and Collections	8	112
• Ratio of Outstanding Debt by Type	9	113
• Ratios of General Bonded Debt Outstanding	10	114
• Direct and Overlapping Governmental Activities Debt	11	115
• Legal Debt Margin	12	116
• Demographic and Economic Statistics	13	117
• Principal Employers	14	118
• Full-Time Equivalent County Government Employees by Function	15	119
• Operating Indicators by Function	16	120
• Capital Assets Statistics by Function	17	121

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>		122 – 123
• 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		124 – 125
• 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		126 – 127
• Schedule of Expenditures of Federal and State Awards		128 – 132
• Schedule of Findings and Questioned Costs		133 – 135
• Summary Schedule of Prior Year Audit Findings		136

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

November 28, 2016

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, 2016. 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.

Generally accepted accounting principals (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 the 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

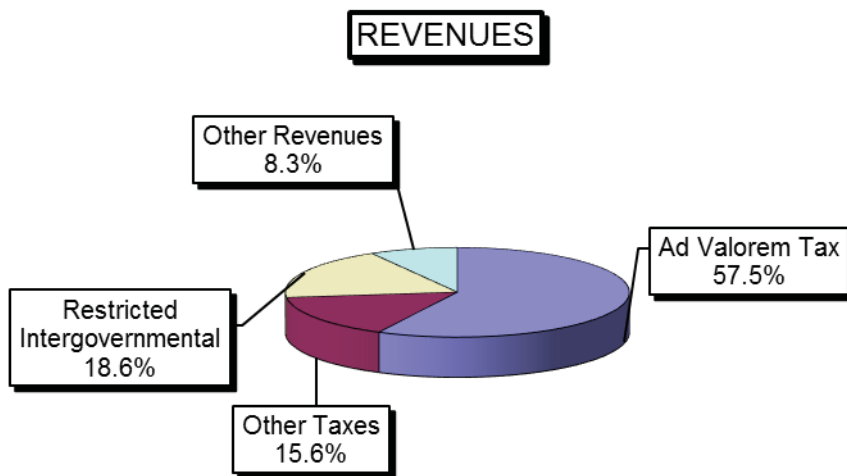
The County's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial 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, 2016. The County's budget ordinance is prepared on a modified accrual basis for all governmental fund types. The budgets for the General Fund, Special Revenue Funds with the exception of the Grant Fund and the CDBG Grant Fund, Debt Service Fund, and Enterprise Funds are prepared on an annual basis, and the budgets for the Grant Fund, CDBG Grant Fund and Capital Project Funds are authorized for the life of the grant/project.

GENERAL GOVERNMENTAL FUNCTIONS

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

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

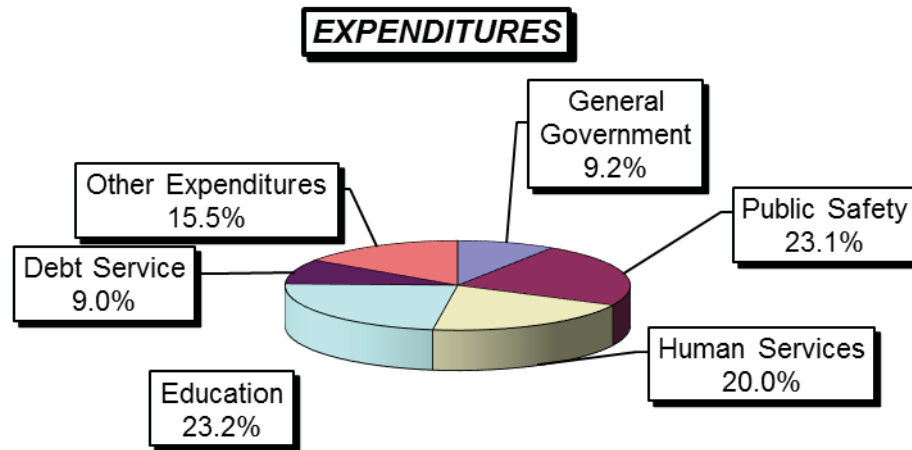


Rutherford County’s general governmental sources of revenue increased by approximately 2.33%, or \$1,622,059, attributable to growth in ad valorem tax and sales tax.

Ad valorem and restricted intergovernmental revenues are the largest source of revenues for the County accounting for 76.1% of total revenues. Ad valorem taxes account for 57.5% of revenues and increased by \$883,256 or 2.20% due to growth in the commercial tax base (including Andale and Horsehead). The fiscal year 2015-2016 budget was adopted based on a tax rate of 60.7 cents per \$100 of value. Other taxes increased by 9.75% or \$987,966. As the economy continues to recover, sales tax revenues once again have shown a steady increase this past year. The County experienced increases in the areas of permits and fees during FY 2015-2016 with increased

building permits related to solar farms and other new construction.

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 66.3% of all expenditures. The following graph illustrates the County's general governmental expenditures in the general, special revenue and debt service funds only:



Total expenditures increased 1.21% as compared to FY 2014-15. This increase was largely a result of increased education expenditures related to the roof replacements at the college. Debt service expenditures decreased approximately \$14,217, or 0.21%. Public Safety and Debt Service expenditures were essentially flat. Human Services expenditures decreased slightly over the prior year as staffing and administrative costs incurred relating to NC Fast have stabilized.

The County's fund balance available for appropriation as of June 30, 2016 of approximately \$16.05 million or 27.5% 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 recent recession, being described by many as the worst recession since the Great Depression, is one instance where a healthy fund balance for a government can be useful in weathering economic downturns 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 66,390 with a work force of 24,921. The population has decreased by 2.22% 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 43.48 as compared to 36.60 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 6.8% being the rate in June 2016.

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 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 made in accordance with generally accepted auditing standards and accordingly, included tests of the County's records and any other auditing procedures as they considered necessary. Their unqualified opinion indicates that the accompanying financial statements have been prepared by the County in conformity with generally accepted accounting principles.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-seventh 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

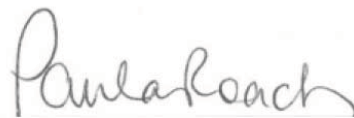
A copy of this report will be made available to various departments of the County, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

A copy of this report will also be placed on the County's website at www.rutherfordcounty.gov.

Respectfully submitted,



Steve Garrison
County Manager



Paula Roach
Finance Director

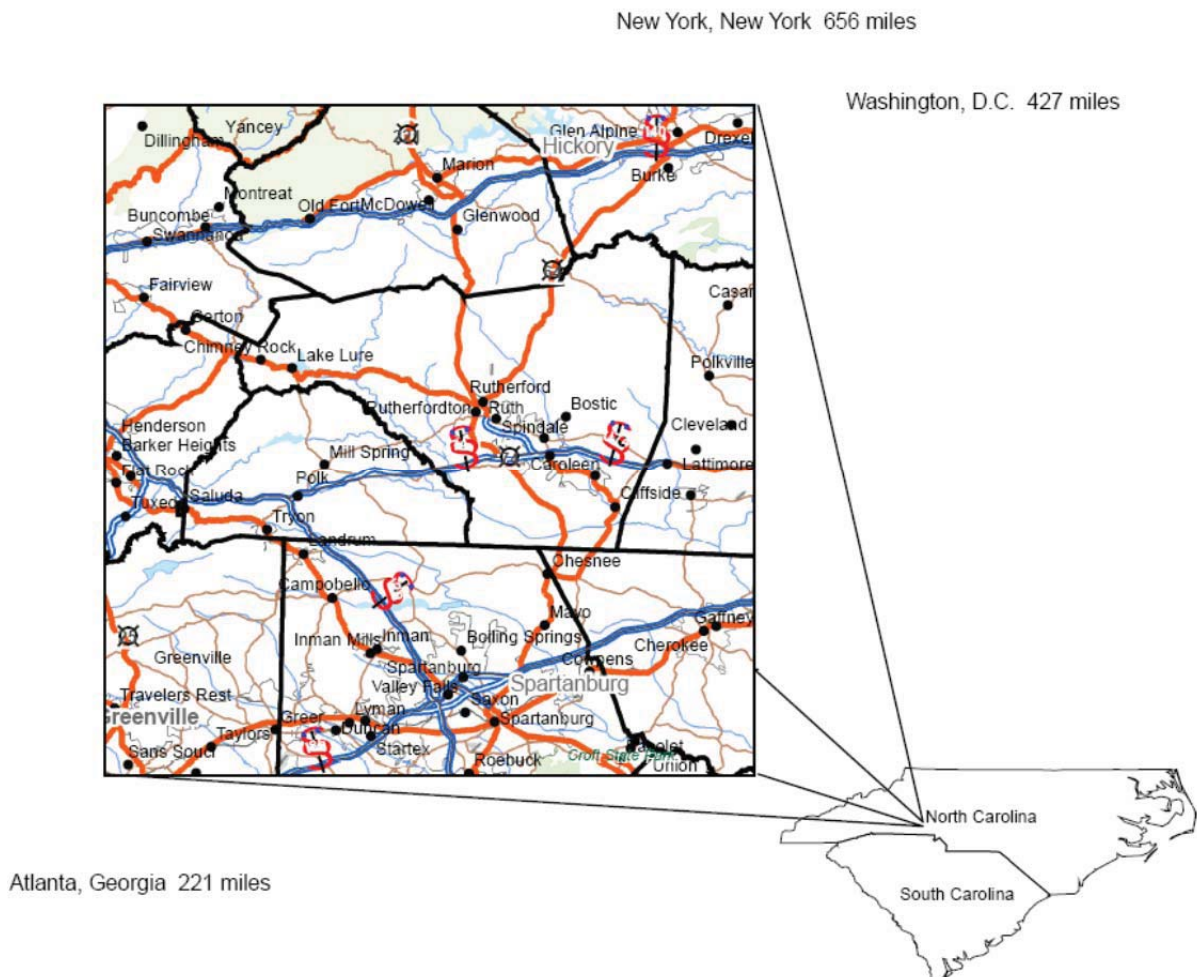
THE COUNTY

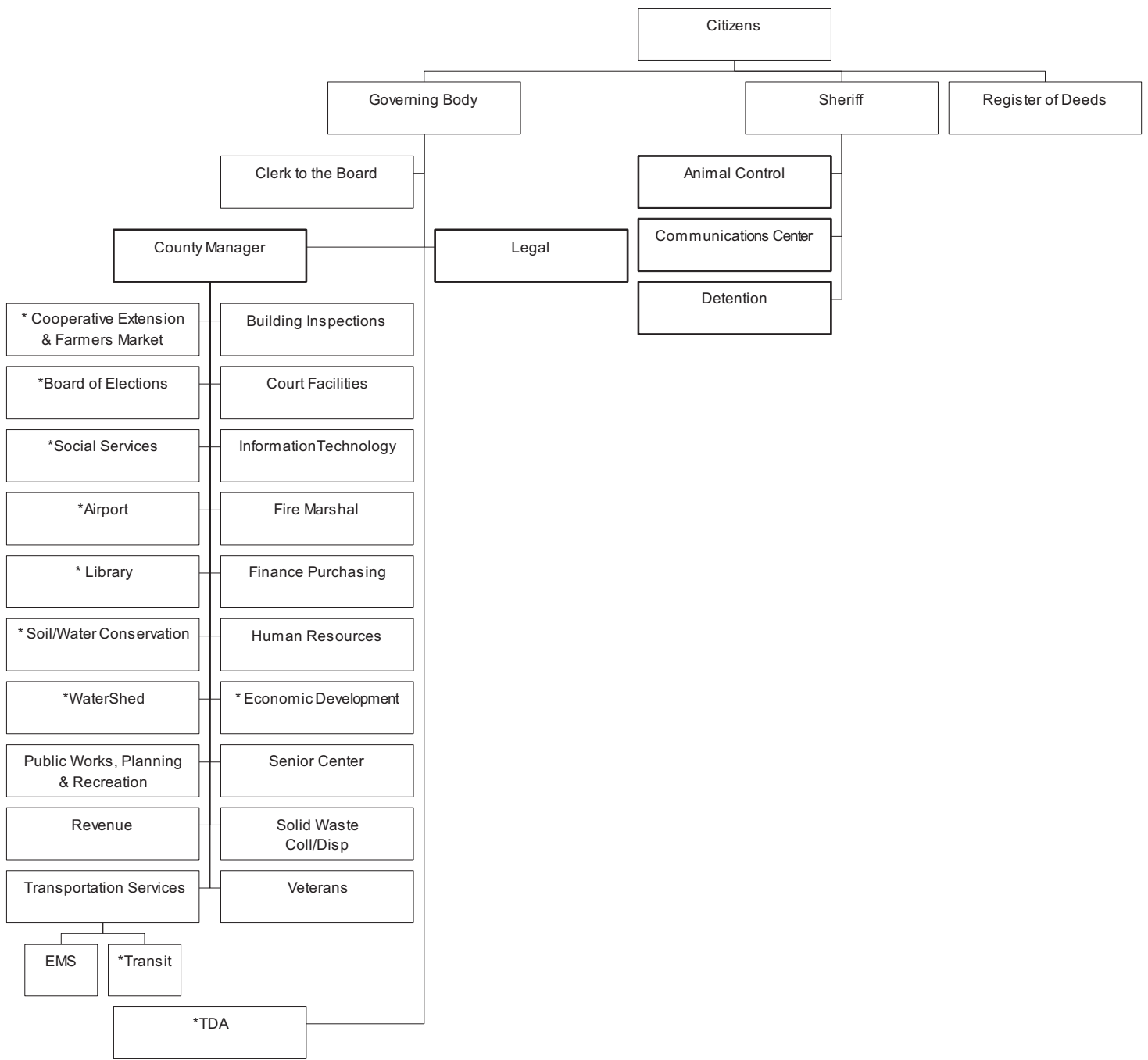
General Description

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, 2015

Executive Director/CEO

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2016

Board of County Commissioners

Bryan King, Chairman

Alan Toney, Vice Chairman

Greg Lovelace

Michael Benefield

Eddie Holland

County Manager

Steve Garrison

Finance Director

Paula Roach

FINANCIAL SECTION



Independent Auditors' Report

Board of Commissioners
Rutherford County
Rutherfordton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Rutherford County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 4 through 15, and 68 through 72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *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 November 28, 2016 on our consideration of Rutherford County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rutherford County's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 28, 2016

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, 2016. 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

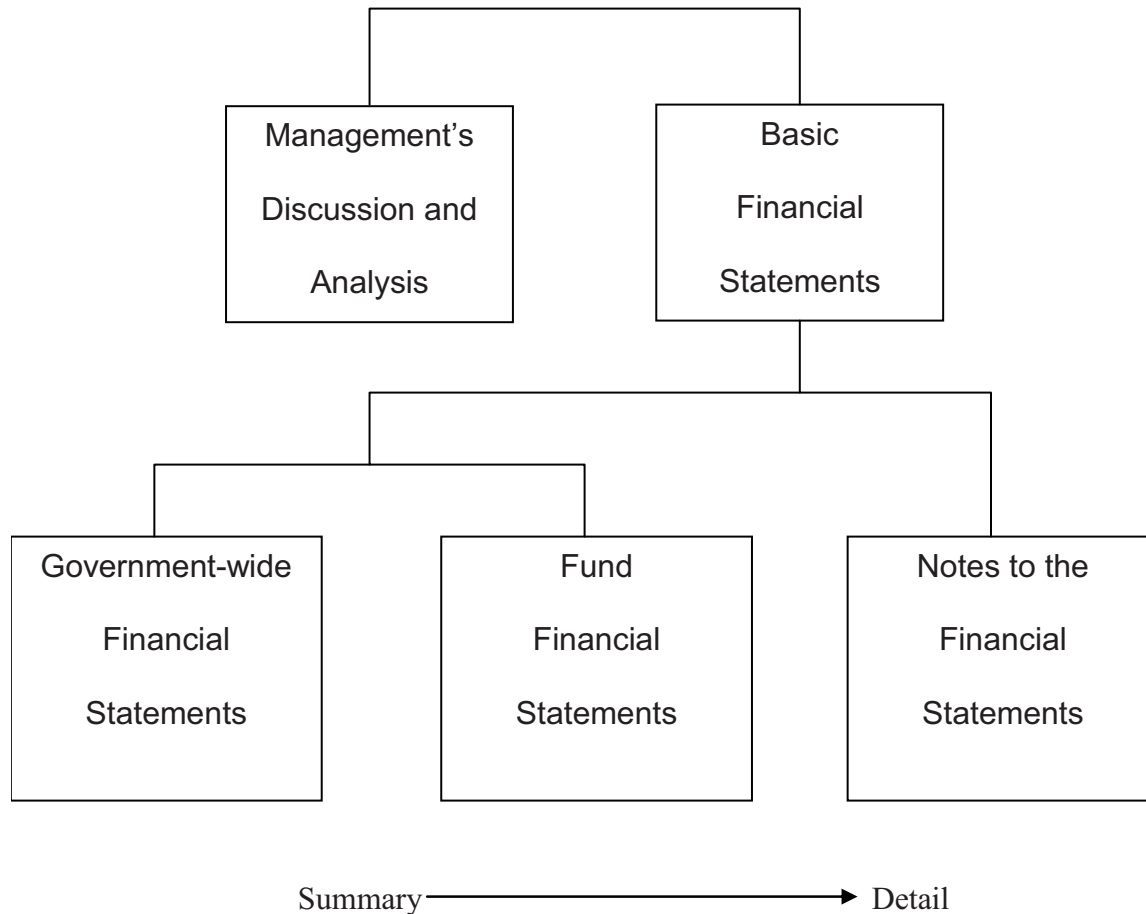
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$38,028,067, a decrease of \$2,632,509 in comparison with the prior year amount of \$40,660,576. The combined fund balance consisted of: general fund - \$21,463,273 compared to \$19,916,595 (2015); non-major special revenue funds \$4,637,284 compared to \$5,786,236 (2015); Grey Rock capital project funds \$1,766,244; Queen's Gap capital project fund \$6,309,804; grant fund \$292,497; and debt service fund \$3,558,985.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,784,520, or 23.5% 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 \$46,139,568 (*net position*). This compares to a June 30, 2015 net position of \$44,625,504. In accordance with North Carolina law, liabilities of the County include \$8,072,045 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County has reported a net deficit in unrestricted net assets in prior years.
- The primary government's long-term debt, excluding pension liability, compensated absences and landfill post-closure accrual decreased by \$5,106,005.
- The primary government's total net position increased by \$2,088,066.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how 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 six agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 30 through 67 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 68 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 \$49,917,726 as of June 30, 2016. The County's net position increased by \$2,088,066 for the fiscal year ended June 30, 2016, compared to an increase of \$2,189,607 in 2015. One of the largest portions \$20,509,997 (41.1%) 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 \$21,895,919 (47.4%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2016, total unrestricted balance in the amount of \$7,511,810 is primarily attributable to the governmental activities unrestricted balance of 6,149,661. In 2015, the amount of net investment in capital assets was \$17,563,179, with restricted net position standing at \$25,761,067, leaving an unrestricted balance of \$4,505,414.

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$47,935,588	\$51,291,549	\$ 4,516,748	\$ 3,788,876	\$52,452,336	\$55,080,425
Capital assets	43,800,322	44,506,336	2,485,639	2,652,114	46,285,961	47,158,450
Total Assets	<u>91,735,910</u>	<u>95,797,885</u>	<u>7,002,387</u>	<u>6,440,990</u>	<u>98,738,297</u>	<u>102,238,875</u>
Total deferred outflows of resources	<u>2,320,599</u>	<u>2,372,854</u>	<u>-</u>	<u>-</u>	<u>2,320,599</u>	<u>2,372,854</u>
Long-term liabilities outstanding	41,296,431	44,946,958	2,935,668	3,038,319	44,232,099	47,985,277
Other liabilities	5,789,729	4,634,487	288,561	198,515	6,078,290	4,833,002
Total liabilities	<u>47,086,160</u>	<u>49,581,445</u>	<u>3,224,229</u>	<u>3,236,834</u>	<u>50,310,389</u>	<u>52,818,279</u>
Total deferred inflows of resources	<u>830,781</u>	<u>3,963,790</u>	<u>-</u>	<u>-</u>	<u>830,781</u>	<u>3,963,790</u>
Net position						
Net investment in capital assets	18,093,988	15,099,163	2,416,009	2,464,016	20,509,997	17,563,179
Restricted	21,895,919	25,761,067	-	-	21,895,919	25,761,067
Unrestricted	6,149,661	3,765,274	1,362,149	740,140	7,511,810	4,505,414
Total net position	<u>\$46,139,568</u>	<u>\$44,625,504</u>	<u>\$ 3,778,158</u>	<u>\$ 3,204,156</u>	<u>\$49,917,726</u>	<u>\$47,829,660</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, and Rutherfordton Elementary are exceptions where the County owns the building. At the end of the fiscal year, \$8,072,045 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 97.02%.
- 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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 4,647,496	\$ 4,453,671	\$ 3,786,670	\$ 3,550,521	\$ 8,434,166	\$14,197,101
Operating grants and contributions	12,056,219	13,710,084	445,914	487,017	12,502,133	701,839
Capital grants and contributions	1,266,916	701,839	-	-	1,266,916	8,004,192
General revenues:						
Property taxes	41,137,349	40,668,238	-	-	41,137,349	40,668,238
Other taxes	11,416,375	10,134,926	-	-	11,416,375	10,134,926
Other	522,481	454,052	3,045	4,878	525,526	458,930
Total revenues	<u>71,046,836</u>	<u>70,122,810</u>	<u>4,235,629</u>	<u>4,042,416</u>	<u>75,282,465</u>	<u>74,165,226</u>
Expenses:						
General government	7,123,583	6,571,693	-	-	7,123,583	6,571,693
Public safety	16,918,343	17,041,922	-	-	16,918,343	17,041,922
Environmental protection	142,376	133,992	-	-	142,376	133,992
Economic and physical development	10,774,441	11,010,474	-	-	10,774,441	11,010,474
Human services	14,971,333	15,025,723	-	-	14,971,333	15,025,723
Cultural and recreation	131,504	581,125	-	-	131,504	581,125
Education	18,212,776	16,693,749	-	-	18,212,776	16,693,749
Interest on long-term debt	1,133,416	1,152,070	-	-	1,133,416	1,152,070
Landfill	-	-	3,786,627	3,764,871	3,786,627	3,764,871
Total expenses	<u>69,407,772</u>	<u>68,210,748</u>	<u>3,786,627</u>	<u>3,764,871</u>	<u>73,194,399</u>	<u>71,975,619</u>
Increase (decrease) in net assets before transfers and special items	1,639,064	1,912,062	449,002	277,545	2,088,066	2,189,607
Gain (loss) on disposal of capital assets	-	-	-	-	-	-
Transfers	(125,000)	(125,000)	125,000	125,000	-	-
Increase (decrease) in net assets	<u>1,514,064</u>	<u>1,787,062</u>	<u>574,002</u>	<u>402,545</u>	<u>2,088,066</u>	<u>2,189,607</u>
Net position, July 1	<u>44,625,504</u>	<u>42,838,442</u>	<u>3,204,156</u>	<u>2,801,611</u>	<u>47,829,660</u>	<u>45,640,053</u>
Net position, June 30	<u>\$46,139,568</u>	<u>\$44,625,504</u>	<u>\$ 3,778,158</u>	<u>\$ 3,204,156</u>	<u>\$49,917,726</u>	<u>\$47,829,660</u>

Governmental activities. Governmental activities increased the County's net position by \$1,514,064. This compares to an increase of \$1,787,062 in 2015. The key elements of this increase are an increase in local option sales taxes and an increase in sales and services. The government's long-term debt, excluding pension liability, compensated absences, landfill post-closure accrual, and grant repayments decreased by \$5,106,005.

Business-type activities. Business-type activities increased Rutherford County's net position by \$574,002. 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, 2016 it is estimated that the County has used 77.70 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 \$16,047,141, while total fund balance was \$21,463,273. The Governing Body of Rutherford County has an informal goal that the County should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 27.5% of General Fund expenditures, while total fund balance represents 36.78% of that same amount. The County's fund balance as of June 30, 2016 remains comparable to the State-wide average and that of other North Carolina counties in our population group.

At June 30, 2016, the governmental funds of Rutherford County reported a combined fund balance of \$38,028,067, a 6.47 percent decrease as compared to last year's. The primary reason for this decrease is largely due to construction expenditures related to the surety bond settlements received for road and utility construction in the Queen's Gap and Grey Rock Developments.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total budget amendments to the General Fund decreased revenues by \$1,939,218 which represents a decrease of 3.2% of the original revenue budgeted.

The main amended increases in the budget were in general government, public safety and human services. Amendments in the areas of general government and public safety were primarily due to capital expenditures that had been appropriated in the previous year but were unexpended in FY 2014-2015 and were therefore carried "re-budgeted" into FY 2015-2016 after the Budget Ordinance was adopted. These increases were offset by the decrease in economic and physical development. The original budget was adopted with the economic development incentives calculated on the full assessed value of Horsehead without consideration of the recycling credit. Once the Department of Revenue provided the Revenue Office with the credit for Horsehead, a budget amendment was approved to reduce the ad valorem taxes and economic development incentives proportionately. The increases in Human Services largely relates to additional Medicaid program expenditures that were funded through the Department of Social Services. Expenditures in some functional areas experienced notable positive variances as compared to the budget due to expenditures being curtailed due to the economy. 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 \$1,362,149. The total increase in net position was \$574,002. 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, 2016, totals \$46,285,961 (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 and Human Services;
- Completed construction of library and ems related projects.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and CIP	\$ 5,962,599	\$ 6,165,228	\$ 708,869	\$ 708,869	\$ 6,671,468	\$ 6,874,097
Buildings and System	34,637,798	34,819,087	1,259,902	1,371,161	35,897,700	36,190,248
Improvements other than buildings	203,076	236,617	-	-	203,076	236,617
Machinery and equipment	815,742	763,723	173,463	445,587	989,205	1,209,310
Intangibles	938,973	1,143,100	-	-	938,973	1,143,100
Vehicle and motorized equipment	1,242,134	1,378,581	343,405	126,497	1,585,539	1,505,078
Total	\$43,800,322	\$44,506,336	\$ 2,485,639	\$ 2,652,114	\$46,285,961	\$47,158,450

Additional information on the County's capital assets can be found in note 2(E) of the Basic Financial Statements beginning on page 43.

Long-term Debt. As of June 30, 2016, Rutherford County had total bonded debt outstanding of \$3,233,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation bonds, capital leases, installment purchase and revolving fund debt outstanding is as follows:

Figure 5

RUTHERFORD COUNTY'S OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 3,233,000	\$ 3,582,000	\$ -	\$ -	\$ 3,233,000	\$ 3,582,000
Capital leases	1,177,204	1,343,865	69,630	188,098	1,246,834	1,531,963
Installment purchase	33,451,571	37,906,877	-	-	33,451,571	37,906,877
Revolving fund - NCDENR	182,270	198,840	-	-	182,270	198,840
Total	<u>\$38,044,045</u>	<u>\$43,031,582</u>	<u>\$ 69,630</u>	<u>\$ 188,098</u>	<u>\$38,113,675</u>	<u>\$43,219,680</u>

Rutherford County's total debt (excluding pension liability, accrued vacation and compensatory pay, landfill postclosure accruals and grant repayments) decreased \$5,106,005 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 \$470,000,000. The County has no un-issued authorized bonds at June 30, 2016.

Additional information regarding Rutherford County's long-term debt can be found in note 4 beginning on page 58 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 FY2014-15 budget appropriated \$650,000 for grading at Gateway West. The County continues to review other sites that offer opportunity for economic growth and sites marketed as a data center location.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The tax rate adopted for fiscal year 2016-2017 was 60.7 cents.

The FY 2016-17 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 96.23%. The County may only budget property tax revenues based upon the prior fiscal tax collection by State law as compared to the Fiscal Year 2015-16 actual collection rate of 97.02%. Sales tax revenues are projected to increase moderately by 2%. Budgeted expenditures and transfers in the General Fund are expected to increase to \$61,942,122.

The County anticipates expending approximately one million dollars of its fund balance in the fiscal year ending June 30, 2017 to begin work for the upcoming 2019 property revaluation and address critical capital needs for the County. As of the fiscal year ended June 30, 2016, Rutherford County has fund balance available for appropriation of approximately \$16.05 million or 27.50% of general fund expenditures. On average, other North Carolina counties in our population group were at approximately 30.27% of FY 2014-2015 general fund expenditures and, on average state-wide, other North Carolina counties were at 27.49%.

Business – Type Activities: The County rates for landfill services were increased effective July 2014 and remain the same for tipping fees and annual household user fees in the approved FY 2016-17 budget. The tipping fee structure was analyzed and adjusted in conjunction with the expiration of the contract for MSW transportation out of County which expired 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. In the FY 2016-17 budget the County appropriated some of these funds to continue an extensive recycling program in the County public school system and throughout the County. This includes retaining a part-time recycling coordinator in addition to using these funds as a match to a grant which will be used to purchase two additional recycling compactors for the convenience centers.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Rutherford County, North Carolina
Statement of Net Position
June 30, 2016

Exhibit 1

	Primary Government			Component Units		
	Governmental	Business-Type	Total	Tourism	Rutherford	Transit
	Activities	Activities		Development	County Airport	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 24,614,250	\$ 3,914,516	\$ 28,528,766	\$ 522,209	\$ -	\$ 411,200
Receivables (net)	4,215,251	536,018	4,751,269	111,150	-	-
Due from other governments	4,629,449	65,314	4,694,763	-	172,455	154,758
Due from component unit	99,633	-	99,633	-	-	-
Note receivable, current portion	200,000	-	200,000	-	-	-
Prepaid items	306,626	900	307,526	5,050	-	-
Inventories	423,900	-	423,900	-	28,378	-
Cash and cash equivalents - restricted	13,294,515	-	13,294,515	-	-	-
Total current assets	<u>47,783,624</u>	<u>4,516,748</u>	<u>52,300,372</u>	<u>638,409</u>	<u>200,833</u>	<u>565,958</u>
Noncurrent assets:						
Net pension asset	151,964	-	151,964	-	-	-
Capital assets:						
Land and construction in progress	5,962,599	708,869	6,671,468	-	925,804	-
Other capital assets, net of depreciation	37,837,723	1,776,770	39,614,493	169,307	2,935,716	309,045
Total capital assets	<u>43,800,322</u>	<u>2,485,639</u>	<u>46,285,961</u>	<u>169,307</u>	<u>3,861,520</u>	<u>309,045</u>
Total noncurrent assets	<u>43,952,286</u>	<u>2,485,639</u>	<u>46,437,925</u>	<u>169,307</u>	<u>3,861,520</u>	<u>309,045</u>
Total assets	<u>91,735,910</u>	<u>7,002,387</u>	<u>98,738,297</u>	<u>807,716</u>	<u>4,062,353</u>	<u>875,003</u>
DEFERRED OUTFLOWS OF RESOURCES						
Charge on refunding	1,133,101	-	1,133,101	-	-	-
Pension deferrals	1,187,498	-	1,187,498	-	-	-
Total deferred outflows of resources	<u>2,320,599</u>	<u>-</u>	<u>2,320,599</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	5,537,883	288,561	5,826,444	20,559	64,939	72,499
Accrued interest payable	251,846	-	251,846	-	-	-
Due to primary government	-	-	-	-	99,633	-
Total current liabilities	<u>5,789,729</u>	<u>288,561</u>	<u>6,078,290</u>	<u>20,559</u>	<u>164,572</u>	<u>72,499</u>
Long-term liabilities:						
Net pension liability - LGERS	1,231,719	-	1,231,719	-	-	-
Net pension liability - LEOSSA	822,544	-	822,544	-	-	-
Due within one year	6,380,374	96,336	6,476,710	-	-	-
Due in more than one year	32,861,794	2,839,332	35,701,126	-	-	-
Total long-term debt	<u>41,296,431</u>	<u>2,935,668</u>	<u>44,232,099</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>47,086,160</u>	<u>3,224,229</u>	<u>50,310,389</u>	<u>20,559</u>	<u>164,572</u>	<u>72,499</u>
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	183,727	-	183,727	-	-	-
Pension deferrals	647,054	-	647,054	-	-	-
Total deferred inflows of resources	<u>830,781</u>	<u>-</u>	<u>830,781</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	18,093,988	2,416,009	20,509,997	169,307	3,861,520	309,045
Restricted for:						
Stabilization by State statute	5,177,753	-	5,177,753	111,150	172,455	154,758
Debt service	3,294,272	-	3,294,272	-	-	-
Court facilities	10,283	-	10,283	-	-	-
Capital projects	10,403,265	-	10,403,265	-	-	-
Emergency communications	2,683,163	-	2,683,163	-	-	-
Register of deeds	327,183	-	327,183	-	-	-
Unrestricted	6,149,661	1,362,149	7,511,810	506,700	(136,194)	338,701
Total net position	<u>\$ 46,139,568</u>	<u>\$ 3,778,158</u>	<u>\$ 49,917,726</u>	<u>\$ 787,157</u>	<u>\$ 3,897,781</u>	<u>\$ 802,504</u>

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

Rutherford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Exhibit 2

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
Primary government:										
Governmental activities:										
General government	\$ 7,123,583	\$ 407,846	\$ -	\$ -	\$ (6,715,737)	\$ -	\$ (6,715,737)			
Public safety	16,918,343	3,675,180	834,817	61,527	(12,346,819)	-	(12,346,819)			
Environmental protection	142,376	1,219	28,652	-	(112,505)	-	(112,505)			
Economic and physical development	10,774,441	11,500	418,862	152,089	(10,191,990)	-	(10,191,990)			
Human services	14,971,333	551,751	10,663,888	-	(3,755,694)	-	(3,755,694)			
Cultural and recreation	131,504	-	-	-	(131,504)	-	(131,504)			
Education	18,212,776	-	110,000	1,053,300	(17,049,476)	-	(17,049,476)			
Interest on long-term debt	1,133,416	-	-	-	(1,133,416)	-	(1,133,416)			
Total governmental activities	<u>69,407,772</u>	<u>4,647,496</u>	<u>12,056,219</u>	<u>1,266,916</u>	<u>(51,437,141)</u>	<u>-</u>	<u>(51,437,141)</u>			
Business-type activities:										
Solid waste disposal	3,786,627	3,786,670	445,914	-	-	445,957	445,957			
Total business-type activities	<u>3,786,627</u>	<u>3,786,670</u>	<u>445,914</u>	<u>-</u>	<u>-</u>	<u>445,957</u>	<u>445,957</u>			
Total primary government	<u>\$ 73,194,399</u>	<u>\$ 8,434,166</u>	<u>\$ 12,502,133</u>	<u>\$ 1,266,916</u>	<u>(51,437,141)</u>	<u>445,957</u>	<u>(50,991,184)</u>			
Component units:										
Tourism Development Authority	\$ 748,698	\$ -	\$ -	\$ -			\$ (748,698)	\$ -	\$ -	
Rutherford County Airport Authority	671,385	305,239	218,968	-			-	(147,178)	-	
Transit Administration	1,044,884	676,779	561,093	-			-	-	192,988	
Total component units	<u>\$ 2,464,967</u>	<u>\$ 982,018</u>	<u>\$ 780,061</u>	<u>\$ -</u>			<u>(748,698)</u>	<u>(147,178)</u>	<u>192,988</u>	
General revenues:										
Taxes:										
Property taxes, levied for general purpose					41,137,349	-	41,137,349	-	-	-
Local option sales tax					11,122,892	-	11,122,892	-	-	-
Other taxes and licenses					293,483	-	293,483	940,867	-	-
Investment earnings, unrestricted					39,246	3,045	42,291	1,143	-	-
Miscellaneous, unrestricted					483,235	-	483,235	656	2,804	-
Total general revenues excluding transfers					<u>53,076,205</u>	<u>3,045</u>	<u>53,079,250</u>	<u>942,666</u>	<u>2,804</u>	<u>-</u>
Transfers					(125,000)	125,000	-	-	-	-
Total general revenues and transfers					<u>52,951,205</u>	<u>128,045</u>	<u>53,079,250</u>	<u>942,666</u>	<u>2,804</u>	<u>-</u>
Change in net position					1,514,064	574,002	2,088,066	193,968	(144,374)	192,988
Net position, beginning					44,625,504	3,204,156	47,829,660	593,189	4,042,155	609,516
Net position, ending					<u>\$ 46,139,568</u>	<u>\$ 3,778,158</u>	<u>\$ 49,917,726</u>	<u>\$ 787,157</u>	<u>\$ 3,897,781</u>	<u>\$ 802,504</u>

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

Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit 3

	Major					Non-major	Total
	General	Debt Service	Grant Fund	Grey Rock Capital Project	Queen's Gap Capital Project	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 19,927,033	\$ 3,254,756	\$ -	\$ -	\$ -	\$ 967,673	\$ 24,149,462
Receivables, net	3,122,350	-	-	-	-	386,881	3,509,231
Due from other governments	4,138,449	304,229	79,565	-	-	92,653	4,614,896
Due from component unit	99,633	-	-	-	-	-	99,633
Advance to internal service fund	454,221	-	-	-	-	-	454,221
Prepaid items	290,926	-	-	-	-	15,700	306,626
Inventories	423,900	-	-	-	-	-	423,900
Cash and cash equivalents - restricted	619,536	-	242,629	1,768,674	6,795,973	3,867,703	13,294,515
Total assets	\$ 29,076,048	\$ 3,558,985	\$ 322,194	\$ 1,768,674	\$ 6,795,973	\$ 5,330,610	\$ 46,852,484
LIABILITIES							
Accounts payable and accrued liabilities	\$ 4,317,924	\$ -	\$ 29,697	\$ 2,450	\$ 486,169	\$ 304,222	\$ 5,140,462
Total liabilities	4,317,924	-	29,697	2,450	486,169	304,222	5,140,462
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	181,504	-	-	-	-	2,223	183,727
Property taxes and other receivables	3,113,347	-	-	-	-	386,881	3,500,228
Total deferred inflows of resources	3,294,851	-	-	-	-	389,104	3,683,955
FUND BALANCES							
Nonspendable:							
Inventories and prepaid items	714,826	-	-	-	-	-	714,826
Restricted:							
Stabilization by State statute	4,701,306	304,229	79,565	-	-	92,653	5,177,753
Debt service	39,516	3,254,756	-	-	-	-	3,294,272
Court facilities	10,283	-	-	-	-	-	10,283
Capital projects	533,093	-	212,932	1,766,224	6,309,804	1,581,212	10,403,265
Public safety	46,927	-	-	-	-	2,636,236	2,683,163
Register of deeds	-	-	-	-	-	327,183	327,183
Assigned:							
Subsequent year's expenditures	1,000,000	-	-	-	-	-	1,000,000
HVAC replacement	352,457	-	-	-	-	-	352,457
Roof replacement	280,345	-	-	-	-	-	280,345
Unassigned	13,784,520	-	-	-	-	-	13,784,520
Total fund balances	21,463,273	3,558,985	292,497	1,766,224	6,309,804	4,637,284	38,028,067
Total liabilities, deferred inflows of resources and fund balances	\$ 29,076,048	\$ 3,558,985	\$ 322,194	\$ 1,768,674	\$ 6,795,973	\$ 5,330,610	\$ 46,852,484

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

Total fund balances - total governmental funds	\$ 38,028,067
Reconciliation to full accrual basis of accounting (see Note 1)	8,111,501
Net position of governmental activities	\$ 46,139,568

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, 2016

Exhibit 4

	Major					Non-major	Total Governmental Funds
	General	Debt Service	Grant Fund	Grey Rock Capital Project	Queen's Gap Capital Project	Other Governmental Funds	
REVENUES							
Ad valorem taxes	\$ 38,695,914	\$ -	\$ -	\$ -	\$ -	\$ 2,313,224	\$ 41,009,138
Local option sales taxes	4,249,438	6,104,526	-	-	-	768,928	11,122,892
Restricted intergovernmental	10,910,107	575,000	1,322,347	-	-	529,530	13,336,984
Permits and fees	1,020,999	-	-	-	-	-	1,020,999
Sales and services	4,434,718	11,500	-	-	-	-	4,446,218
Investment earnings	23,845	1,814	-	-	12,756	831	39,246
Miscellaneous	401,316	-	-	10,000	-	-	411,316
Total revenues	59,736,337	6,692,840	1,322,347	10,000	12,756	3,612,513	71,386,793
EXPENDITURES							
Current:							
General government	6,822,870	-	-	-	-	55,149	6,878,019
Public safety	13,700,210	-	315,807	-	-	3,228,643	17,244,660
Environmental protection	136,256	-	-	-	-	6,024	142,280
Economic and physical development	4,986,852	-	436,735	1,343,169	2,592,397	1,433,496	10,792,649
Human services	14,937,597	-	-	-	-	-	14,937,597
Cultural and recreational	606,405	-	-	-	-	-	606,405
Intergovernmental:							
Education	16,723,013	-	588,300	-	-	-	17,311,313
Debt service:							
Principal	807,487	4,504,570	-	-	-	-	5,312,057
Interest and other charges	13,166	1,368,900	-	-	-	-	1,382,066
Total expenditures	58,733,856	5,873,470	1,340,842	1,343,169	2,592,397	4,723,312	74,607,046
Revenues over (under) expenditures	1,002,481	819,370	(18,495)	(1,333,169)	(2,579,641)	(1,110,799)	(3,220,253)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	92,473	81,700	-	-	-	54,320	228,493
Transfers to other funds	(261,020)	-	-	-	-	(92,473)	(353,493)
Proceeds from sale of assets	71,919	-	-	-	-	-	71,919
Capital lease obligations issued	640,825	-	-	-	-	-	640,825
Total other financing sources (uses)	544,197	81,700	-	-	-	(38,153)	587,744
Net changes in fund balances	1,546,678	901,070	(18,495)	(1,333,169)	(2,579,641)	(1,148,952)	(2,632,509)
Fund balances, beginning	19,916,595	2,657,915	310,992	3,099,393	8,889,445	5,786,236	40,660,576
Fund balances, ending	\$ 21,463,273	\$ 3,558,985	\$ 292,497	\$ 1,766,224	\$ 6,309,804	\$ 4,637,284	\$ 38,028,067

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

Net changes in fund balances - total governmental funds	\$ (2,632,509)
Reconciliation to full accrual basis of accounting (see Note 1)	4,146,573
Total change in net assets of governmental activities	\$ 1,514,064

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

Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 41,356,375	\$ 38,590,800	\$ 38,695,914	\$ 105,114
Local option sales taxes	3,456,208	3,456,208	4,249,438	793,230
Restricted intergovernmental	11,138,971	11,556,824	10,910,107	(646,717)
Permits and fees	826,500	826,500	1,020,999	194,499
Sales and services	3,947,666	4,135,900	4,434,718	298,818
Investment earnings	15,001	15,001	23,845	8,844
Miscellaneous	171,994	392,264	401,316	9,052
Total revenues	<u>60,912,715</u>	<u>58,973,497</u>	<u>59,736,337</u>	<u>762,840</u>
Expenditures:				
Current:				
General government	7,255,617	7,719,054	6,822,870	896,184
Public safety	14,870,732	14,923,878	13,700,210	1,223,668
Environmental protection	142,239	142,239	136,256	5,983
Economic and physical development	7,852,647	5,178,590	4,986,852	191,738
Human services	15,623,985	16,026,098	14,937,597	1,088,501
Cultural and recreational	564,078	618,604	606,405	12,199
Intergovernmental:				
Education	16,580,457	17,393,757	16,723,013	670,744
Total current expenditures	<u>62,889,755</u>	<u>62,002,220</u>	<u>57,913,203</u>	<u>4,089,017</u>
Debt service:				
Principal retirement			807,487	
Interest and other charges			13,166	
Total debt service	<u>1,098,147</u>	<u>1,114,361</u>	<u>820,653</u>	<u>293,708</u>
Total expenditures	<u>63,987,902</u>	<u>63,116,581</u>	<u>58,733,856</u>	<u>4,382,725</u>
Revenues over (under) expenditures	<u>(3,075,187)</u>	<u>(4,143,084)</u>	<u>1,002,481</u>	<u>5,145,565</u>
Other financing sources (uses):				
Transfers from other funds	1,058,476	637,981	92,473	(545,508)
Transfers to other funds	(246,643)	(271,560)	(261,020)	10,540
Capital lease financing	463,105	640,825	640,825	-
Proceeds from sale of capital assets	30,000	83,000	71,919	(11,081)
Appropriated fund balances	1,770,249	3,052,838	-	(3,052,838)
Total other financing sources (uses)	<u>3,075,187</u>	<u>4,143,084</u>	<u>544,197</u>	<u>(3,598,887)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,546,678</u>	<u>\$ 1,546,678</u>
Fund balance, beginning			<u>19,916,595</u>	
Fund balance, ending			<u>\$ 21,463,273</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, 2016

	Enterprise Fund	Internal Service
	Solid	Fund
	Waste	County
	Disposal	Technology
	Fund	Upgrade
	Fund	Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,914,516	\$ 464,788
Receivables, net	536,018	-
Due from other governments	65,314	14,553
Prepaid expenses	900	-
Total current assets	<u>4,516,748</u>	<u>479,341</u>
Capital assets:		
Land and improvements	708,869	-
Other capital assets, net of depreciation	1,776,770	-
Total capital assets	<u>2,485,639</u>	<u>-</u>
Total assets	<u>7,002,387</u>	<u>479,341</u>
LIABILITIES		
Current liabilities:		
Accounts payable	288,561	397,421
Current portion of long-term liabilities	96,336	-
Total current liabilities	<u>384,897</u>	<u>397,421</u>
Noncurrent liabilities:		
Advance from the general fund	-	454,221
Accrued landfill closure and postclosure care costs	2,839,332	-
Total long-term liabilities	<u>2,839,332</u>	<u>454,221</u>
Total liabilities	<u>3,224,229</u>	<u>851,642</u>
NET POSITION		
Net investment in capital assets	2,416,009	-
Unrestricted	1,362,149	(372,301)
Total net position (deficit)	<u>\$ 3,778,158</u>	<u>\$ (372,301)</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, 2016

	Enterprise Fund	Internal Service Fund
	Solid Waste Disposal Fund	County Technology Upgrade Fund
OPERATING REVENUES		
Charges for services	\$ 3,786,670	\$ 212,999
Miscellaneous	445,914	-
Total operating revenues	<u>4,232,584</u>	<u>212,999</u>
OPERATING EXPENSES		
Salaries, wages, and fringe benefits	1,117,362	68,996
Maintenance and repairs	46,154	-
Other operating expenses	2,267,113	103,521
Landfill closure and postclosure care costs	71,112	-
Depreciation	283,607	-
Total operating expenses	<u>3,785,348</u>	<u>172,517</u>
Operating income	<u>447,236</u>	<u>40,482</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	3,045	-
Interest and other charges	(1,279)	-
Total nonoperating revenue (expenses)	<u>1,766</u>	<u>-</u>
Income before transfers	449,002	40,482
Transfers from other funds, net	<u>125,000</u>	<u>-</u>
Change in net position	<u>574,002</u>	<u>40,482</u>
Total net position (deficit), beginning	<u>3,204,156</u>	<u>(412,783)</u>
Total net position (deficit), ending	<u>\$ 3,778,158</u>	<u>\$ (372,301)</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, 2016

	Enterprise Fund	Internal Service Fund
	Solid Waste Disposal Fund	County Technology Upgrade Fund
Cash flows from operating activities:		
Cash received from customers	\$ 4,251,647	\$ 212,999
Cash paid to employees for services	(1,101,750)	(68,996)
Cash paid for goods and services	(2,295,029)	(118,074)
Net cash provided by operating activities	<u>854,868</u>	<u>25,929</u>
Cash flows from noncapital financing activities:		
Transfers in	125,000	-
Due from other funds	-	(143,959)
Due from other governments	(52,422)	-
Net cash provided (used) by noncapital financing activities	<u>72,578</u>	<u>(143,959)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(117,132)	-
Principal paid on long-term debt	(118,467)	-
Interest paid on long-term debt	(1,279)	-
Net cash used by capital and related financing activities	<u>(236,878)</u>	<u>-</u>
Cash flows from investing activities:		
Interest and investment revenue	3,045	-
Net cash provided by investing activities	<u>3,045</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	693,613	(118,030)
Cash and cash equivalents, beginning of year	3,220,903	582,818
Cash and cash equivalents, end of year	<u>\$ 3,914,516</u>	<u>\$ 464,788</u>

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

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	Solid Waste Disposal Fund	County Technology Upgrade Fund
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 447,236	\$ 40,482
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	283,607	-
Landfill closure and postclosure care costs	71,112	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	19,063	(14,553)
(Increase) decrease in prepaids	(900)	-
Increase (decrease) in accounts payable and accrued liabilities	34,750	-
Total adjustments	<u>407,632</u>	<u>(14,553)</u>
Net cash provided by operating activities	<u>\$ 854,868</u>	<u>\$ 25,929</u>

**Rutherford County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 220,182
Accounts receivable	40,919
Total assets	261,101
LIABILITIES	
Accounts payable	157,516
Due to other taxing units	103,585
Total liabilities	261,101
NET POSITION	\$ -

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, 2016

Note 1 – Summary of Significant Accounting Policies

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

(A) Reporting Entity

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

Rutherford County Industrial Facility and Pollution Control Financing Authority

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

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

Rutherford County Airport Authority

The County appoints a majority of the Board of Directors of the Rutherford County Airport Authority ("Authority"). Operations of the Authority are budgeted and administered as a part of the general fund. The Authority does not issue separate financial statements. The Statement of Net Position and Statement of Activities for this governmental activity component unit are discretely presented in separate columns in the government-wide financial statements.

Rutherford County Transit Administration

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

Rutherford County Tourism Development Authority

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

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

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

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

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

The County reports the following major enterprise fund:

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

The County also reports the following fund types:

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

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The

government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Internal Service Fund. The County has appropriated funds for the purpose of 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, and Solid Waste Disposal Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Fund, Grey Rock Capital Project Fund, Queen's Gap Capital Project Fund, General Capital Projects Fund, and the CDBG Grant Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and proprietary funds, and at the object level for the capital projects funds. All amendments at the functional level must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

(1) **Deposits and Investments**

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

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

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

(2) **Cash and Cash Equivalents**

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

(3) **Restricted Assets**

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

Governmental Activities:

General Fund

Unspent bond proceeds	\$ 572,609
Drug Forfeiture Funds	46,927

Grant Fund

Unexpended grant funds	242,629
------------------------	---------

Grey Rock Capital Project Fund

Unexpended surety bond settlement proceeds	1,768,674
--	-----------

Queen's Gap Capital Project Fund

Unexpended bond proceeds	6,795,973
--------------------------	-----------

General Capital Projects Fund

Unexpended bond proceeds	611,654
--------------------------	---------

Emergency Telephone System

E-911 Funds	592,491
-------------	---------

Fire District Fund

Taxes collected and held on behalf of County fire districts	2,332,835
---	-----------

Register of Deeds Automation Enhancement Fund

Unexpended restricted Register of Deeds fees	327,771
--	---------

CDBG Grant Fund

Unexpended grant funds	2,952
------------------------	-------

Total restricted cash and cash equivalents	<u>\$ 13,294,515</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, 2015. 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, other 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 another financing source.

(10) Compensated Absences

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

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

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

Net position in government-wide and proprietary fund financial statements are classified 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 of State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

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

Restricted for 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's in the best interest of the County.

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

(12) **Defined Benefit Pension Plans**

The County participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, 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 \$8,111,501 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)	\$ 76,170,437
Less accumulated depreciation	<u>(32,370,115)</u>
Net capital assets	43,800,322
Net pension asset	151,964
Contributions to the pension plan in the current fiscal year	1,093,600
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements.	706,020
Long term note receivable recorded on the government-wide statement of net position but not on fund statements because it is not a current financial source of funds	200,000
Net deficit of internal service fund	(372,301)
Pension related deferrals	(553,156)
Liabilities for deferred inflows of resources recorded in the fund statements but not the government-wide	3,500,228
Deferred charges related to advance refunding bonds issued recorded on the government-wide statement of net position but are not current financial resources	1,133,101
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	(38,044,045)
Compensated absences	(1,198,123)
Accrued interest payable	(251,846)
Net pension liability (LGERS)	(1,231,719)
LEO separation allowance	<u>(822,544)</u>
Total adjustment	<u>\$ 8,111,501</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The

net adjustment of \$4,146,573 consists of several elements as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets	\$ 1,755,425
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	(2,461,439)
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	(640,825)
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	5,312,057
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	1,093,600
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)	36,860
Amortization of debt premiums	316,306
Amortization of refunding costs not recorded on fund statements	(104,515)
Pension expense	(771,345)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(18,157)
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)	71,148
Increase of deferred inflows of resources – taxes receivable	57,063
Decrease of deferred inflows of resources – Other receivable	(540,087)
Net expense, including transfers, of internal funds determined to be governmental type	<u>40,482</u>
Total adjustment	<u>\$ 4,146,573</u>

(F) Reclassifications

Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Note 2 – Assets**(A) Deposits**

All of the County's, Airport Authority's, Transit Administration's, and Tourism 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, 2016, the County's deposits had a carrying amount of \$30,195,813 and a bank balance of \$30,755,867. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$29,755,867 was covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2016 of \$2,355.

The Transit Administration's deposits had a carrying amount and bank balance of \$411,200, 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 \$522,209, all of which was covered by collateral held under the pooling method.

The Fiduciary Funds' deposits had a carrying amount and bank balance of \$220,182, all of which was covered by collateral held under the pooling method.

(B) Investments

At June 30, 2016, the County's investments consisted of \$11,625,113 in the North Carolina Capital Cash Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

Credit Risk. The County's policy is to limit investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated. In fiscal year ended June 30, 2016, the County only invested in North Carolina Capital Cash Management Trust's Cash Portfolio and North Carolina Short-Term Investment Fund and as of June 30, 2016, 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	\$ 30,195,813	\$ 411,200	\$ 522,209	\$ 220,182	\$ 31,349,404
Cash on hand	2,355	-	-	-	2,355
Investments	11,625,113	-	-	-	11,625,113
	<u>\$ 41,823,281</u>	<u>\$ 411,200</u>	<u>\$ 522,209</u>	<u>\$ 220,182</u>	<u>\$ 42,976,872</u>

Reported on Government-wide statement of net position:

	Primary Government	Transit Administration	Tourism Development Authority	Fiduciary Funds	Total
Cash and cash equivalents	\$ 28,528,766	\$ 411,200	\$ 522,209	\$ 220,182	\$ 29,682,357
Restricted cash	13,294,515	-	-	-	13,294,515
	<u>\$ 41,823,281</u>	<u>\$ 411,200</u>	<u>\$ 522,209</u>	<u>\$ 220,182</u>	<u>\$ 42,976,872</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
2013	\$ 873,207	\$ 207,387	\$ 1,080,594
2014	904,967	133,483	1,038,450
2015	930,772	53,519	984,291
2016	<u>970,524</u>	<u>-</u>	<u>970,524</u>
Total	<u>\$ 3,679,470</u>	<u>\$ 394,389</u>	<u>\$ 4,073,859</u>

(D) **Receivables**

	Accounts	Taxes and Related Accrued Interest	Total
Governmental Activities:			
General	\$ 2,182,564	\$ 6,795,977	\$ 8,978,541
Other Governmental	-	386,881	386,881
Total receivables	2,182,564	7,182,858	9,365,422
Allowance for doubtful accounts	<u>(1,961,171)</u>	<u>(3,189,000)</u>	<u>(5,150,171)</u>
Total - governmental activities	<u>\$ 221,393</u>	<u>\$ 3,993,858</u>	<u>\$ 4,215,251</u>

Business-type Activities			
Solid waste	\$ 611,620	\$ -	\$ 611,620
Allowance for doubtful accounts	<u>(75,602)</u>	<u>-</u>	<u>(75,602)</u>
Total - business-type activities	<u>\$ 536,018</u>	<u>\$ -</u>	<u>\$ 536,018</u>

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

	Local option		
	sales tax	Other	Total
Governmental Activities:			
General	\$ 3,156,381	\$ 996,621	\$ 4,153,002
Other Governmental	<u>-</u>	<u>476,447</u>	<u>476,447</u>
Total - governmental activities	<u>\$ 3,156,381</u>	<u>\$ 1,473,068</u>	<u>\$ 4,629,449</u>

(E) **Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,962,599	\$ -	\$ -	\$ 5,962,599
Construction in progress	202,629	578,287	780,916	-
Total capital assets not being depreciated	<u>6,165,228</u>	<u>578,287</u>	<u>780,916</u>	<u>5,962,599</u>
Capital assets being depreciated:				
Buildings	54,071,542	1,197,611	-	55,269,153
Other improvements	863,008	-	-	863,008
Intangibles	1,518,419	-	-	1,518,419
Equipment	6,545,402	424,966	373,454	6,596,914
Vehicles	6,016,475	335,477	391,608	5,960,344
Total capital assets being depreciated	<u>69,014,846</u>	<u>1,958,054</u>	<u>765,062</u>	<u>70,207,838</u>
Less accumulated depreciation for:				
Buildings	19,252,455	1,378,900	-	20,631,355
Other improvements	626,391	33,541	-	659,932
Intangibles	375,319	204,127	-	579,446
Equipment	5,781,679	372,947	373,454	5,781,172
Vehicles	4,637,894	471,924	391,608	4,718,210
Total accumulated depreciation	<u>30,673,738</u>	<u>2,461,439</u>	<u>765,062</u>	<u>32,370,115</u>
Capital assets being depreciated, net	<u>38,341,108</u>			<u>37,837,723</u>
Governmental Activities capital assets, net	<u>\$ 44,506,336</u>			<u>\$ 43,800,322</u>

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

Governmental activities:

General government	\$ 472,403
Public safety	814,120
Economic and physical development	1,506
Environmental protection	-
Human services	223,848
Cultural and recreational	48,099
Education	901,463
Total depreciation expense	<u>\$ 2,461,439</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 708,869	\$ -	\$ -	\$ 708,869
Total capital assets not being depreciated	<u>708,869</u>	-	-	<u>708,869</u>
Capital assets being depreciated:				
Buildings and improvements	4,033,200	-	-	4,033,200
Equipment	1,628,851	117,132	-	1,745,983
Vehicles	858,082	-	-	858,082
Total capital assets being depreciated	<u>6,520,133</u>	117,132	-	<u>6,637,265</u>
Less accumulated depreciation for:				
Buildings and improvements	2,662,039	111,259	-	2,773,298
Equipment	1,445,959	126,561	-	1,572,520
Vehicles	468,890	45,787	-	514,677
Total accumulated depreciation	<u>4,576,888</u>	283,607	-	<u>4,860,495</u>
Solid Waste Disposal capital assets, net	<u>1,943,245</u>			<u>1,776,770</u>
	<u>\$ 2,652,114</u>			<u>\$ 2,485,639</u>

Construction commitments

The County has commitments with contractors for active construction projects at June 30, 2016 as follows:

Project	Spent-to-date	Remaining Commitment
Grey Rock	\$ 1,497,537	\$ 967,212
Queens Gap	2,486,391	2,778,170
Total construction commitments	<u>\$ 3,983,928</u>	<u>\$ 3,745,382</u>

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	-	-	17,167
Vehicles	1,363,298	203,568	133,441	1,433,425
Total capital assets being depreciated	<u>1,410,380</u>	<u>203,568</u>	<u>133,441</u>	<u>1,480,507</u>
Less accumulated depreciation for:				
Buildings and improvements	997	1,246	-	2,243
Equipment	17,167	-	-	17,167
Vehicles	1,158,301	125,412	131,661	1,152,052
Total accumulated depreciation	<u>1,176,465</u>	<u>126,658</u>	<u>131,661</u>	<u>1,171,462</u>
Transit Authority capital assets, net	<u>233,915</u>			<u>309,045</u>
	<u>\$ 233,915</u>			<u>\$ 309,045</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Airport Authority:				
Capital assets not being depreciated				
Land	\$ 925,804	\$ -	\$ -	\$ 925,804
Total capital assets not being depreciated	<u>925,804</u>	<u>-</u>	<u>-</u>	<u>925,804</u>
Capital assets being depreciated:				
Equipment	4,906,440	-	-	4,906,440
Vehicles	293,251	-	-	293,251
Total capital assets being depreciated	<u>5,199,691</u>	<u>-</u>	<u>-</u>	<u>5,199,691</u>
Less accumulated depreciation for:				
Equipment	1,878,128	122,293	-	2,000,421
Vehicles	237,751	25,803	-	263,554
Total accumulated depreciation	<u>2,115,879</u>	<u>148,096</u>	<u>-</u>	<u>2,263,975</u>
Airport Authority capital assets, net	<u>3,083,812</u>			<u>2,935,716</u>
	<u>\$ 4,009,616</u>			<u>\$ 3,861,520</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	48,373	24,187	-	72,560
TDA capital assets, net	<u>\$ 193,494</u>			<u>\$ 169,307</u>

Note 3 – Liabilities**(A) Payables**

Payables at the government-wide level at June 30, 2016, were as follows:

	Vendors	Accrued EMS/ Medicare Settlement	Salaries and Accrued Benefits	Total
Governmental Activities				
General	\$ 2,420,780	\$ 652,672	\$ 1,244,472	\$ 4,317,924
Other Governmental	822,538	-	-	822,538
Internal service fund	397,421	-	-	397,421
Total - governmental activities	<u>\$ 3,640,739</u>	<u>\$ 652,672</u>	<u>\$ 1,244,472</u>	<u>\$ 5,537,883</u>
Business-type Activities				
Solid Waste	<u>\$ 212,617</u>	<u>\$ -</u>	<u>\$ 75,944</u>	<u>\$ 288,561</u>

Accrued EMS/Medicare settlement relates to certain insurance claims filed by Rutherford County EMS and paid by Medicare in which the County discovered errors in the claims filing process caused by employee conduct to the extent that management determined these claims were not valid and should not have been paid. The County self-reported these errors during the fiscal year ended June 30, 2015 and has since been working to reach a settlement with the U.S. Department of Health and Human Services, Office of Inspector General. Subsequent to June 30, 2016, but prior to financial statement issuance, a settlement was agreed to and paid in the amount of \$652,672.

(B) Pension Plan ObligationsNorth 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.

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, 2015, was 7.54% of compensation for law enforcement officers and 7.06% 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 \$1,130,416 for the year ended June 30, 2015.

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, 2016, the County reported an liability of \$1,231,719 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of

December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset 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, 2015, the County's proportion was .275%, which was an increase of .008% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$586,508. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 289,523
Net difference between projected and actual earnings on pension plan investments	-	350,665
Changes in proportion and differences between County contributions and proportionate share of contributions	85,618	-
County contributions subsequent to the measurement date	1,088,227	-
Total	<u>\$ 1,173,845</u>	<u>\$ 640,188</u>

\$1,088,227 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:

2017	\$ (384,432)
2018	(384,432)
2019	(384,069)
2020	598,363
2021	-
Total	<u>\$ (554,570)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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</u> <u>(6.25%)</u>	<u>Discount Rate</u> <u>(7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 8,588,920	\$ 1,231,715	\$ (4,966,568)

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. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. There are no separately reported pension trust fund financial statements as it is being funded by a pay-as-you-go basis and no assets have been accumulated.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2015, 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 Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers

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. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 3.57% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a percentage of pay on a closed basis. The remaining amortization period at December

31, 2015 was 15 years.

Annual Pension Cost and Net Pension Obligation: The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 202,966
Interest on net pension obligation	36,771
Adjustment to annual required contribution	<u>(64,625)</u>
Annual pension cost	175,112
Contributions made	<u>(87,978)</u>
Increase in net pension obligation	87,134
Net pension obligation beginning of year	<u>735,410</u>
Net pension obligation end of year	<u><u>\$ 822,544</u></u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/14	123,723	55.83%	650,721
6/30/15	159,823	47.01%	735,410
6/30/16	175,112	50.24%	822,544

Funded Status and Funding Progress:

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$2,115,637. The covered payroll (annual payroll of active employees covered by the plan) was \$3,523,604 and the ratio of the UAAL to the covered payroll was 60.04%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Service Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2016 were \$204,145, which consisted of \$167,991 from the County and \$36,154 from the law enforcement officers.

Supplemental Retirement Income Plan for General Employees

Plan Description: The County, Rutherford County Transit Administration and Rutherford County Tourism Development Authority voluntarily contribute to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension

plan administered by the Department of State Treasurer and a Board of Trustees, for all full-time non-law enforcement employees. The Plan provides retirement benefits to employees of the County who are members of the Local Government Employees' Retirement System. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy: The County, Rutherford County 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. Contributions for the fiscal year ended June 30, 2016 were \$578,118, which consisted of \$398,352 from the County and \$179,766 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2016 were \$10,236, which consisted of \$7,944 from the Rutherford County Transit Administration and \$2,292 from the employees. Contributions for Tourism Development Authority employees for the fiscal year ended June 30, 2016 were \$5,779, which consisted of \$4,419 from the Tourism Development Authority and \$1,360 from the employees. Contributions for Airport Authority employees were \$2,111, which consisted of \$2,111 from the Airport Authority and \$0 from the employees.

Other Postemployment Benefits:

Postemployment Healthcare Benefits

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

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

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

prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense. Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2016, the County paid all annual required contributions to the Plan for postemployment healthcare benefits of \$884,343. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2016 were \$22,279. Contributions for Tourism Development Authority employees for the fiscal year ended June 30, 2016 were \$4,125. Contributions for Airport Authority employees for the fiscal year ended June 30, 2016 were \$2,907. These contributions represented 5.60% 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, 2016, the County made \$16,315 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 0.10% and 0.10% of covered payroll, respectively. For the fiscal year ended June 30, 2016, 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. ROSPF 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.

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 \$4,822 for the year ended June 30, 2015.

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

At June 30, 2016, the County reported an asset of \$151,964 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County’s proportion was .656%, which was an increase of .022% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension revenue of \$(5,592). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 744	\$ 2,516
Net difference between projected and actual earnings on pension plan investments	7,536	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	4,349
County contributions subsequent to the measurement date	5,373	-
Total	\$ 13,653	\$ 6,865

\$5,373 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:

2017	\$	(994)
2018		(913)
2019		1,289
2020		2,033
2021		-
Total	<u>\$</u>	<u>1,415</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 201 is 2.2%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. 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 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 5.75 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<u>1% Decrease (4.75%)</u>	<u>Discount Rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (137,102)	\$ (151,961)	\$ 164,748

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, 2016, the program had 413 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, 2016 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions - difference between expected and actual experience	\$ 744	\$ 292,039
Pensions - difference between projected and actual investment earnings	7,536	350,665
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	85,618	4,349
Contributions to pension plan subsequent to measurement date	1,093,600	-
Prepaid taxes not yet earned (General Fund)	-	183,727
Ad valorem taxes receivable, net (General Fund)	-	2,900,957
Other receivables, net (General Fund)	-	212,390
Ad valorem taxes receivable, net (Special Revenue)	-	386,881
Charge on refunding of debt	<u>1,133,101</u>	<u>-</u>
Total	<u>\$ 2,320,599</u>	<u>\$ 4,331,008</u>

(E) Claims and Judgments

At June 30, 2016, 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, 2016:

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:

(See following page)

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
<u>Governmental Activities</u>				
<u>Serviced by the General Fund:</u>				
Software/Hardware lease purchase agreement, 2011, \$366,902 issue, monthly payments of \$6,527, including interest at 1.95% through December 2015.	\$ 38,939	\$ -	\$ 38,939	\$ -
Vehicle and equipment lease purchase agreement agreement, 2013, \$1,066,500 issue, monthly payments of \$30,036, including interest at .0897% through January 2016	209,628	-	209,628	-
Vehicle and equipment lease purchase agreement agreement, 2013, \$1,066,500 issue, monthly payments of \$30,036, including interest at .0897% through January 2016	318,011	-	200,289	117,722
Vehicle and equipment lease purchase agreement agreement, 2015, \$872,803 issue, monthly payments of \$24,671, including interest at 1.136% through February 2018	777,287	-	288,728	488,559
Vehicle and equipment lease purchase agreement agreement, 2016, \$640,825 issue, monthly payments of \$18,181, including interest at 1.378% through February 2019	-	640,825	69,902	570,923
Total capital leases	<u>\$ 1,343,865</u>	<u>\$ 640,825</u>	<u>\$ 807,486</u>	<u>\$ 1,177,204</u>

For Rutherford County, the future minimum payments as of June 30, 2016, including interest are as follows:

	Governmental Activities	
	Principal	Interest
2017	\$ 624,681	\$ 10,942
2018	411,111	4,437
2019	141,412	749
Total	<u>\$ 1,177,204</u>	<u>\$ 16,128</u>

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

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
<u>Business-Type Activities</u>				
<u>Capital Leases – Solid Waste Enterprise Fund:</u>				
Vehicle and equipment lease purchase agreement, 2014 \$354,000 issue, monthly payments of \$9,979 including interest at 0.956% through January 2017.				
Total Capital Leases	\$ 188,098	\$ -	\$ 118,467	\$ 69,631

For Rutherford County, the future minimum payments as of June 30, 2016, including interest are:

	<u>Solid Waste Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 69,631	\$ 222

(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, 2016 by installment purchases, private placement, certificates of participation (COP's), or limited obligation bonds (LOB's).

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
<u>Governmental Activities</u>				
<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.	\$ 1,800,000	\$ -	\$ 120,000	\$ 1,680,000
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.	2,645,343	-	885,151	1,760,192
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.	18,479,534	-	2,596,155	15,883,379
Refunding certificates of participation, 2013, \$9,790,000 issue interest at 2.190%, payable semiannually, due semiannually to 2028.	9,462,000	-	154,000	9,308,000

Refunding limited obligation bonds, 2012,
\$8,425,000 issue, interest at 2.0%, due
semiannually to 2024.

	5,520,000	-	700,000	4,820,000
Total installment purchases	<u>\$ 37,906,877</u>	<u>\$ -</u>	<u>\$ 4,455,306</u>	<u>\$ 33,451,571</u>

For Rutherford County, the future minimum payments as of June 30, 2016, including interest are:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 4,192,000	\$ 1,065,796
2018	4,329,494	890,584
2019	4,182,713	726,229
2020	4,142,342	585,791
2021	3,932,051	426,406
2022-2026	10,575,971	784,959
2027-2030	2,097,000	66,939
Total	<u>\$ 33,451,571</u>	<u>\$ 4,546,704</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>Balance</u>			<u>Balance</u>
<u>Governmental Activities</u>	<u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
<u>Serviced by the Debt Service Fund:</u>				
Public utilities DENR water quality loan, 2007 \$331,400 issue, interest at 2.305% due semiannually to 2027.	\$ 198,840	\$ -	\$ 16,570	\$ 182,270

For Rutherford County, the future minimum payments as of June 30, 2016, including interest are:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 16,570	\$ 4,201
2018	16,570	3,819
2019	16,570	3,437
2020	16,570	3,056
2021	16,570	2,674
2022-2026	82,850	7,639
2027	16,570	382
Total	<u>\$ 182,270</u>	<u>\$ 25,208</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, 2015	Additions	Retirements	Balance June 30, 2016
<u>General Obligation Bonds</u>				
General obligation bonds, 2006 \$1,520,000 issue interest at 4% to 6%, payable semiannually, due serially 2016.	\$ 75,000	\$ -	\$ 75,000	\$ -
General obligation bonds, 2008 \$1,555,000 issue interest at 3.875% to 4.2%, payable semiannually, due serially 2028.	1,030,000	-	75,000	955,000
Refunding bonds, 2013 \$1,683,000 issue interest at 2.020%, payable semiannually, due serially 2026.	1,477,000	-	99,000	1,378,000
General obligation bonds, 2010 \$1,500,000 issue interest at 4.53%, due semiannually to 2025	1,000,000	-	100,000	900,000
Total general obligation bonds	<u>\$ 3,582,000</u>	<u>\$ -</u>	<u>\$ 349,000</u>	<u>\$ 3,233,000</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>
2017	\$ 349,000	\$ 104,494
2018	345,000	93,357
2019	342,000	82,301
2020	339,000	71,501
2021	330,000	60,803
2022-2026	1,229,000	151,501
2027-2028	299,000	13,824
Total	<u>\$ 3,233,000</u>	<u>\$ 577,781</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$25,706,333 relates to assets the County holds title. Unspent restricted cash related to this debt amounts to \$850,396.

(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, 2016:

	Balance			Balance	
	June 30, 2015	Additions	Retirements	June 30, 2016	Current Portion
Governmental Activities:					
By type of debt:					
Capital leases	\$ 1,343,865	\$ 640,825	\$ 807,486	\$ 1,177,204	\$ 624,681
Installment purchase	37,906,877	-	4,455,306	33,451,571	4,192,000
Revolving fund - DENR	198,840	-	16,570	182,270	16,570
General obligation bonds	3,582,000	-	349,000	3,233,000	349,000
LEO separation allowance	735,410	87,134	-	822,544	-
Net pension liability (LGERS)	-	1,231,719	-	1,231,719	-
Compensated absences	1,179,966	1,114,806	1,096,649	1,198,123	1,198,123
	<u>\$ 44,946,958</u>	<u>\$ 3,074,484</u>	<u>\$ 6,725,011</u>	<u>\$ 41,296,431</u>	<u>\$ 6,380,374</u>

	Balance			Balance	
	June 30, 2015	Additions	Retirements	June 30, 2016	
By purpose:					
School	\$ 29,957,957	\$ 138,325	\$ 3,568,349	\$ 26,527,933	
General government					
-equipment/vehicles/software	1,210,233	502,500	742,760	969,973	
-public facilities	8,363,773	-	989,262	7,374,511	
-economic development	3,499,619	-	327,991	3,171,628	
LEO separation allowance	735,410	87,134	-	822,544	
Net pension liability (LGERS)	-	1,231,719	-	1,231,719	
Compensated absences	1,179,966	1,114,806	1,096,649	1,198,123	
	<u>\$ 44,946,958</u>	<u>\$ 3,074,484</u>	<u>\$ 6,725,011</u>	<u>\$ 41,296,431</u>	

Reconciliation:

Current portion	\$ 6,380,374
Subsequent years	<u>34,916,057</u>
	<u>\$ 41,296,431</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, 2015	Additions	Retirements	June 30, 2016	Portion	
Business-type activities:						
By type of debt:						
Capital lease - equipment	\$ 188,098	\$ -	\$ 118,468	\$ 69,630	\$ 69,630	
Accrued landfill	2,816,403	22,929	-	2,839,332	-	
Compensated absences	33,818	28,607	35,719	26,706	26,706	
	<u>\$ 3,038,319</u>	<u>\$ 51,536</u>	<u>\$ 154,187</u>	<u>\$ 2,935,668</u>	<u>\$ 96,336</u>	

At June 30, 2016, the County had a legal debt margin of approximately \$470,000,000.

(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, 2016, 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, 2016 is \$336,487. In addition, the County is now under a corrective action plan for this landfill for which the County has accrued a projected cost of \$244,157 as of June 30, 2016. The combined post-closure and corrective action plan liability of \$580,644 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 2016. 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 \$1,204,848 reported as of June 30, 2016 representing a cumulative amount reported to date based on the use of 67.01% 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 2016. 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 \$1,053,840 as of June 30, 2016. The projected assessment and corrective costs remaining to accrue as of June 30, 2016 is \$946,160. This liability of \$2,000,000 represents the projected actual costs over the next 28 years based on what it would cost to perform all corrective action in 2016. 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, 2016 consist of \$454,221 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.

Transfers to/from other funds during the year ended June 30, 2016 consist of the following:

From	To	For	Amount
<u>General Fund:</u>			
General	Register of Deeds Automation	Accumulate resources for office automation	\$ 51,348
General	Emergency Telephone System	Reimbursement for certain expenditures	2,972
General	Debt Service	Contribution for EMS station	81,700
General	Solid Waste	Transfer for landfill post closure costs	125,000
			<u>\$ 261,020</u>
<u>Other Governmental Funds:</u>			
College Cap. Projects	General	Capital improvements at the community college	86,824
General Cap. Projects	General	Transfer project surplus back to general fund	5,649
			<u>\$ 92,473</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	\$21,463,273
Less:	
Prepaid items and inventories	714,826
Stabilization by State statute	4,701,306
Restricted for debt service	39,516
Restricted for capital projects	533,093
Restricted for public safety	46,927
Restricted for court facilities	10,283
Assigned - Subsequent year's expenditures	1,000,000
Assigned - HVAC replacement	352,457
Assigned - Roof replacement	280,345
Minimum fund balance informal policy	11,746,771
Remaining fund balance	<u>\$ 2,037,749</u>

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

The County had no outstanding encumbrances at June 30, 2016.

Note 8 – Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets, net of depreciation	\$ 43,800,322	\$ 2,485,639
Less:		
Capital leases	(1,177,204)	(69,630)
Installment purchase contracts	(33,451,571)	-
Revolving fund - DENR	(182,270)	-
General obligation bonds	(3,233,000)	-
Add:		
School related debt	8,072,045	-
Water/Sewer debt	3,415,270	-
Unspent debt proceeds	850,396	-
	<u>\$ 18,093,988</u>	<u>\$ 2,416,009</u>

Note 9 – Joint Ventures**(A) Mental Health**

Vayahealth (formerly Smoky Mountain Center) is the local Medicaid health plan administrator for mental health, substance abuse, and intellectual/developmental disability Medicaid services. Vayahealth 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 Vayahealth 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 Vayahealth 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 Vayahealth, so no equity interest has been reflected in the financial statements at June 30, 2016. The County contributed \$102,168 to fund operations during fiscal year June 30, 2016. Complete financial statements for Vayahealth 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, 2016. The County contributed \$441,728 to the District to fund operations during fiscal year June 30, 2016. 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 \$3,299,571 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2016. 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, 2016. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

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

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$15,820 to the Council during the fiscal year ended June 30, 2016.

Note 11 – Federal and State Assisted Programs

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

Note 12 – Additional Social Welfare Expenditures

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

Medicaid	\$ 104,968,788
Children's Insurance Program	1,508,519
Special Supplemental Nutrition Program for Women, Infants, and Children	1,367,322
Temporary assistance to needy families	431,742
Title IV-E adoption / foster care	1,080,073
State / County special assistance	595,920
Refugee assistance	362
Independent Living Grant	8,571
CWS Adoption Subsidy	159,558
State Foster Home	84,716
SFHS Maximization	90,989
	<u><u>\$ 110,296,560</u></u>

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

**REQUIRED SUPPLEMENTAL
FINANCIAL DATA**

RUTHERFORD COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/06	\$ -	\$ 721,048	\$ 721,048	0%	\$2,442,030	29.53%
12/31/07	-	838,788	838,788	0%	2,717,526	30.87%
12/31/08	-	836,543	836,543	0%	2,898,872	28.86%
12/31/09	-	1,205,264	1,205,264	0%	3,223,468	37.39%
12/31/10	-	1,032,844	1,032,844	0%	2,952,299	34.98%
12/31/11	-	1,081,303	1,081,303	0%	2,983,001	36.25%
12/31/12	-	1,183,001	1,183,001	0%	3,019,304	39.18%
12/31/13	-	1,347,018	1,347,018	0%	3,169,636	42.50%
12/31/14	-	1,473,455	1,473,455	0%	3,366,379	43.77%
*12/31/15	-	2,115,637	2,115,637	0%	3,523,604	60.04%

* For the 12/31/15 valuation, actuarial assumptions were updated based on the recent Experience Study completed for the Local Government Employees' Retirement System and to prepare for the upcoming changes required under GASB Statement No. 73.

RUTHERFORD COUNTY, NORTH CAROLINA

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportionate share of the net pension liability (asset) (%)	0.27445%	0.26645%	0.26540%
County's proportion of the net pension liability (asset) (\$)	\$ 1,231,719	\$ (1,571,379)	\$ 3,199,089
County's covered-employee payroll	16,244,597	16,011,558	15,382,073
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.58%	(9.81%)	20.80%
Plan fiduciary net position as a percentage of the total pension liability **	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 THREE FISCAL YEARS**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,088,227	\$ 1,130,416	\$ 1,087,513
Contribution in relation to the contractually required contribution	<u>1,088,227</u>	<u>1,130,416</u>	<u>1,087,513</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 16,244,597	\$ 16,011,558	\$ 15,382,073
Contributions as a percentage of covered- employee payroll	6.70%	7.06%	7.07%

RUTHERFORD COUNTY, NORTH CAROLINA

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

Register of Deeds' Supplemental Pension Fund

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportionate share of the net pension liability (asset) (%)	0.65574%	0.63346%	0.62267%
County's proportion of the net pension liability (asset) (\$)	\$ (151,964)	\$ (143,580)	\$ (133,002)
County's covered-employee payroll	69,393	67,250	66,020
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.99%	213.50%	201.46%
Plan fiduciary net position as a percentage of the total pension liability	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 THREE FISCAL YEARS**

Register of Deeds' Supplemental Pension Fund

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 36,776,800	\$ 37,366,649	\$ 589,849
Prior years	1,490,000	1,044,972	(445,028)
Penalties and interest	324,000	284,293	(39,707)
Total	<u>38,590,800</u>	<u>38,695,914</u>	105,114
Local option sales taxes	<u>3,456,208</u>	<u>4,249,438</u>	793,230
Restricted intergovernmental revenues:			
ABC net revenues	12,000	13,799	1,799
Court facilities	90,000	85,911	(4,089)
Federal and state grants	11,454,824	10,810,397	(644,427)
Total	<u>11,556,824</u>	<u>10,910,107</u>	(646,717)
Permits and fees:			
Building permits	302,500	441,570	139,070
Register of deeds	290,000	283,233	(6,767)
Marriage license	12,000	11,575	(425)
Revenue stamps	156,000	218,677	62,677
Video programming tax	43,000	39,966	(3,034)
Other fees	23,000	25,978	2,978
Total	<u>826,500</u>	<u>1,020,999</u>	194,499
Sales and services:			
Rents, concessions and fees	514,021	568,690	54,669
Sheriff's fees	365,994	405,181	39,187
Senior center meals	74,305	50,065	(24,240)
EMS fees	2,692,580	2,820,329	127,749
Court costs, fees and charges	82,000	66,998	(15,002)
Detention center fees	360,500	478,638	118,138
Tax collection fees	42,000	42,317	317
Animal shelter fees	4,500	2,500	(2,000)
Total	<u>4,135,900</u>	<u>4,434,718</u>	298,818
Investment earnings	<u>15,001</u>	<u>23,845</u>	8,844
Miscellaneous	<u>392,264</u>	<u>401,316</u>	9,052
Total revenues	<u>58,973,497</u>	<u>59,736,337</u>	762,840

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General Government:			
Governing body	295,304	293,405	1,899
Manager	147,808	144,643	3,165
Board of elections	320,221	281,773	38,448
Finance and purchasing	398,092	388,649	9,443
Information technology	1,553,099	1,303,364	249,735
Revenue collections	1,576,263	1,456,700	119,563
Legal	130,000	121,053	8,947
Register of deeds	281,957	264,511	17,446
Human resources	228,120	161,024	67,096
Public buildings / recreation	2,144,897	1,798,108	346,789
County garage	166,898	166,660	238
Court facilities	205,658	151,559	54,099
Special allocations	270,737	291,421	(20,684)
	<hr/>	<hr/>	<hr/>
Total general government	7,719,054	6,822,870	896,184
Public Safety:			
Sheriff's department	5,799,781	5,551,128	248,653
College security officer	133,809	122,516	11,293
Detention center	2,685,388	2,598,071	87,317
Communications	1,191,234	1,173,716	17,518
Inspections	514,502	445,441	69,061
Coroner	70,000	67,800	2,200
Emergency services	4,108,363	3,347,780	760,583
Special allocations	13,090	13,090	-
Fire prevention	181,003	170,607	10,396
Animal control	226,708	210,061	16,647
	<hr/>	<hr/>	<hr/>
Total public safety	14,923,878	13,700,210	1,223,668
Environmental Protection:			
Soil conservation	117,189	113,987	3,202
Watershed	25,050	22,269	2,781
	<hr/>	<hr/>	<hr/>
Total environmental protection	142,239	136,256	5,983

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Economic and Physical Development:			
Agricultural extension	217,465	183,120	34,345
Farmers market	25,415	12,128	13,287
Forestry	105,375	78,939	26,436
Airport Authority	130,162	114,474	15,688
Economic Development Commission	4,700,173	4,598,191	101,982
Total economic and physical development	5,178,590	4,986,852	191,738
Human Services:			
Contribution to public health district	441,728	441,728	-
Contribution to mental health district	148,371	102,168	46,203
Veterans service officers	101,132	95,952	5,180
Special appropriation	(67,177)	(54,561)	(12,616)
Social services administration	8,149,515	7,833,224	316,291
Social services programs	6,474,410	5,806,462	667,948
Senior citizens center	249,343	258,594	(9,251)
Meals program	528,776	454,030	74,746
Total human services	16,026,098	14,937,597	1,088,501
Cultural and recreational:			
Libraries	618,604	606,405	12,199
Education:			
Public schools:			
Current expenditures	13,095,375	13,095,375	-
Capital outlay	325,335	328,067	(2,732)
Community college:			
Current expenditures	2,212,747	2,212,747	-
Capital outlay	1,760,300	1,086,824	673,476
Total education	17,393,757	16,723,013	670,744

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Principal retirement		807,487	
Interest and fees		13,166	
Total debt service	1,114,361	820,653	293,708
Total expenditures	63,116,581	58,733,856	4,382,725
Revenues over (under) expenditures	(4,143,084)	1,002,481	5,145,565
Other Financing Sources (Uses):			
Transfers:			
From other funds	637,981	92,473	(545,508)
To other funds	(271,560)	(261,020)	10,540
Capital lease financing	640,825	640,825	-
Proceeds from sale of fixed assets	83,000	71,919	(11,081)
Appropriated fund balance	3,052,838	-	(3,052,838)
Total other financing sources (uses)	4,143,084	544,197	(3,598,887)
Net change in fund balance	\$ -	1,546,678	\$ 1,546,678
Fund balance, beginning of year		19,916,595	
Fund balance, end of year		\$ 21,463,273	

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, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Sales tax	\$ 6,104,526	\$ 6,104,526	\$ -
Lottery funds	575,000	575,000	-
Taps fees	(500)	11,500	12,000
Investment earnings	-	1,814	1,814
Total revenues	<u>6,679,026</u>	<u>6,692,840</u>	13,814
Expenditures:			
Debt service:			
Principal retirement	4,504,570	4,504,570	-
Interest	1,362,182	1,362,180	2
Bond issuance costs	10,000	6,720	3,280
Total expenditures	<u>5,876,752</u>	<u>5,873,470</u>	3,282
Revenues over (under) expenditures	<u>802,274</u>	<u>819,370</u>	17,096
Other Financing Sources (Uses):			
Transfer from general fund	(134,010)	81,700	215,710
Transfer from fire district fund	85,175	-	(85,175)
Contingency	(753,439)	-	753,439
Total other financing sources (uses)	<u>(802,274)</u>	<u>81,700</u>	883,974
Net change in fund balance	<u>\$ -</u>	<u>901,070</u>	<u>\$ 901,070</u>
Fund balance, beginning of year		<u>2,657,915</u>	
Fund balance, end of year		<u><u>\$ 3,558,985</u></u>	

RUTHERFORD COUNTY, NORTH CAROLINA

GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2016

	<u>Actual through June 30, 2016</u>				Variance Positive (Negative)
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental	\$ 4,240,809	\$ 369,745	\$ 1,322,347	\$ 1,692,092	\$ (2,548,717)
Miscellaneous	117,109	303,639	-	303,639	186,530
Total revenues	<u>4,357,918</u>	<u>673,384</u>	<u>1,322,347</u>	<u>1,995,731</u>	<u>(2,362,187)</u>
Expenditures:					
Public safety	542,837	31,697	315,807	347,504	195,333
Economic and physical development	3,068,016	200,734	436,735	637,469	2,430,547
Cultural and recreational	103,590	103,590	-	103,590	-
Education	750,000	132,896	588,300	721,196	28,804
Total expenditures	<u>4,464,443</u>	<u>468,917</u>	<u>1,340,842</u>	<u>1,809,759</u>	<u>2,654,684</u>
Revenues (under) over expenditures	<u>(106,525)</u>	<u>204,467</u>	<u>(18,495)</u>	<u>185,972</u>	<u>292,497</u>
Other Financing Sources:					
Transfers in (out):					
General fund	106,525	106,525	-	106,525	-
	<u>106,525</u>	<u>106,525</u>	<u>-</u>	<u>106,525</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 310,992</u>	<u>(18,495)</u>	<u>\$ 292,497</u>	<u>\$ 292,497</u>
Fund balance, beginning of year			<u>310,992</u>		
Fund balance, end of year			<u>\$ 292,497</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, 2016

	Actual through June 30, 2016			Total To Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
Revenues:					
Surety bond settlement	\$ 15,250,000	\$ 15,250,000	\$ 10,000	\$ 15,260,000	\$ 10,000
Expenditures:					
Economic and physical development:					
Land development	15,250,000	12,150,607	1,343,169	13,493,776	1,756,224
Total expenditures	15,250,000	12,150,607	1,343,169	13,493,776	1,756,224
Revenues over (under) expenditures	\$ -	\$ 3,099,393	(1,333,169)	\$ 1,766,224	\$ 1,766,224
Fund balance, beginning of year			3,099,393		
Fund balance, end of year			\$ 1,766,224		

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, 2016

	Project Authorization	Actual through June 30, 2016			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues:					
Surety bond settlement	\$ 12,100,000	\$ 12,100,000	\$ -	\$ 12,100,000	\$ -
Investment earnings	-	13,420	12,756	26,176	26,176
Total revenues	<u>12,100,000</u>	<u>12,113,420</u>	<u>12,756</u>	<u>12,126,176</u>	<u>26,176</u>
Expenditures:					
Economic and physical development:					
Land development	12,100,000	3,223,975	2,592,397	5,816,372	6,283,628
Total expenditures	<u>12,100,000</u>	<u>3,223,975</u>	<u>2,592,397</u>	<u>5,816,372</u>	<u>6,283,628</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 8,889,445</u>	<u>(2,579,641)</u>	<u>\$ 6,309,804</u>	<u>\$ 6,309,804</u>
Fund balance, beginning of year			<u>8,889,445</u>		
Fund balance, end of year			<u>\$ 6,309,804</u>		

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Capital Projects		Special Revenue Funds				Total Non-Major Governmental Funds
	General Capital Projects Fund	ICC Capital Projects Fund	Emergency Telephone System Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	CDBG Grant Fund	
ASSETS							
Cash and cash equivalents	\$ 613,806	\$ 353,867	\$ -	\$ -	\$ -	\$ -	\$ 967,673
Cash and cash equivalents, restricted	611,654	-	592,491	2,332,835	327,771	2,952	3,867,703
Taxes receivable, net	-	-	-	386,881	-	-	386,881
Due from other governments	24,627	-	46,724	21,096	206	-	92,653
Prepaid items	-	-	15,700	-	-	-	15,700
Total assets	<u>\$ 1,250,087</u>	<u>\$ 353,867</u>	<u>\$ 654,915</u>	<u>\$ 2,740,812</u>	<u>\$ 327,977</u>	<u>\$ 2,952</u>	<u>\$ 5,330,610</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 1,067	\$ -	\$ 86,378	\$ 216,189	\$ 588	\$ -	\$ 304,222
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	-	-	-	2,223	-	-	2,223
Property taxes receivable	-	-	-	386,881	-	-	386,881
Total deferred inflows of resources	-	-	-	389,104	-	-	389,104
FUND BALANCES							
Restricted:							
Stabilization by State statute	24,627	-	46,724	21,096	206	-	92,653
Capital projects	1,224,393	353,867	-	-	-	2,952	1,581,212
Public safety	-	-	521,813	2,114,423	-	-	2,636,236
Register of deeds	-	-	-	-	327,183	-	327,183
Total fund balance	<u>1,249,020</u>	<u>353,867</u>	<u>568,537</u>	<u>2,135,519</u>	<u>327,389</u>	<u>2,952</u>	<u>4,637,284</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,250,087</u>	<u>\$ 353,867</u>	<u>\$ 654,915</u>	<u>\$ 2,740,812</u>	<u>\$ 327,977</u>	<u>\$ 2,952</u>	<u>\$ 5,330,610</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, 2016

	Capital Projects		Special Revenue Funds				Total Non-Major Governmental Funds
	General Capital Projects Fund	ICC Capital Projects Fund	Emergency Telephone System Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Grant CDBG Project Fund	
REVENUES							
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 2,313,224	\$ -	\$ -	\$ 2,313,224
Local option sales tax	-	162,064	-	606,864	-	-	768,928
Restricted intergovernmental	15,800	-	429,205	41,730	-	42,795	529,530
Investment earnings	-	831	-	-	-	-	831
Total revenues	15,800	162,895	429,205	2,961,818	-	42,795	3,612,513
EXPENDITURES							
General government	-	-	-	-	55,149	-	55,149
Public safety	-	-	441,420	2,787,223	-	-	3,228,643
Environmental protection	-	-	-	6,024	-	-	6,024
Economic and physical development	1,390,675	-	-	-	-	42,821	1,433,496
Total expenditures	1,390,675	-	441,420	2,793,247	55,149	42,821	4,723,312
Revenues over (under) expenditures	(1,374,875)	162,895	(12,215)	168,571	(55,149)	(26)	(1,110,799)
OTHER FINANCING SOURCES (USES)							
Transfers:							
From other funds	-	-	2,972	-	51,348	-	54,320
To other funds	(5,649)	(86,824)	-	-	-	-	(92,473)
Total other financing sources (uses)	(5,649)	(86,824)	2,972	-	51,348	-	(38,153)
Net change in fund balance	(1,380,524)	76,071	(9,243)	168,571	(3,801)	(26)	(1,148,952)
Fund balance, beginning of year	2,629,544	277,796	577,780	1,966,948	331,190	2,978	5,786,236
Fund balance, end of year	\$ 1,249,020	\$ 353,867	\$ 568,537	\$ 2,135,519	\$ 327,389	\$ 2,952	\$ 4,637,284

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, 2016

	Project Authorization	Actual through June 30, 2016			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues:					
Real estate tax delinquency collections	\$ 1,425,800	\$ 1,425,800	\$ -	\$ 1,425,800	\$ -
Livestock educational facility donations	64,313	72,405	-	72,405	8,092
Restricted intergovernmental	15,856	-	15,800	15,800	(56)
Total revenues	<u>1,505,969</u>	<u>1,498,205</u>	<u>15,800</u>	<u>1,514,005</u>	<u>8,036</u>
Expenditures:					
Economic and physical development:					
Municipal/authority water and sewer	4,535,786	4,252,813	-	4,252,813	282,973
Industrial development	25,000	-	-	-	25,000
Revenue department implementation	1,425,800	620,566	153,609	774,175	651,625
Livestock educational facility	59,163	66,756	-	66,756	(7,593)
EMS construction project	1,065,856	233,526	621,079	854,605	211,251
Library construction project	800,000	66,583	615,987	682,570	117,430
Total expenditures	<u>7,911,605</u>	<u>5,240,244</u>	<u>1,390,675</u>	<u>6,630,919</u>	<u>1,280,686</u>
Revenues over (under) expenditures	<u>(6,405,636)</u>	<u>(3,742,039)</u>	<u>(1,374,875)</u>	<u>(5,116,914)</u>	<u>1,288,722</u>
Other Financing Sources:					
Proceeds from general obligation bonds	4,575,000	4,575,000	-	4,575,000	-
Proceeds from installment obligations issued	1,850,000	1,800,000	-	1,800,000	(50,000)
Transfers in:					
General Fund	25,000	25,000	-	25,000	-
Debt Service	40,431	40,431	-	40,431	-
Transfers out:					
Debt Service	-	(39,203)	-	(39,203)	(39,203)
Grant Fund	(79,645)	(29,645)	-	(29,645)	50,000
General Fund	(5,150)	-	(5,649)	(5,649)	(499)
Total other financing sources	<u>6,405,636</u>	<u>6,371,583</u>	<u>(5,649)</u>	<u>6,365,934</u>	<u>(39,702)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,629,544</u>	<u>(1,380,524)</u>	<u>\$ 1,249,020</u>	<u>\$ 1,249,020</u>
Fund balance, beginning of year			<u>2,629,544</u>		
Fund balance, end of year			<u>\$ 1,249,020</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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ 25	\$ 831	\$ 806
Local option sales tax	162,064	162,064	-
Total revenues	162,089	162,895	806
Expenditures	-	-	-
Revenues over expenditures	162,089	162,895	806
Other financial sources (uses):			
Transfer to general fund	(379,075)	(86,824)	292,251
Fund balance appropriated	216,986	-	(216,986)
Total other financing sources (uses)	(162,089)	(86,824)	75,265
Net change in fund balance	\$ -	76,071	\$ 76,071
Fund balance, beginning of year		277,796	
Fund balance, ending of year		\$ 353,867	

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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	\$ 429,205	\$ 429,205	\$ -
Total revenues	429,205	429,205	-
Expenditures:			
Public safety	706,210	441,420	264,790
Total expenditures	706,210	441,420	264,790
Revenues over (under) expenditures	(277,005)	(12,215)	264,790
Other financial sources:			
Appropriated fund balance	277,005	-	(277,005)
Transfer from general fund	-	2,972	2,972
Total other financing sources	277,005	2,972	(274,033)
Net change in fund balance	\$ -	(9,243)	\$ (9,243)
Fund balance, beginning of year		577,780	
Fund balance, end of year		\$ 568,537	

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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,195,939	\$ 2,233,284	\$ 37,345
Prior years	38,895	59,535	20,640
Penalties and interest	-	20,405	20,405
	<u>2,234,834</u>	<u>2,313,224</u>	<u>78,390</u>
Other taxes and licenses:			
Local option sales tax	543,617	606,864	63,247
Restricted intergovernmental	41,730	41,730	-
Total revenues	<u>2,820,181</u>	<u>2,961,818</u>	<u>141,637</u>
Expenditures:			
Public safety:			
Cliffside	209,366	209,366	-
Chimney Rock	37,308	37,308	-
Sandy Mush	252,284	231,262	21,022
Bills Creek	215,365	215,365	-
Shingle Hollow	142,800	142,800	-
Shiloh, Danielstown, and Oakland	252,893	252,893	-
Cherry Mountain	230,528	230,528	-
Hudlow	311,825	311,825	-
Rutherfordton	270,994	270,994	-
Ellenboro	284,812	284,812	-
Bostic	98,081	98,081	-
Union Mills	95,620	95,620	-
Green Hill	191,699	191,699	-
Spindale	7,099	7,099	-
Hollis Community	18,615	18,615	-
Edneyville	1,639	1,639	-
Broad River	4,425	4,166	259
Forest City	7,161	7,161	-
Lake Lure	7,802	7,802	-
Fairfield	12,262	11,240	1,022
Contracted	995,846	35,230	960,616
Grant expenditures	41,730	41,730	-
Fire Advisory Training Ground	597,528	79,988	517,540
	<u>4,287,682</u>	<u>2,787,223</u>	<u>1,500,459</u>
Environmental protection:			
Cliffside Sanitary District	6,024	6,024	-
Total expenditures	<u>4,293,706</u>	<u>2,793,247</u>	<u>1,500,459</u>
Revenues over (under) expenditures	<u>(1,473,525)</u>	<u>168,571</u>	<u>1,642,096</u>
Other Financing Sources (Uses):			
Transfers:			
Debt service fund	(3,475)	-	3,475
Appropriated fund balance	1,477,000	-	(1,477,000)
	<u>1,473,525</u>	<u>-</u>	<u>(1,473,525)</u>
Net change in fund balance	<u>\$ -</u>	<u>168,571</u>	<u>\$ 168,571</u>
Fund balance, beginning of year		<u>1,966,948</u>	
Fund balance, end of year		<u>\$ 2,135,519</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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -
Expenditures:			
General Government:			
Administration	5,597	-	5,597
Automation equipment	70,395	55,149	15,246
Total expenditures	75,992	55,149	20,843
Revenues under expenditures	(75,992)	(55,149)	20,843
Other Financing Sources (Uses):			
Transfers in (out):			
General fund	75,992	51,348	24,644
Total other financing sources (uses)	75,992	51,348	24,644
Net change in fund balance	\$ -	(3,801)	\$ (3,801)
Fund balance, beginning of year		331,190	
Fund balance, end of year		\$ 327,389	

RUTHERFORD COUNTY, NORTH CAROLINA

GRANT CDBG PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2016

	Project Authorization	Actual through June 30, 2016		
		Prior Years	Current Year	Total To Date
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Scattered site housing - 2012	228,634	120,301	42,795	163,096
Expenditures:				
Economic and physical development:				
Scattered site housing - 2012	228,634	117,323	42,821	160,144
Net change in fund balance	\$ -	\$ 2,978	(26)	\$ 2,952
Fund balance, beginning of year			2,978	
Fund balance, end of year			\$ 2,952	

PROPRIETARY FUNDS

RUTHERFORD COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2016

	Solid Waste Fund	Solid Waste Reserve Fund	Total
Operating Revenues:			
Charges for services	\$ 3,786,670	\$ -	\$ 3,786,670
Other operating revenues	445,914	-	445,914
Total operating revenues	<u>4,232,584</u>	<u>-</u>	<u>4,232,584</u>
Operating Expenses:			
Salaries	839,199	-	839,199
Employee benefits	278,163	-	278,163
Operating expenses	2,267,113	-	2,267,113
Landfill closure and postclosure care costs	-	71,112	71,112
Depreciation	283,607	-	283,607
Maintenance	46,154	-	46,154
Total operating expenses	<u>3,714,236</u>	<u>71,112</u>	<u>3,785,348</u>
Operating income (loss)	<u>518,348</u>	<u>(71,112)</u>	<u>447,236</u>
Nonoperating Revenues (Expenses):			
Interest income	3,045	-	3,045
Interest expense	(1,279)	-	(1,279)
Total nonoperating revenues (expenses)	<u>1,766</u>	<u>-</u>	<u>1,766</u>
Transfers in (out):			
General fund	-	125,000	125,000
Landfill postclosure expenditures	(48,183)	48,183	-
Total transfers	<u>(48,183)</u>	<u>173,183</u>	<u>125,000</u>
Change in net position	471,931	102,071	574,002
Net position (deficit), beginning of year	<u>4,516,718</u>	<u>(1,312,562)</u>	<u>3,204,156</u>
Net position (deficit), end of year	<u>\$ 4,988,649</u>	<u>\$ (1,210,491)</u>	<u>\$ 3,778,158</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Operating Revenues:			
Charges for services	\$ 3,580,900	\$ 3,786,670	\$ 205,770
Other operating revenues	412,519	445,914	33,395
Total operating revenues	3,993,419	4,232,584	239,165
Nonoperating Revenues:			
Interest income	3,045	3,045	-
Total revenues	3,996,464	4,235,629	239,165
Expenditures:			
Salaries		846,311	
Employee benefits		278,163	
Operating expenses		2,267,113	
Landfill closure		48,183	
Interest and fees		1,279	
Debt principal		118,467	
Capital outlay and maintenance		163,286	
Total expenditures	4,078,316	3,722,802	355,514
Revenues over (under) expenditures	(81,852)	512,827	594,679
Other Financing Sources (Uses):			
Appropriated fund balance	81,852	-	(81,852)
Revenues and other sources over (under) expenditures and other uses	\$ -	512,827	\$ 512,827
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Accrued vacation pay		7,112	
Payment of debt principal		118,467	
Capital outlay		117,132	
Depreciation		(283,607)	
Total reconciling items		(40,896)	
Change in net position		\$ 471,931	

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2016

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

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

Excess of revenues and other sources over (under) expenditures	\$ 125,000
Reconciling Items:	
Landfill closure and postclosure care cost accrual	(71,112)
Payment for landfill closure by solid waste fund	48,183
Total reconciling items	(22,929)
Change in net position	\$ 102,071

RUTHERFORD COUNTY, NORTH CAROLINA

INTERNAL SERVICE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 For the year ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ 208,565	\$ 212,999	\$ 4,434
Expenditures			
Salaries, wages, and fringe benefits	69,190	68,996	194
Capital outlay	103,523	103,521	2
Loan repayment	143,959	-	143,959
Total expenses	316,672	172,517	144,155
Revenues under expenditures	(108,107)	40,482	148,589
Other Financing Sources:			
Appropriated fund balance	108,107	-	108,107
Revenues and other sources over expenditures	\$ -	\$ 40,482	\$ 40,482

AGENCY FUNDS

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 43,415	\$ 288,173	\$ 251,968	\$ 79,620
Liabilities:				
Accounts payable	\$ 43,415	\$ 288,173	\$ 251,968	\$ 79,620
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	\$ 20,505	\$ 32,320	\$ 27,742	\$ 25,083
Accounts receivable	316	507	331	492
	<u>\$ 20,821</u>	<u>\$ 32,827</u>	<u>\$ 28,073</u>	<u>\$ 25,575</u>
Liabilities:				
Accounts payable	\$ 20,821	\$ 32,827	\$ 28,073	\$ 25,575
Other Taxing Units				
Assets:				
Cash and cash equivalents	\$ 118,405	\$ 9,786,926	\$ 9,842,173	\$ 63,158
Accounts receivable	43,299	40,427	43,299	40,427
	<u>\$ 161,704</u>	<u>\$ 9,827,353</u>	<u>\$ 9,885,472</u>	<u>\$ 103,585</u>
Liabilities:				
Due to other taxing units	\$ 161,704	\$ 9,827,353	\$ 9,885,472	\$ 103,585
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	\$ 44,806	\$ 264,612	\$ 257,917	\$ 51,501
Liabilities:				
Accounts payable	\$ 44,806	\$ 264,612	\$ 257,917	\$ 51,501
Deed of Trust Fee Fund				
Assets:				
Cash and cash equivalents	\$ 779	\$ 10,861	\$ 10,820	\$ 820
Liabilities:				
Accounts payable	\$ 779	\$ 10,861	\$ 10,820	\$ 820
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 227,910	\$ 10,382,892	\$ 10,390,620	\$ 220,182
Accounts receivable	43,615	40,934	43,630	40,919
	<u>\$ 271,525</u>	<u>\$ 10,423,826</u>	<u>\$ 10,434,250</u>	<u>\$ 261,101</u>
Liabilities:				
Accounts payable	\$ 109,821	\$ 596,473	\$ 548,778	\$ 157,516
Due to other taxing units	161,704	9,827,353	9,885,472	103,585
	<u>\$ 271,525</u>	<u>\$ 10,423,826</u>	<u>\$ 10,434,250</u>	<u>\$ 261,101</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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 652,891	\$ 678,559	\$ 25,668
State transportation assistance grants	735,334	561,093	(174,241)
Total revenue	1,388,225	1,239,652	(148,573)
Expenditures:			
Salaries		464,127	
Employee benefits		158,344	
Operating expenses		160,506	
Capital outlay and maintenance		338,817	
Total expenditures	1,388,225	1,121,794	266,431
Revenues over expenditures	\$ -	117,858	\$ 117,858
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Capital outlay - items capitalized		203,568	
Net book value of disposed assets		(1,780)	
Depreciation		(126,658)	
Total reconciling items		75,130	
Change in net position		\$ 192,988	

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
RUTHERFORD COUNTY TRANSIT ADMINISTRATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016

	2016
Cash flows from operating activities:	
Cash received from operating revenues	\$ 665,368
Cash paid to employees for services	(622,471)
Cash paid for goods and services	(300,818)
Net cash used by operating activities	(257,921)
Cash flows from noncapital financing activities	
Cash received from operating grants	325,625
Net cash provided by noncapital financing activities	325,625
Cash flows from capital and related financing activities	
Cash received from capital grants	172,813
Proceeds from sale of capital assets	13,191
Acquisition of capital assets	(203,568)
Net cash used by capital and related financing activities	(17,564)
Net increase in cash and cash equivalents	50,140
Cash and cash equivalents at beginning of year	361,060
Cash and cash equivalents at end of year	\$ 411,200
Reconciliation of net income to net cash used by operating activities:	
Operating loss	(368,105)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	126,658
Gain on sale of capital assets	(11,411)
Changes in operating assets and liabilities:	
Increase (decrease) in accounts payable and accrued liabilities	(5,063)
Total adjustments	110,184
Net cash used by operating activities	\$ (257,921)

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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 403,000	\$ 305,239	\$ (97,761)
Operating grants from Rutherford County	113,495	114,474	979
Operating grants from State	105,000	104,494	(506)
Miscellaneous	-	2,804	2,804
Total revenues	621,495	527,011	(94,484)
Expenditures:			
Economic and physical development			
Salaries and benefits	108,645	108,753	(108)
Other operating expenses	512,850	414,536	98,314
Total expenditures	621,495	523,289	98,206
Revenues over expenditures	\$ -	3,722	\$ 3,722
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(148,096)	
Change in net position		\$ (144,374)	

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT
RUTHERFORD COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016

	<u>2016</u>
Cash flows from operating activities:	
Cash received from operating revenues	\$ 308,043
Cash paid to employees for services	(108,066)
Cash paid for goods and services	<u>(373,411)</u>
Net cash used by operating activities	<u>(173,434)</u>
Cash flows from noncapital financing activities	
Cash received from operating grants	113,274
Increase in amount due to primary government	<u>60,160</u>
Net cash provided by noncapital financing activities	<u>173,434</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of net income to net cash used by operating activities:	
Operating loss	<u>\$ (363,342)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	148,096
Changes in operating assets and liabilities:	
(Increase) decrease in inventory	6,249
Increase (decrease) in fuel deposits	25,528
Increase (decrease) in accounts payable and accrued liabilities	<u>10,035</u>
Total adjustments	<u>189,908</u>
Net cash used by operating activities	<u><u>\$ (173,434)</u></u>

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, 2016

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 38,703,182	\$ 37,548,854	\$ 1,154,328
2014-2015	1,451,020	-	703,372	747,648
2013-2014	751,394	-	78,358	673,036
2012-2013	578,548	-	98,794	479,754
2011-2012	998,589	-	86,387	912,202
2010-2011	772,149	-	13,406	758,743
2009-2010	628,847	-	10,843	618,004
2008-2009	532,340	-	7,033	525,307
2007-2008	172,009	-	46,155	125,854
2006-2007	96,147	-	1,066	95,081
2005-2006	80,992	-	80,992	-
	\$ 6,062,035	\$ 38,703,182	\$ 38,675,260	6,089,957
Less allowance for uncollectible ad valorem taxes receivable				(3,189,000)
Ad valorem taxes receivable - net				\$ 2,900,957
Reconciliation with revenues:				
Ad valorem taxes - General fund				\$ 38,695,914
Reconciling items:				
Interest collected				(284,293)
Discounts/adjustments				182,647
Taxes written off				80,992
Total reconciling items				(20,654)
Total collections and credits				\$ 38,675,260

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND
For the year ended June 30, 2016

			<u>Total Levy</u>		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 6,385,754,201	0.607	\$ 38,761,528	\$ 36,023,450	\$ 2,738,078
Penalties	-		3,420	3,420	-
Total	<u>6,385,754,201</u>		<u>38,764,948</u>	<u>36,026,870</u>	<u>2,738,078</u>
Discoveries:					
Current year taxes	1,653,871	0.607	10,039	10,039	-
Advertising costs			6,864	6,864	-
Abatements	<u>(12,960,297)</u>	0.607	<u>(78,669)</u>	<u>(78,669)</u>	<u>-</u>
Total property valuation	<u>\$ 6,374,447,776</u>				
Net levy			38,703,182	35,965,104	2,738,078
Uncollected taxes at June 30, 2016			<u>1,154,328</u>	<u>1,154,328</u>	<u>-</u>
Current year's taxes collected			<u>\$ 37,548,854</u>	<u>\$ 34,810,776</u>	<u>\$ 2,738,078</u>
Current levy collection percentage			<u>97.02%</u>	<u>96.79%</u>	<u>100.00%</u>

RUTHERFORD COUNTY, NORTH CAROLINA

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

June 30, 2016

Fiscal Year	Uncollected Balance July 1, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	\$ 2,327,043	\$ 2,230,892	\$ 96,151
2014-2015	104,845	-	42,612	62,233
2013-2014	55,975	-	4,573	51,402
2012-2013	38,866	-	6,348	32,518
2011-2012	48,803	-	5,011	43,792
2010-2011	35,782	-	1,453	34,329
2009-2010	28,855	-	1,222	27,633
2008-2009	23,931	-	747	23,184
2007-2008	10,253	-	291	9,962
2006-2007	5,760	-	83	5,677
2005-2006	4,670	-	4,670	-
	<u>\$ 357,740</u>	<u>\$ 2,327,043</u>	<u>\$ 2,297,902</u>	
Ad valorem taxes receivable at June 30, 2016				<u>\$ 386,881</u>
Reconcilement with revenues:				
Ad valorem taxes - special districts				<u>\$ 2,313,224</u>
Reconciling items:				
Interest collected				(13,646)
Discounts/adjustments				(6,346)
Taxes written off				4,670
Total reconciling items				<u>(15,322)</u>
Total collections and credits				<u>\$ 2,297,902</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2016

	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	\$ 57,978,000	\$ 0.05	\$ 28,989	\$ 28,443	\$ 546
Sandy Mush Fire					
Property taxed at current year's rate	308,834,000	0.05	154,417	136,178	18,239
Cliffside Sanitary					
Property taxed at current year's rate	6,782,500	0.08	5,426	4,713	713
Bills Creek Fire					
Property taxed at current year's rate	297,920,000	0.06	178,752	173,023	5,729
Shingle Hollow Fire					
Property taxed at current year's rate	113,372,000	0.10	113,372	103,433	9,939
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current year's rate	407,566,000	0.05	203,783	182,185	21,598
Cherry Mountain Fire					
Property taxed at current year's rate	193,441,111	0.09	174,097	161,717	12,380
Hudlow Fire					
Property taxed at current year's rate	313,376,250	0.08	250,701	229,583	21,118
Rutherfordton Fire					
Property taxed at current year's rate	244,780,000	0.09	220,302	200,504	19,798
Cliffside Fire					
Property taxed at current year's rate	321,471,250	0.08	257,177	237,573	19,604
Ellenboro Fire					
Property taxed at current year's rate	322,721,429	0.07	225,905	198,350	27,555
Bostic Fire					
Property taxed at current year's rate	137,046,667	0.06	82,228	74,263	7,965
Union Mills Fire					
Property taxed at current year's rate	150,810,000	0.05	75,405	68,632	6,773
Green Hill Fire					
Property taxed at current year's rate	220,301,429	0.07	154,211	140,497	13,714
Hollis/Polkville Fire					
Property taxed at current year's rate	37,318,000	0.05	18,659	17,058	1,601

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2016

	Property Valuation	Rate	Total Levy	Total Levy	
				Property Excluding Registered Motor Vehicle	Registered Motor Vehicles
Contracted Fire					
Property taxed at current year's rate	217,163,333	0.06	130,298	103,147	27,151
Lake Lure Rural					
Property taxed at current year's rate	8,300,000	0.09	7,470	7,282	188
Fairfield Fire					
Property taxed at current year's rate	14,682,000	0.10	14,682	14,665	17
Broad River Fire					
Property taxed at current year's rate	3,367,000	0.10	3,367	3,219	148
Edneyville Fire					
Property taxed at current year's rate	10,327,000	0.10	10,327	10,327	-
Forest City Rural					
Property taxed at current year's rate	8,527,500	0.08	6,822	6,367	455
Spindale Rural					
Property taxed at current year's rate	8,883,750	0.08	7,107	6,459	648
Queens Gap Water					
Property taxed at current year's rate	1,668,710	0.31	5,173	5,173	-
Total			<u>2,328,670</u>	<u>2,112,791</u>	<u>215,879</u>
Penalties			336	336	-
Discoveries			<u>2,223</u>	<u>2,223</u>	<u>-</u>
Gross tax levy			2,331,229	2,115,350	215,879
Releases			<u>(4,186)</u>	<u>(4,186)</u>	<u>-</u>
Net levy			2,327,043	2,111,164	215,879
Less: uncollected taxes at June 30, 2016			<u>96,151</u>	<u>96,151</u>	<u>-</u>
Current year taxes collected			<u>\$ 2,230,892</u>	<u>\$ 2,015,013</u>	<u>\$ 215,879</u>
Percent current year collected			<u>95.87%</u>	<u>95.45%</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.

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

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

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

Table 1

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009*	2008	2007
Governmental activities:										
Investment in capital assets, net of related debt	\$ 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	\$ 7,126,314
Restricted	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	3,899,057
Unrestricted (deficit)	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)	(8,665,225)
	<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>	<u>\$ 2,360,146</u>
Business-type activities:										
Investment in capital assets, net of related debt	\$ 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	\$ 2,123,105
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	1,362,149	740,140	192,905	(101,696)	86,174	(332,106)	(340,250)	(196,286)	387,488	282,208
	<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>	<u>\$ 2,405,313</u>
Primary government:										
Investment in capital assets, net of related debt	\$ 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	\$ 9,249,419
Restricted	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	3,899,057
Unrestricted (deficit)	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)	(8,383,017)
	<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>	<u>\$ 4,765,459</u>

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

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

Table 2

Expenses	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009*	2008	2007
Governmental activities:										
General government	\$ 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	\$ 6,350,808
Public safety	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	12,888,356
Environmental protection	142,376	133,992	132,581	126,715	134,268	175,476	187,376	169,467	123,385	127,640
Econ & phys development	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	4,193,841
Human services	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	16,684,710
Cultural & recreational	131,504	581,125	657,004	664,187	678,603	677,277	995,584	898,237	848,479	696,619
Education	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	16,610,237
Interest on long-term debt	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	2,414,789
<i>Total governmental activities expenses</i>	<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>	<u>59,967,000</u>
Business-type activities:										
Solid Waste Disposal	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	3,384,899
<i>Total business-type activities expenses</i>	<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>	<u>3,384,899</u>
<i>Total primary government expenses</i>	<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>	<u>\$ 63,351,899</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 407,846	\$ 398,710	\$ 1,036,112	\$ 504,604	\$ 498,617	\$ 444,814	\$ 499,229	\$ 516,270	\$ 613,421	\$ 612,210
Public safety	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	3,697,528
Environmental protection	1,219	734	-	-	-	-	-	-	-	-
Econ & phys development	11,500	18,246	7,500	10,750	35,100	78,300	7,000	59,250	100,750	31,250
Human services	551,751	500,381	251,840	70,087	74,949	74,718	80,887	85,140	88,608	82,754
Op. grants and contributions	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	10,404,592
Cap. grants and contributions	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	1,833,975
<i>Total governmental activities program revenues</i>	<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>	<u>16,662,309</u>
Business-type activities:										
Charges for services:										
Solid Waste Disposal	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	3,154,068
Op. grants and contributions	445,914	487,017	635,990	198,234	168,224	128,935	172,970	150,950	136,512	182,374
Cap. grants and contributions	-	-	-	478,885	-	-	-	-	-	-
<i>Total business-type program revenues</i>	<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>	<u>3,336,442</u>
<i>Total primary government program revenues</i>	<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>	<u>\$ 19,998,751</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (43,304,691)
Business-type activities	445,957	272,667	(14,605)	474,852	384,835	(114,945)	(282,238)	(803,006)	(264,059)	(48,457)
<i>Total primary government net</i>	<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>	<u>\$ (43,353,148)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 27,438,875
Local Option Sales Tax	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	13,357,581
Other Taxes and Licenses	293,483	244,799	263,118	221,355	213,350	755,034	735,385	778,778	935,485	1,118,992
Investment earnings	39,246	16,803	15,268	40,674	367,635	240,847	255,178	530,073	1,078,129	1,286,059
Dissolution of Fiduciary Fd	-	-	-	-	-	-	-	1,003,200	-	-
Donated real estate	-	-	-	-	-	-	-	-	1,006,204	1,658,309
Gain (loss) on disposal of capital assets	-	-	-	-	(771,226)	409,858	58,532	-	-	(577,585)
Surety bond settlement	-	-	-	12,100,000	15,250,000	-	-	-	-	-
Miscellaneous, unrestricted	483,235	192,450	395,520	544,205	532,106	509,693	268,784	210,944	160,056	526,876
Transfers	(125,000)	(125,000)	(124,285)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
<i>Total governmental activities</i>	<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>	<u>44,684,107</u>
Business-type activities:										
Investment earnings	3,045	4,878	6,162	9,570	8,755	10,725	26,215	41,445	82,158	40,000
Transfers	125,000	125,000	124,285	125,000	125,000	125,000	125,000	125,000	125,000	125,000
<i>Total business-type activities</i>	<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>	<u>165,000</u>
<i>Total primary government</i>	<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>	<u>\$ 44,849,107</u>
Change in Net Position										
Governmental activities	\$ 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	\$ 1,379,416
Business-type activities	574,002	402,545	115,842	609,422	518,590	20,780	(131,023)	(636,561)	(56,901)	116,543
<i>Total primary government</i>	<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>	<u>\$ 1,495,959</u>

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

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

Table 3

	<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>	<u>2007</u>
General Fund										
Reserved							\$ 3,761,124	\$ 3,680,844	\$ 4,074,203	\$ 4,126,704
Unreserved							11,916,835	13,196,079	12,751,211	10,891,729
Total General Fund							<u>\$ 15,677,959</u>	<u>\$ 16,876,923</u>	<u>\$ 16,825,414</u>	<u>\$ 15,018,433</u>
All other governmental funds										
Reserved							\$ 391,364	\$ 686,472	\$ 556,972	\$ 1,805,359
Unreserved, reported in:										
Debt service fund							-	-	-	-
Special revenue funds							6,640,609	5,811,482	8,080,868	4,246,534
Capital projects funds							2,358,646	3,670,511	9,117,150	2,883,906
Total all other governmental funds							<u>\$ 9,390,619</u>	<u>\$ 10,168,465</u>	<u>\$ 17,754,990</u>	<u>\$ 8,935,799</u>
General Fund										
Nonspendable	\$ 714,826	\$ 499,280	\$ 847,608	\$ 626,072	\$ 103,232	\$ 278,797				
Restricted	5,331,125	5,017,086	4,234,132	6,931,059	3,339,563	2,837,483				
Assigned	1,632,802	2,341,293	1,940,740	814,721	1,043,000	1,657,769				
Unassigned	13,784,520	12,058,936	12,931,162	9,947,932	12,526,592	12,797,792				
Total General Fund	<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	\$ -	\$ -	\$ 9,093	\$ -	\$ 18,149	\$ 19,844				
Restricted	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>\$ 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Ad valorem taxes	\$ 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	\$ 27,326,881
Local option sales taxes	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	13,240,333
Other taxes and licenses	-	-	-	-	-	550,114	526,461	526,459	707,252	683,615
Restricted intergovernmental	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	12,480,558
Permits and fees	1,020,999	786,701	823,972	903,651	772,861	733,459	799,562	861,720	1,177,290	1,435,366
Sales and services	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	3,674,300
Investment earnings	39,246	16,803	15,268	40,674	85,288	74,005	134,324	471,754	1,084,487	1,243,368
Miscellaneous	411,316	265,355	347,267	12,458,793	15,657,035	626,673	287,325	527,821	729,808	590,273
<i>Total revenues</i>	<u>71,386,793</u>	<u>69,764,734</u>	<u>67,011,852</u>	<u>78,619,046</u>	<u>76,628,495</u>	<u>59,903,244</u>	<u>60,571,248</u>	<u>62,229,139</u>	<u>66,826,138</u>	<u>60,674,694</u>
Expenditures										
Current:										
General government	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	6,609,488
Public safety	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	12,897,402
Environmental protection	142,280	133,367	134,975	123,785	131,200	172,641	184,030	164,582	127,250	125,124
Economic and physical development	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	3,849,835
Human services	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	16,037,237
Cultural and recreational	606,405	572,728	619,811	1,213,149	643,028	701,926	943,010	737,637	757,187	647,449
Intergovernmental:										
Education	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	13,053,968
Capital outlay	1,755,425	1,392,788	1,224,890	544,313	123,750	384,755	2,488,388	10,782,995	5,249,596	6,372,376
Debt service										
Principal	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	5,644,457
Interest	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	2,363,101
<i>Total expenditures</i>	<u>74,607,046</u>	<u>73,716,724</u>	<u>71,764,808</u>	<u>70,720,325</u>	<u>70,878,552</u>	<u>64,864,303</u>	<u>64,481,590</u>	<u>76,446,193</u>	<u>76,084,234</u>	<u>67,600,437</u>
Excess of revenues over (under) expenditures	(3,220,253)	(3,951,990)	(4,752,956)	7,898,721	5,749,943	(4,961,059)	(3,910,342)	(14,217,054)	(9,258,096)	(6,925,743)
Other financing sources (uses)										
Transfers from other funds	228,493	437,415	482,049	508,599	1,570,552	6,093,683	16,900,905	20,371,579	18,941,579	14,482,382
Transfers to other funds	(353,493)	(562,415)	(1,156,154)	(633,599)	(1,695,552)	(6,218,683)	(17,025,905)	(19,493,379)	(19,066,579)	(14,607,382)
Capital lease financing	640,825	872,803	598,500	-	-	-	-	-	-	-
Installment obligations issued	-	1,800,000	-	1,066,500	-	729,579	2,000,000	5,803,838	18,454,270	7,905,800
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	71,919	179,754	48,253	44,606	75,687	3,156,244	58,532	-	-	-
<i>Total other financing sources (uses)</i>	<u>587,744</u>	<u>2,827,557</u>	<u>179,002</u>	<u>744,439</u>	<u>8,947,216</u>	<u>3,760,823</u>	<u>1,933,532</u>	<u>6,682,038</u>	<u>19,884,270</u>	<u>7,780,800</u>
Net change in fund balances	\$ (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	\$ 855,057
Debt services as a percentage of noncapital expenditures	9.19%	9.28%	9.98%	10.79%	23.88%	17.68%	17.18%	15.03%	12.77%	13.08%

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	Total Taxable Assessed Value				
	Residential Property	Commercial Property	Motor Vehicles	Other						
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	6,194,615	100.00	
2014	3,936,928	442,983	361,428	704,260	511,380	5,956,979	0.607	5,956,979	100.00	
2013	3,887,475	435,677	372,335	343,048	481,553	5,520,088	0.607	5,496,453	100.43	
2012	4,412,408	495,788	358,511	298,867	417,796	5,983,370	0.530	5,954,787	100.48	
2011	4,389,350	532,070	345,280	335,889	316,644	5,919,233	0.530	6,344,981	93.29	
2010	3,989,458	877,699	373,025	359,316	299,422	5,898,920	0.530	6,463,153	91.27	
2009	3,936,145	865,282	429,456	371,894	292,286	5,895,063	0.530	6,322,461	93.24	
2008	3,866,901	819,357	429,870	371,205	276,120	5,763,453	0.530	6,154,905	93.64	
2007	2,845,477	440,189	409,569	344,294	228,694	4,268,223	0.610	5,176,741	82.45	

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>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>	<u>2007</u>
County Direct Rate	\$ 0.607	\$ 0.607	\$ 0.607	\$ 0.607	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.530	\$ 0.610
Town Rates										
Bostic	0.260	0.260	0.260	0.260	0.250	0.250	0.250	0.250	0.250	0.250
Chimney Rock	0.085	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.115
Ellenboro	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.250
Forest City	0.290	0.290	0.290	0.290	0.290	0.290	0.290	0.300	0.290	0.300
Lake Lure	0.189	0.191	0.191	0.194	0.210	0.210	0.210	0.210	0.210	0.280
Ruth	0.280	0.280	0.280	0.280	0.260	0.260	0.260	0.260	0.260	0.260
Rutherfordton	0.567	0.567	0.567	0.537	0.520	0.520	0.520	0.520	0.520	0.540
Spindale	0.633	0.633	0.633	0.633	0.600	0.600	0.560	0.560	0.510	0.510
Special Districts										
Bill's Creek Fire	0.060	0.060	0.060	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Bostic Fire	0.060	0.060	0.050	0.050	0.050	0.060	0.060	0.060	0.050	0.050
Broad River Fire	0.100	0.100	0.100							
Cherry Mountain Fire	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
Chimney Rock Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.040	0.060
Cliffside Fire	0.080	0.080	0.080	0.080	0.070	0.070	0.070	0.070	0.070	0.055
Cliffside Sanitary	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Contracted Fire	0.060	0.060	0.040	0.030	0.020	0.020	0.020	0.020	0.020	0.030
Edneyville Fire	0.100	0.090	0.090							
Ellenboro Fire	0.070	0.070	0.070	0.070	0.060	0.060	0.060	0.060	0.060	0.060
Fairfield Fire	0.100	0.100	0.080							
Forest City Rural	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	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Hudlow Fire	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Lake Lure Rural Fire	0.090	0.090	0.080							
Rutherfordton Fire	0.090	0.090	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080
Sandy Mush Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.040	0.040
Shiloh Danieltown Oakland Fire	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Shingle Hollow Fire	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Spindale Rural Fire	0.080	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 2016</u>			<u>Fiscal Year 2007</u>		
		<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Andale Inc. FKA	Software	\$ 578,007	1	9.26%			
Horsehead Metal Products	Manufacturing	577,145	3	9.25%			
Duke Energy	Public Utility	547,964	2	8.78%	\$ 156,818	1	3.67%
Dell Equipment Funding LP	Leasing Company	53,013	4	0.85%			
Rutherford Electric Membership Corp	Public Utility	51,577	5	0.83%	18,920	6	0.44%
CSX Transportation	Public Utility	29,752	6	0.48%			
DLP Rutherford Regional Health System LLC	Hospital	25,283	7	0.41%			
Trelleborg	Manufacturing	20,514	8	0.33%			
Bellsouth	Public Utility	19,734	9	0.32%	25,904	4	0.61%
Public Service Co of NC Inc	Public Utility	13,057	10	0.21%			
RCM Management Services, LLP	Aviation				18,000	8	0.42%
Timken US Corp (Torrington)	Manufacturing				18,199	8	0.43%
Cone Mills Corporation	Textiles				18,555	7	0.43%
Reeves Brothers	Manufacturing				15,946	10	0.37%
LLR Buffalo Creek LLC	Land Development				51,705	2	1.21%
Fairfield Communities	Resort Property				45,091	3	1.06%
Broyhill Furniture	Manufacturing				19,480	5	0.46%
Other		<u>4,323,203</u>		<u>69.29%</u>	<u>3,879,605</u>		<u>90.90%</u>
Total		<u>\$ 6,239,249</u>		<u>100.00%</u>	<u>\$ 4,268,223</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
2016	\$ 41,030,225	\$ 39,779,746	97.0	\$ -	\$ 39,779,746	97.0
2015	40,734,335	39,178,470	96.2	750,025	39,928,495	98.0
2014	39,404,494	37,988,441	96.4	608,891	38,597,332	98.0
2013	35,511,830	33,844,505	95.3	1,049,678	34,894,183	98.3
2012	33,887,224	31,598,979	93.2	1,357,080	32,956,059	97.3
2011	33,478,863	31,210,949	93.2	1,459,951	32,670,900	97.6
2010	33,253,013	31,195,062	93.8	1,400,249	32,595,311	98.0
2009	33,213,924	31,362,647	94.4	1,295,006	32,657,653	98.3
2008	32,461,482	31,280,218	96.4	999,002	32,279,220	99.4
2007	27,557,905	26,491,335	96.1	964,663	27,455,998	99.6

(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			
2007	64	\$ 10,675,000	\$ 44,953,677	\$ 2,274,211	\$ 331,400	\$ 577,397	\$ 58,811,685	3.46%	\$ 919
2008	63	9,975,000	57,668,467	3,963,343	314,830	667,632	72,589,272	4.18%	1,152
2009	63	7,720,000	58,074,856	4,758,537	298,260	621,299	71,472,952	4.16%	1,134
2010	63	7,035,000	54,911,271	3,240,000	281,690	402,330	65,870,291	3.76%	1,046
2011	67	4,820,000	50,601,731	2,385,102	265,120	174,067	58,246,020	3.22%	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	2.62%	730
2014	67	3,932,000	40,483,026	1,279,409	215,410	305,438	46,215,283	2.45%	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

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2007	\$ 10,675,000	\$ -	\$ 10,675,000	0.18%	\$ 167
2008	9,975,000	-	9,975,000	0.17%	158
2009	7,720,000	-	7,720,000	0.13%	122
2010	7,035,000	-	7,035,000	0.12%	110
2011	4,820,000	-	4,820,000	0.09%	71
2012	4,490,000	-	4,490,000	0.08%	66
2013	4,160,000	-	4,160,000	0.07%	60
2014	3,932,000	-	3,932,000	0.06%	59
2015	3,582,000	-	3,582,000	0.06%	54
2016	3,233,000	-	3,233,000	0.05%	49

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, 2016

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	3,233,000	100.00	3,233,000
Rutherford County direct debt - other outstanding (1)	34,880,675	100.00	<u>34,880,675</u>
			<u>38,113,675</u>
Total direct and overlapping debt			<u>\$ 38,113,675</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>2007</u>	<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>
Assessed value of property	\$ 4,268,223,139	\$ 5,763,453,025	\$ 5,895,063,019	\$ 5,898,920,189	\$ 5,941,961,062	\$ 6,018,877,170	\$ 5,546,006,202	\$ 5,956,979,212	\$ 5,792,219,942	\$ 6,374,447,776
Debt limit	341,457,851	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
Total net debt applicable to limit	<u>58,234,288</u>	<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>
Legal debt margin	<u>\$ 283,223,563</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	17.05%	15.60%	15.02%	13.88%	13.33%	11.22%	11.18%	9.63%	9.29%	7.47%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value - January 1, 2015	<u>\$ 6,374,447,776</u>
Debt Limit (8% of total assessed value)	\$ 509,955,822
Debt applicable to limit:	
General obligation bonds	3,233,000
Other outstanding debt	<u>34,880,675</u>
Net debt applicable to limit	<u>38,113,675</u>
Legal debt margin	<u>\$ 471,842,147</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

Fiscal Year	Population (1)	Personal Income (2) (amounts expressed in thousands)	Per Capita Personal Income	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2007	63,867	1,699,250	25,628	36.60	9,915	7.9
2008	63,012	1,736,446	25,861	40.56	9,533	7.7
2009	63,424	1,719,586	25,452	39.69	9,298	15.3
2010	63,835	1,751,149	25,838	40.08	9,016	14.8
2011	67,810	1,809,903	26,843	42.50	8,765	14.6
2012	68,392	1,893,341	28,123	42.89	8,672	14.5
2013	68,897	1,893,684	28,283	42.99	8,554	13.7
2014	66,956	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

(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

MANUFACTURING	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Timken - Shiloh Plant	257	1	1.03%	293	4	0.98%
West Rock (formerly Rock-Tenn AGI Schultz)	250	2	1.00%	270	5	0.90%
Trelleborg Coated Systems US Inc (formerly R	218	3	0.87%	237	6	0.79%
Parker Hannifin Corporation	170	4	0.68%	221	8	0.74%
Milliken & Co	156	5	0.63%			
Allied Die Casting Co of NC	150	6	0.60%			
Eaton Corporation	150	7	0.60%			
Sonoco Molded Plastics	145	8	0.58%	185	10	0.62%
Parton Lumber	135	9	0.54%			
Valley Fine Foods	132	10	0.53%			
National Textiles				450	1	1.51%
Watts Regulator Co				400	2	1.34%
Tanner Companies				300	3	1.00%
All American Homes				228	7	0.76%
Cone Mill Corp				215	9	0.72%
Total	1,763		7.07%	2,799		9.36%

NON-MANUFACTURING	2016			2007		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Rutherford County Schools (1)	1,215	1	4.88%	750	1	2.51%
State of North Carolina	708	2	2.84%	600	3	2.01%
Rutherford Hospital	578	3	2.32%	700	2	2.34%
Rutherford County - Local Government	431	4	1.73%	534	4	1.79%
Ameridial	235	5	0.94%			
Isothermal Community College	192	6	0.77%			
Walmart				450	5	1.51%
Total	3,359		13.48%	3,034		10.16%

Source: Economic Development Commission September 2016 and October 2007

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

Table 15

Function	Full-time Equivalent Employees									
	<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>	<u>2007</u>
General government	70.7	70.7	70.7	69.7	69.7	68.7	68.7	66.0	64.0	65.0
Public safety	190.8	184.8	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	129.0	122.0	122.0	121.0	118.0	118.0	118.0	118.0	115.0	115.5
Cultural and recreational	9.0	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
Total	431.5	418.5	417.0	407.0	403.0	402.0	403.0	398.0	376.0	359.5

Source: Rutherford County Finance Office

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

Table 16

Function	Fiscal Year								
	<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 Government									
# Deeds/Deeds of Trusts Processed	4,876	4,634	4,652	5,129	4,909	4,867	5,490	6,420	8,717
Parcel Count	56,188	56,619	56,399	56,297	56,102	55,915	54,140	53,904	53,590
Public Safety									
# Inmates Processed	2,760	2,945	3,042	3,050	3,211	4,764	4,981	5,255	5,971
# Arrests	2,779	2,504	2,882	2,547	2,331	2,516	3,341	2,953	3,627
# Building Permits Issued	503	449	463	478	459	468	604	469	786
Economic and Physical Development									
# of Subdivision Plan Reviews	not available	not available	not available	not available	not available	not available	not available	34	23
Human Services									
# Senior Center Meals Served	79,005	72,602	71,154	72,837	75,919	77,069	80,667	83,889	89,453
# of Medicaid Recipients	16,585	16,588	18,995	15,398	14,652	14,198	14,318	12,927	15,454
Culture									
Library Book Circulation	201,574	267,282	259,179	263,273	313,134	336,373	355,060	357,898	330,125
Library Electronic Book Circulation	26,396	53,583	51,303	13,966	35,509	29,126	22,049	4,977	not available
Enterprise Fund - Transit									
# Trips	51,616	47,798	54,825	54,429	56,679	58,340	57,199	56,138	56,317
Enterprise Fund - Landfill									
Total Tonnage	53,119	47,791	48,096	56,269	57,259	56,523	53,334	61,034	64,008

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>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>	<u>2007</u>
General Government										
County Buildings	34	33	33	33	33	33	33	33	32	31
County Vehicles	241	254	235	226	237	234	239	230	219	226
Public Safety										
Detention Center Capacity	205	205	205	205	205	205	205	205	205	205
EMS Stations	5	4	4	4	3	3	3	3	3	3
Volunteer Fire Departments	14	14	14	14	14	14	14	14	14	14
Volunteer Rescue Squads	1	1	1	2	2	2	2	2	2	2
Volunteer EMS Agencies	1	1	1	1	1	1	1	1	1	1
Cultural and Recreation										
Park Acreage	144	144	144	144	48	48	48	48	48	48
Public Libraries	3	3	3	3	3	3	3	3	3	3
Education (Not included in the Reporting Entity)										
Elementary Schools	11	11	11	11	11	11	11	11	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
Airport										
Acreage	313	313	313	313	250	250	250	250	250	250
Solid Waste										
Convenience Centers	9	9	9	9	9	9	9	9	9	9
Manned Green Box Sites	1	1	1	1	1	1	1	1	1	1

Sources: Various government departments.

COMPLIANCE SECTION



**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, 2016, and the related notes to the financial statements, which collectively comprises Rutherford County's basic financial statements, and have issued our report thereon dated November 28, 2016. The financial statements of the Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina

November 28, 2016



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, 2016. 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, 2016.

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
November 28, 2016



**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, 2016. 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, 2016.

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
November 28, 2016

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>SNAP Cluster</u>					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 520,060	\$ -	\$ 516,970
Total SNAP Cluster			<u>520,060</u>	<u>-</u>	<u>516,970</u>
Division of Public Health:					
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		1,367,322	-	-
Total U.S. Dept. of Agriculture			<u>1,887,382</u>	<u>-</u>	<u>516,970</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant	14.228		42,795	-	-
Total U.S. Dept. of Housing and Urban Development			<u>42,795</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Rural Areas-Admin	20.509	DOT-11	156,622	9,790	-
Formula Grants for Rural Areas - Capitalize	20.509	DOT-14	216,462	14,942	-
Total U.S. Dept. of Transportation			<u>373,084</u>	<u>24,732</u>	<u>-</u>
<u>U.S. Dept. of Health & Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Isothermal Planning and Development Commission:					
<u>Aging Cluster:</u>					
Special Programs for the Aging - Title III B Grants for Supportive Services and Senior Centers	93.044		76,537	114,805	23,085
Special Programs for the Aging - Title III C Nutrition Services	93.045		84,385	126,577	23,441
Nutrition Services Incentive Program	93.053		23,312	34,967	-
Total Aging Cluster			<u>184,234</u>	<u>276,349</u>	<u>46,526</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		319,282	56,392	-
Title IV-E Foster Care - Administration	93.658		218,285	-	4,692
Foster Care - Direct Benefit Payments	93.658		367,130	120,626	120,722
Foster Care - Child Protective Services	93.658		165,913	66,431	99,482
Title IV-E Adoption Assistance - Administration	93.659		44,327	-	42,475
Adoption Assistance - Direct Benefit Payments	93.659		471,402	120,915	133,698
Total Foster Care and Adoption Cluster			<u>1,586,339</u>	<u>364,364</u>	<u>401,069</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>TANF Cluster</u>					
TANF TEA Foster Care	93.558		11,462	-	-
Work First Admin	93.558		99,282	-	107,530
Work First Service	93.558		455,897	-	317,072
Work First/TANF-Direct Benefit Payments	93.558		431,761	(19)	-
Total TANF Cluster			998,402	(19)	424,602
IV-D Administration	93.563		440,983	-	227,173
AFDC Payments and Penalties	93.560		(141)	399	(39)
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		425,794	-	-
Crisis Intervention Program	93.568		366,144	-	-
Stephanie Tubbs Jones Welfare Services Program:					
- Permanency Planning - Families for Kids	93.645		18,573	-	6,191
SSBG - Other Services and Training	93.667		227,210	22,722	83,311
Independent Living Grant - Administration	93.674		14,252	3,563	-
Independent Living Grant - Direct Benefit Payments	93.674		8,571	-	-
Family Preservation	93.556		24,115	-	-
Refugee Assistance - Direct Benefit Payments	93.566		362	-	-
Division of Aging and Adult Services:					
SSBG - State In Home Service Fund	93.667		43,870	-	6,267
Adult Protective Services	93.667		22,878	-	7,626
SSBG - State Adult Day Care	93.667		8,130	14,961	3,299
CPS TANF to SSBG	93.667		289,085	-	79,081
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		105,819	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		465,482	-	-
Child Care and Development Fund - Mandatory	93.596		176,651	-	-
Child Care and Development Fund - Match	93.596		655,794	299,285	-
Total Child Care Development Fund Cluster			1,403,746	299,285	-
Temporary Assistance for Needy Families	93.558		352,351	-	-
Foster Care Title IV-E	93.658		12,749	6,541	-
State Appropriations		XXXX	-	544,436	-
Smart Start/TANF MOE		XXXX	-	92,337	-
TANF MOE		XXXX	-	66,442	-
Total Subsidized Child Care Cluster			1,768,846	1,009,041	-
<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		68,139,031	36,829,757	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		1,923,359	11,960	720,281
Total Medicaid Cluster			70,062,390	36,841,717	720,281
Division of Medical Assistance:					
Direct Benefit Payments:					
State Children's Insurance Program - N.C. Health Choice	93.767		1,448,294	60,225	235

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Social Services:					
Administration:					
State Children's Insurance Program - N.C. Health Choice	93.767		49,419	2,116	235
Total U.S. Dept. of Health and Human Services			77,987,750	38,595,438	2,005,857
<u>Appalachian Regional Commission</u>					
Passed-through the N.C. Dept. of Commerce Rural Development Division					
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	NC-17980	509,496	-	-
Total Appalachian Regional Commission			509,496	-	-
<u>U.S. Dept. of Homeland Security</u>					
<u>Emergency Management</u>					
Passed-through the N.C. Dept. of Public Safety					
Emergency Management Performance Grant Program	97.042		38,542	-	19,271
Homeland Security Grant Program	97.067		10,000	-	-
Total U.S. Dept. of Homeland Security			48,542	-	19,271
Total Federal Awards			\$ 80,849,049	\$ 38,620,170	\$ 2,542,098

(Continued on next page)

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
State Awards:					
<u>N.C. Dept. of Cultural and Natural Resources</u>					
Division of State Library:					
State Aid to Public Libraries			\$ -	\$ 123,742	\$ -
N.C. Arts Council:					
Grassroots Arts Program		86545	-	17,893	-
Total N.C. Dept. of Cultural Resources			<u>-</u>	<u>141,635</u>	<u>-</u>
<u>N.C. Department of Environmental Quality</u>					
Division of Soil & Water Conservation:					
Local activities			-	3,600	-
Division of Waste Management:					
White Goods Management Program			-	31,704	-
Scrap Tire Program			-	32,115	-
Electronics Management			-	6,509	-
Division of Pollution Prevention and Environmental Assistance:					
Community Waste Reduction and Recycling		6556/6557	-	51,068	-
Total N.C. Dept. of Environmental Quality Natural Resources			<u>-</u>	<u>124,996</u>	<u>-</u>
<u>N.C. Dept. of Health and Human Services</u>					
Passed-through Isothermal Planning and Development Commission:					
Division of Aging and Adult Services:					
Senior Center General Fund			-	11,400	-
Total Division of Aging and Adult Services			<u>-</u>	<u>11,400</u>	<u>-</u>
Division of Social Services:					
CWS Adoption Subsidy - Direct Benefit Payments			-	159,558	53,186
State/County Special Assistance - Direct Benefit Payments			-	595,920	595,919
DCD Smart Start			-	48,800	-
State Child Protective Services			-	277,262	-
State Foster Home - Direct Benefit Payments			-	84,716	84,715
SFHF Maximization - Direct Benefit Payments			-	90,989	92,386
Other County Funded Programs			-	-	1,066,228
Total Division of Social Services			<u>-</u>	<u>1,257,245</u>	<u>1,892,434</u>
Total N. C. Department of Health and Human Services			<u>-</u>	<u>1,268,645</u>	<u>1,892,434</u>
<u>N.C. Dept. of Public Safety</u>					
Juvenile Crime Prevention Programs			-	203,860	-
Total N.C. Dept. of Public Safety			<u>-</u>	<u>203,860</u>	<u>-</u>
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund:					
Lottery Proceeds			-	575,000	-
Total N.C. Dept. of Public Instruction			<u>-</u>	<u>575,000</u>	<u>-</u>

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Dept. of Transportation</u>					
Highway Construction Program		DOT-18CL		57,530	
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	72,169	-
ROAP Rural General Public Program		DOT-16CL	-	86,974	-
ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	18,492	-
Total N.C. Dept. of Transportation			-	235,165	-
<u>N.C. Housing Finance Agency</u>					
Urgent Repair Program			-	37,500	-
Total N.C. Housing Finance Agency			-	37,500	-
Total State Awards			-	2,586,801	1,892,434
Total Federal and State Awards			\$ 80,849,049	\$ 41,206,971	\$ 4,434,532

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.

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 and Foster Care and Adoption

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2016

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 __X_no
- Significant deficiency(s) identified that are not considered to be material weaknesses ___yes __X_ none reported
- Noncompliance material to financial statements noted ___yes __X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes __X_no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes __X_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___yes __X_no

The following were audited as major federal programs for the fiscal year ended June 30, 2016:

<u>Program Name</u>	<u>CFDA #</u>
Medicaid Cluster	93.778
State Children's Insurance Program – N.C. Health Choice	93.767

The threshold for distinguishing between Type A and Type B programs for Rutherford County is \$2,425,471.

Rutherford County qualifies as a low risk auditee.

RUTHERFORD COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2016

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, 2016

Finding 2015-01

Status: This finding has not been repeated.