

RUTHERFORD COUNTY
TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF RUTHERFORD COUNTY, NORTH CAROLINA)



BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)

Basic Financial Statements
For the Year Ended June 30, 2012

Authority Members

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

Independent Auditors' Report

Board of Directors
Rutherford County Tourism Development Authority
Rutherfordton, North Carolina

We have audited the accompanying basic financial statements of Rutherford County Tourism Development Authority, a component unit of Rutherford County, as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of Rutherford County Tourism Development Authority's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Rutherford County Tourism Development Authority as of June 30, 2012, and the changes in financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 2 – 6 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.

Gould Killian CPA Group, P.A.

Asheville, North Carolina
December 21, 2012

Management's Discussion and Analysis

As management of Rutherford County Tourism Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the period July 1, 2011 through June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements which follow this narrative.

Financial Highlights

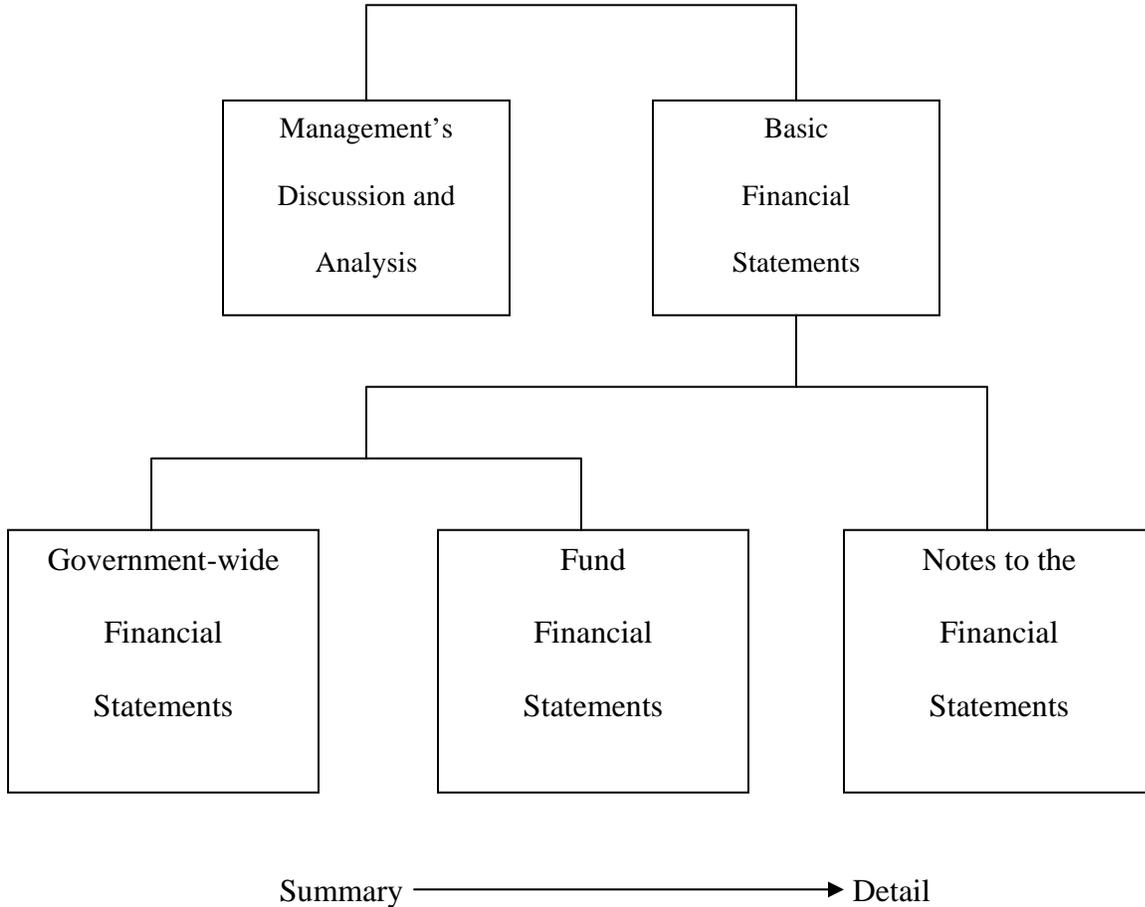
- The assets of the Authority exceeded its liabilities at the close of the period ended June 30, 2012 by \$663,013 (*net assets*).
- The Authority's total net assets increased by \$57,327.
- The Authority's unassigned fund balance at the end of the year represented 108 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Authority is considered a special purpose government rather than a general government. In addition, the Authority engages only in governmental activities and operates only one program.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Authority's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statement.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The Notes explain in detail some of the data contained in those statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Authority'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 Authority's financial status as a whole.

The two government-wide statements report the Authority's net assets and how they have changed. Net assets are the difference between the Authority's total assets and total liabilities. Measuring net assets is one way to gauge the Authority's financial condition.

The government-wide statements are comprised of a single category – governmental activities. 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 Authority'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. The Authority, 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 of North Carolina or the Authority's budget ordinance. All of the funds of the Authority belong in one category, governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Authority's activities 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 the current financial resources focus and the modified accrual basis of accounting. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the Authority's programs.

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document. The budget authorizes the Authority to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance.

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 12 through 19 of this report.

Government-Wide Financial Analysis

**Rutherford County Tourism Development Authority's
Net Assets**

Figure 2

	Governmental Activities	
	2012	2011
Assets:		
Total current assets	\$ 678,044	\$ 664,040
Total assets	678,044	664,040
Liabilities:		
Total current liabilities	15,031	58,354
Total liabilities	15,031	58,354
Net assets:		
Unrestricted	663,013	605,686
Total net assets	\$ 663,013	\$ 605,686

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$663,013 as of June 30, 2012. The Authority's net assets increased by \$57,327 during the fiscal year ended June 30, 2012.

**Rutherford County Tourism Development Authority's
Changes in Net Assets**

Figure 3

	Governmental Activities	
	2012	2011
Revenues:		
Occupancy tax	\$ 595,012	\$ 547,329
Interest earned	340	442
Miscellaneous revenue	250	2,785
Total revenues	595,602	550,556
Expenses:		
Economic and physical development	538,275	561,987
Total expenses	538,275	561,987
Change in net assets	57,327	(11,431)
Net assets - beginning	605,686	594,255
Net assets - ending	\$ 663,013	\$ 605,686

Financial Analysis of the Authority's Funds

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

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

The General Fund is the only operating fund of the Authority. At the end of the fiscal year, unassigned fund balance of the General Fund was \$581,245 and the fund balance restricted for stabilization by state statute was \$83,499. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 108 percent of total General Fund expenditures, while total fund balance also represents 124 percent of that same amount.

General Fund Budgetary Highlights. During the fiscal year, line item transfers were made. Generally, line item transfers occur so that additional services can be provided or current projects can be expanded. However, these additional services or project expansions and their related line item transfers happen within the context of the current operational budget; no fund balance was appropriated for them. Planned fund balance appropriations were made to fund the Visitor Information Network project, which includes a long-range project to provide visitor information via the use of technology, signage, information stands and walk-in centers.

Economic Factors and Budget Highlights for the Fiscal Year Ending June 30, 2013

The TDA plans the continued growth of the Visitor Information Network project as described above, with several large pieces to be completed in the fiscal year ending June 30, 2013. While the 2012-13 operational budget was based on flat revenue growth from 2011-12, current economic conditions indicate that the amount of revenue collected will increase from 1 to 3%.

Requests for Information

This report is designed to provide an overview of the Authority'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 Executive Director, Rutherford County Tourism Development Authority, 117 West Court Street, Rutherfordton, NC.

**RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF RUTHERFORD COUNTY, NORTH CAROLINA)**

Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 594,545
Account and taxes receivable	83,499
Total current assets	<u>678,044</u>
Total assets	<u>678,044</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	13,300
Compensated absences	1,731
Total current liabilities	<u>15,031</u>
Total liabilities	<u>15,031</u>
Net assets:	
Unrestricted	<u>663,013</u>
Total net assets	<u><u>\$ 663,013</u></u>

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

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF RUTHERFORD COUNTY, NORTH CAROLINA)

Statement of Activities
 For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Total Governmental Activities
Economic and physical development	\$ 538,275	\$ -	\$ 538,275
Total	\$ 538,275	\$ -	538,275
General revenues:			
Occupancy tax			595,012
Interest earned			340
Miscellaneous revenue			250
Total general revenues			595,602
Revenues over expenditures			57,327
Net assets - beginning			605,686
Net assets - ending			\$ 663,013

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

**RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF RUTHERFORD COUNTY, NORTH CAROLINA)**

Balance Sheet - Governmental Funds
June 30, 2012

	General Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 594,545
Account and taxes receivable	83,499
Total current assets	\$ 678,044
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	\$ 13,300
Total current liabilities	13,300
Fund Balances:	
Restricted for stabilization by State statute	83,499
Unassigned	581,245
Total fund balance	664,744
Total liabilities and fund balance	\$ 678,044

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

Total fund balance	\$ 664,744
Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(1,731)
Net assets of governmental activities	\$ 663,013

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

**RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF RUTHERFORD COUNTY, NORTH CAROLINA)**

Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2012

	General Fund
Revenues:	
Occupancy taxes	\$ 595,602
 Expenditures:	
Economic and physical development	536,544
Revenues over expenditures	59,058
 Fund Balances:	
Fund balance - beginning	605,686
Fund balance - ending	\$ 664,744
 Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - governmental funds	\$ 59,058
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.	(1,731)
Total change in net assets of governmental activities	\$ 57,327

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

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF RUTHERFORD COUNTY, NORTH CAROLINA)

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Occupancy tax	\$ 522,750	\$ 522,500	\$ 593,608	\$ 71,108
Penalties and interest	-	250	1,404	1,154
Interest earned	750	750	340	(410)
Miscellaneous revenue	-	-	250	250
Total revenues	<u>523,500</u>	<u>523,500</u>	<u>595,602</u>	<u>72,102</u>
Expenditures:				
Salaries and benefits	159,459	178,136	157,965	20,171
Professional services	84,093	108,930	82,845	26,085
Public relations and marketing	200,450	181,337	179,810	1,527
Facilities	42,655	64,000	51,268	12,732
Capital outlays	200,000	200,000	62,996	137,004
Miscellaneous	47,407	1,661	1,660	1
Total expenditures	<u>734,064</u>	<u>734,064</u>	<u>536,544</u>	<u>197,520</u>
Revenues over (under) expenditures	<u>(210,564)</u>	<u>(210,564)</u>	59,058	269,622
Other financing sources:				
Appropriated fund balance	<u>210,564</u>	<u>210,564</u>	-	<u>(210,564)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	59,058	<u>\$ 59,058</u>
Fund balance - beginning			<u>605,686</u>	
Fund balance - ending			<u>\$ 664,744</u>	

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

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The accounting policies of the Rutherford County Tourism Development Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Rutherford County Tourism Development Authority (the "Authority") was created on June 17, 1991 by sections 5 and 6 of chapter 577 of the 1991 Session Laws by Rutherford County to levy a room occupancy tax and by resolution of Rutherford County, North Carolina, under the authority of the North Carolina General Assembly. The act was modified by the provisions of Session Law 2011-115, House Bill 414. The Authority is responsible for promoting travel and tourism in the area. The Authority receives revenue through a five percent occupancy tax which is levied by Rutherford County. The Authority remitted approximately 4% of the occupancy taxes collected for the year to the County to cover administrative costs. The members of the Authority are appointed by Rutherford County, North Carolina. The Authority is included in the reporting entity of Rutherford County under GASB Statement 14. In addition, Rutherford County provides some administrative functions for the Authority including the Authority's accounting function.

The Authority has received not-for-profit status under Internal Revenue Code Section 501(c)(6).

B. Basis of Presentation

Government-wide Statements. The statement of net assets and the statement of activities display information about the primary government (the "Authority"). These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority'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 fees and charges paid by the recipients of goods or services offered by the programs. 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 Authority's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The Authority has the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The General Fund is the Authority's only fund for the year ended June 30, 2012.

C. Measurement Focus, Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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.

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.

The Authority recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (or from) another party without receiving (or giving) equal or nearly equal value in return. The Authority considers all revenues available if they are collected within 90 days after year end.

D. Budgetary Data

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at fiscal year end.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the line item level for all annually budgeted funds. Any revisions that alter total expenditures of any fund must be approved by the governing board. 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.

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Assets, Liabilities and Fund Equity

Deposits

All deposits of the Authority are made in board-designated official depositories and are collateralized as required by North Carolina General Statute 159-31. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Cash and Cash Equivalents

All bank deposits are demand deposits and are considered cash and cash equivalents.

Accounts Receivable

The Authority's revenue comes from the collection of a hotel occupancy tax. The tax is paid in the month following the retail sales. Therefore, any tax on hotel stays through June 30 that has not been collected by the County is considered receivable by the Authority.

Net Assets/Fund Balances

Net Assets

Net assets in the government-wide financial statements are classified as restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statutes. The Authority does not have any restricted net assets.

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.

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The governmental fund types classify fund balances are 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.

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by the Authority’s board of directors. Any changes or removal of specific purpose requires majority action by the board of directors.

Assigned Fund Balance – portion of fund balance that the Authority intends to use for specific purposes.

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

Note 2 - Deposits

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority’s agent in the unit’s name. 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 Authority, these deposits are considered to be held by the Authority’s agent in its name. 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 Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority 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. The Authority has no formal policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying the deposits are properly secured.

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

At June 30, 2012, the Authority's deposits had a carrying amount of \$594,545 and a bank balance of \$594,545. Because these funds are held in a non-interest bearing account, the entire amount is covered under federal depository insurance. The funds are held by Rutherford County in their central depository account.

Note 3 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. These risks of loss are handled through commercial insurance coverage.

In accordance with G.S. 159-29, the Authority's finance officer, which has access to \$100 or more at any given time of the Authority's funds, is performance bonded through a commercial surety bond in the amount of \$50,000.

Note 4 - Occupancy Taxes

The Authority, in accordance with State law (S.L. 1998-112), collects the proceeds of a room occupancy tax of five percent of the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the County that is subject to sales tax imposed by the State under G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax.

The occupancy tax collected by the Authority represents 99.7 percent of total revenues and other financing sources of this Authority.

Note 5 - Liabilities

A. Compensated Absences

The vacation policies of the Authority provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Authority's Statement of Net Assets, 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 Authority 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 the Authority has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the Authority.

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The following is a summary of changes in compensated absences for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities:					
Compensated absences	\$ -	\$ 5,499	\$ 3,768	\$ 1,731	\$ 1,731

B. North Carolina Local Governmental Employees' Retirement System

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

Funding Policy: For the Authority's employees, the current rate is 6.88% of annual covered payroll. The contribution requirements of members and of the Authority are established and may be amended by the North Carolina General Assembly. The Authority's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$12,373, \$11,988, and \$10,025, respectively. The contributions made by the Authority equaled the required contributions for the year.

C. Supplemental Retirement Income Plan for General Employees

Plan Description: The Authority contributes to the Supplemental Retirement Income Plan for all full-time employees.

Funding Policy: The Authority contributes each month an amount equal to 3.25% of each full-time employee's salary. Employee contributions are voluntary. An additional amount equal to one percent of an employee's salary is contributed by the 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, 2012 were \$3,656, which consisted of \$3,122 from the Authority and \$534 from the employees.

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

D. 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

RUTHERFORD COUNTY TOURISM DEVELOPMENT AUTHORITY
(A Component Unit of Rutherford County, North Carolina)
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Assembly in the Appropriations Bill. For the fiscal year ended June 30, 2012, the Authority made contributions of \$4,803 for its employees.

E. Post-Employment Death Benefits

The Authority has 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 month's 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 Authority has 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. Because the benefit payments are made by the Death Benefit Plan and not by the Authority, the Authority does not determine the number of eligible participants, for the fiscal year ended June 30, 2012. The Authority made required contributions of \$96. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

F. Operating Leases

In the current year the Authority was obligated under one operating lease for a copying machine. Monthly payments for the copying machine are \$562 with the term of the lease continuing through May of 2013. Future minimum payments of the operating lease through May 2013 total \$6,182.