

SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2011

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

Morganton, North Carolina

SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

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Swain County, North Carolina
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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of County Commissioners
Swain County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Swain County's management. Our responsibility is to express opinions on these basic 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 basic 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 the 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.

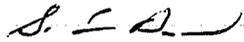
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and permanent fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Swain County

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2011 on our consideration of Swain County's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that 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 and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance and Other Post Employment Benefits (OPEB) 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 historic context. We have applied certain limited procedures to the require 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Swain County's financial statements as a whole. The combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and is not a required part of the financial statements. The combining and individual fund financial statements 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 31, 2011

SWAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Swain County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2011. We encourage readers to read 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

- The assets of Swain County exceeded its liabilities at the close of the fiscal year by \$21 830 567 (*net assets*).
- The government's total net assets increased by \$1 526 293 due to increased net assets in the Governmental Funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1 986 580, or 11.8 percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, Swain County's governmental funds reported combined ending fund balances of \$19 835 698 after a net increase in fund balance \$1 737 082. Approximately 80 percent of this total amount or \$15 883 935 is restricted or nonspendable.
- Swain County's total debt increased by \$81 710 or .5 percent during the current fiscal year. The key factors in this increase was borrowings greater than payment of principal.
- The County's bond rating is Baa.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the County's government, reporting the County's operations in *more detail* than the government-wide statements.
 - The *government funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short* and *long term* financial information about the activities the government operates *like businesses*, such as the solid waste operation.
 - *Fiduciary fund* statements provide information about financial relationships which the County acts solely as *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-1
MAJOR FEATURES OF SWAIN COUNTY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County's component unit	The activities of the County that are not proprietary or fiduciary, such as police, administration and human services	Activities the County operates similar to private businesses: the solid waste operations	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets, if applicable
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net assets* and how they have changed. Net assets-the difference between the County's assets and liabilities-is one way to measure the County's financial health, or position.

- Over time, increases or decreases in the County's *net assets* are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional non financial factors such as changes in the County's property tax base.

The government-wide financial statements of the County are divided into three categories:

- *Governmental activities* - Most of the County's basic services are included here, such as public safety, human services and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The County charges fees to customers to help it cover the costs of certain services it provides. The County's solid waste activities are included here.
- *Component Unit* - The County includes one other entity in its report-the Swain County Tourist Development Authority. Although, legally separate, the "component unit" is important because the County is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*-not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Commissioners establishes other funds to control and manage money for particular purposes.

The County has three kinds of funds:

- *Governmental funds* - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - In fact, the County's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.

- *Fiduciary funds* - The County is responsible for other assets that - because of a trust arrangement - can be used only for trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Also included in this section are budgetary comparison statements for all major governmental funds.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Swain County, assets exceeded liabilities by \$21 830 567 at the close of the most recent fiscal year (Table 1).

**TABLE 1
NET ASSETS**

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$21 410 666	\$19 709 992	\$ (302 688)	\$ (299 434)	\$21 107 978	\$19 410 558
Capital Assets	19 892 871	19 867 325	482 695	555 682	20 375 566	20 423 007
Total Assets	41 303 537	39 577 317	180 007	256 248	41 483 544	39 833 565
Long-Term Debt Outstanding	17 458 770	17 285 106	193 561	260 872	17 652 331	17 545 978
Other Liabilities	1 932 741	1 928 522	67 905	54 791	2 000 646	1 983 313
Total Liabilities	19 391 511	19 213 628	261 466	315 663	19 652 977	19 529 291
Net Assets:						
Invested in Capital Assets, Net of Related Debt	8 572 346	8 614 720	289 134	294 810	8 861 480	8 909 530
Restricted	3 083 935	2 730 605			3 083 935	2 730 605
Unrestricted (Deficit)	10 255 745	9 018 364	(370 593)	(354 225)	9 885 152	8 664 139
Total Net Assets	\$21 912 026	\$20 363 689	\$ (81 459)	\$ (59 415)	\$21 830 567	\$20 304 274

Swain County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Swain County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County has issued debt for the acquisition and construction of capital assets that are not reported as assets of the County. This debt has been issued for the construction of public school facilities. The General Statutes do not permit public schools to issue debt for the acquisition and construction of facilities. Responsibility for providing these facilities lies with the County. The titles to these assets are held by Swain County Board of Education and the assets are reported on their financial statements. These debt issues were necessary to provide for the education of the citizens of the County. The outstanding amount of this debt \$6 138 245, has been reported as a reduction of unrestricted net assets for governmental activities. Had this debt not been reported as a reduction of unrestricted net assets, the balance of unrestricted net assets for governmental activities would be \$16 393 990.

Change in Net Assets

The County's total revenues were \$19 294 769 at June 30, 2011 (see Table 2). Charges for services made up 19% of revenues. Property taxes and other taxes made up 24% and 15% of revenues respectively. The special item made up 7% of revenue. The County's expenses cover a range of services with 41% of those expenses being related to human services.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 2 920 758	\$ 2 951 018	\$ 824 833	\$ 805 920	\$ 3 745 591	\$ 3 756 938
Operating Grants and Contributions	4 079 889	4 386 125			4 079 889	4 386 125
Capital Grants and Contributions	268 219	277 201			268 219	277 201
General Revenues:						
Property Taxes	4 718 881	4 619 320			4 718 881	4 619 320
Other Taxes	2 835 396	2 662 386			2 835 396	2 662 386
Unrestricted						
Intergovernmental	1 236 505	1 276 945			1 236 505	1 276 945
Other	1 046 654	753 666			1 046 654	753 666
Extraordinary Item:						
U.S. Department of the Interior		12 800 000				
Special Item-Gain on Sale of Land	1 363 634				1 363 634	12 800 000
Total Revenues	18 469 936	29 726 661	824 833	805 920	19 294 769	\$30 532 581
<u>Expenses</u>						
General Government	2 474 815	2 080 332			2 474 815	2 080 332
Public Safety	3 254 662	2 949 073			3 254 662	2 949 073
Environmental Protection	118 717	145 953			118 717	145 953
Economic and Physical						
Development	1 026 444	1 789 078			1 026 444	1 789 078
Human Services	7 327 201	6 818 981			7 327 201	6 818 981
Recreational	640 289	607 826			640 289	607 826
Education	1 430 454	1 020 433			1 430 454	1 020 433
Interest on Long-Term Debt	649 017	679 706			649 017	679 706
Solid Waste			846 877	911 058	846 877	911 058
Total Expenses	16 921 599	16 091 382	846 877	911 058	17 768 476	17 002 440
Excess (Deficiency) of Revenues Over Expenses Before Transfers						
	1 548 337	13 635 279	(22 044)	(105 138)	1 526 293	13 530 141
Transfers		(90 784)		90 784		
Increase (Decrease) in Net Assets	1 548 337	13 544 495	(22 044)	(14 354)	1 526 293	13 530 141
Net Assets, July 1	20 363 689	6 819 194	(59 415)	(45 061)	20 304 274	6 774 133
Net Assets, June 30	<u>\$21 912 026</u>	<u>\$20 363 689</u>	<u>\$ (81 459)</u>	<u>\$ (59 415)</u>	<u>\$21 830 567</u>	<u>\$20 304 274</u>

Table 3 presents the cost of each of the County's five largest programs-general government, public safety, human services, education and recreation-as well as each program's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

- The cost of all *governmental* activities this year was \$16.9 million.
- However, the amount that our taxpayers paid for these activities through County taxes was \$9.7 million. Some of the cost was paid by:
 - Those who directly benefited from the programs (2.9 million), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (4.3 million).
- The County paid for the \$9.7 million "public benefit" portion with \$7.6 million in taxes, and with other revenues such as interest and unrestricted intergovernmental revenues.

TABLE 3
NET COST OF SWAIN COUNTY'S GOVERNMENTAL ACTIVITIES
(In Millions of Dollars)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government	\$ 2.5	2.1	\$ 1.7	\$ 1.7
Public Safety	3.3	2.9	2.6	1.9
Human Services	7.3	6.8	2.2	2.4
Education	1.4	1.0	1.1	.7
Recreation	.6	.6	.6	.6
Other	<u>1.8</u>	<u>2.7</u>	<u>1.5</u>	<u>1.2</u>
Total	<u>\$ 16.9</u>	<u>\$ 16.1</u>	<u>\$ 9.7</u>	<u>\$ 8.5</u>

Business-type Activities

Revenues of the County's business-type activities totaled \$824 833 with expenses totaling \$846 877 (see Table 2). This produced a deficit of \$22 044. The deficit was caused by the County not funding the entire amount of depreciation.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Swain County's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing Swain 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 Swain County. At the end of the current fiscal year, available fund balance of the General Fund was \$2 001 472, while total fund balance was \$5 008 731. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 11.9 percent of total General Fund expenditures, while total fund balance represents 29.7 percent of that same amount.

At June 30, 2011, the governmental funds of Swain County reported a combined fund balance of \$19 835 698 an increase of \$1 737 082. The primary reason for this increase, was the increase in the non major funds.

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 service. Total amendments increased the General Fund's budget by \$3 180 368.

Proprietary Funds. Swain County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year amounted to \$(370 593). This deficit will be funded in future years.

Capital Asset and Debt Administration

Capital assets. Swain County's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totals \$20 375 566 (net of accumulated depreciation). These assets include land, buildings, equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchased 15 acres of land
- Purchased 5 vehicles for Public Safety
- Purchased 2 Ambulances
- Sold 11 acres of land

Swain County's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 4 659 553	\$ 4 604 551	\$	\$	\$ 4 659 553	\$ 4 604 551
Buildings	13 571 041	14 021 906	354 021	372 194	13 925 062	14 394 100
Equipment	853 958	905 877	26 814	32 267	880 772	938 144
Vehicles	808 319	334 991	101 860	151 221	910 179	486 212
Total	\$19 892 871	\$19 867 325	\$ 482 695	\$ 555 682	\$20 375 566	\$20 423 007

Long-term Debt. As of June 30, 2011, Swain County had total debt outstanding of \$17 800 187, of which General Obligation Bonds are backed by the full faith and credit of the County and all other debt is covered by pledged collateral and is subject to appropriation.

Swain County's Outstanding Debt
All Debt funding Sources

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 2 755 000	\$ 3 105 000	\$	\$	\$ 2 755 000	\$ 3 105 000
Capital Lease Obligations	3 765 206	3 389 891	193 561	260 872	3 958 767	3 650 763
Mortgages and Loans	10 669 842	10 962 714			10 669 842	10 962 714
School Construction Loan	416 578				416 578	
Total	\$17 606 626	\$17 457 605	\$ 193 561	\$ 260 875	\$17 800 187	\$17 718 477

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 the government's boundaries. The legal debt margin for Swain County is \$94 825 777.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: The County will complete renovations to West Elementary School using approximately \$1.4 million of revolving loan funds. The County will also borrow approximately \$400 000 to renovate the Courthouse Building. Approximately \$1.3 million will be spent on a Learning Center out of Education capital Project funds.

Business-type Activities: Solid waste expenditures will remain constant.

Request 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 Director of Finance, Swain County, P. O. Box 2321, Bryson City, NC 28713.

SWAIN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit 1

<u>Assets</u>	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 6 076 029	\$	\$ 6 076 029	\$ 187 264
Receivables (Net of Allowance for Uncollectibles)	1 846 228	59 612	1 905 840	
Due from Primary Government Internal Balance	362 300	(362 300)		25 684
Restricted Cash and Cash Equivalents	13 126 109		13 126 109	
Total Current Assets	21 410 666	(308 688)	21 107 978	212 948
<u>Non Current Assets:</u>				
<u>Capital Assets:</u>				
Land	4 659 553		4 659 553	
Other Capital Assets, Net of Depreciation	15 233 318	482 695	15 716 013	9 766
Total Non Current Assets	19 892 871	482 695	20 375 566	9 766
Total Assets	41 303 537	180 007	41 483 544	222 714
<u>Liabilities:</u>				
<u>Current Liabilities:</u>				
Accounts Payable	601 366	28 300	629 666	
Compensated Absences	361 113	23 774	384 887	
Unearned Revenue	598 602	2 108	600 710	
Due to Component Unit	25 684		25 684	
Current Portion of Long Term Obligations	1 435 545	45 010	1 480 555	
Total Current Liabilities	3 022 310	99 192	3 121 502	
<u>Non Current Liabilities:</u>				
Unfunded Pension Cost	85 249		85 249	
Post Employee Health Benefits	260 727	13 723	274 450	
Non Current Portion of Long Term Obligations	16 023 225	148 551	16 171 776	
Total Non Current Liabilities	16 369 201	162 274	16 531 475	
Total Liabilities	19 391 511	261 466	19 652 977	
<u>Net Assets</u>				
Invested in Capital, Net of Related Debt	8 572 346	289 134	8 861 480	9 766
<u>Restricted For:</u>				
Human Services	1 172		1 172	
Wireless	75 504		75 504	
Education	1 028 382		1 028 382	
Stabilization by State Statute	1 978 877		1 978 877	25 684
Unrestricted (Deficit)	10 255 745	(370 593)	9 885 152	187 264
Total Net Assets	\$21 912 026	\$ (81 459)	\$21 830 567	\$ 222 714

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			(Net Expense) Revenues and Changes in Net Assets			Component Unit
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 2 474 815	\$ 673 715	\$ 134 212	\$	\$ (1 666 888)	\$	\$(1 666 888)	\$
Public Safety	3 254 662	487 495	95 111	30 658	(2 641 398)		(2 641 398)	
Environmental Protection	118 717		17 419		(101 298)		(101 298)	
Economic and Physical Development	1 026 444	72 915	246 666		(706 863)		(706 863)	
Human Services	7 327 201	1 571 428	3 542 606		(2 213 167)		(2 213 167)	
Recreational	640 289	115 205			(525 084)		(525 084)	
Education	1 430 454		43 875	237 561	(1 149 018)		(1 149 018)	
Interest on Long Term Debt	649 017				(649 017)		(649 017)	
Total Governmental Activities	16 921 599	2 920 758	4 079 889	268 219	(9 652 733)		(9 652 733)	
Business-Type Activities:								
Solid Waste	846 877	824 833				(22 044)	(22 044)	
Total Primary Government	\$17 768 476	\$3 745 591	\$ 4 079 889	268 219	(9 652 733)	(22 044)	(9 674 777)	
Component Unit:								
Economic Development - Tourism								(281 485)
General Revenues:								
Taxes:								
Property Taxes					4 718 881		4 718 881	
Local Option Sales					2 456 820		2 456 820	
Occupancy Tax					368 196		368 196	
Public Service Taxes					10 380		10 380	
Payment from Swain County								357 150
Unrestricted Intergovernmental					1 236 505		1 236 505	
Investment Earnings					482 523		482 523	120
Miscellaneous					564 131		564 131	
Total General Revenue Before Special Items					9 837 436		9 837 436	357 270
Special Item - Sale of Land					1 363 634		1 363 634	
Total General Revenues					11 201 070		11 201 070	357 270
Change in Net Assets					1 548 337	(22 044)	1 526 293	75 785
Net Assets - Beginning					20 363 689	(59 415)	20 304 274	146 929
Net Assets - Ending					\$ 21 912 026	\$ (81 459)	\$21 830 567	\$ 222 714

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit 3

	General Fund	Permanent Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and Cash Equivalents	\$3 927 795	\$ 477 565	\$ 1 670 669	\$ 6 076 029
Receivables, Net	1 447 368		49 544	1 496 912
Property Tax Receivable, Net	320 014			320 014
Due From Other Funds	531 509			531 509
Restricted Cash	326 109	12 800 000		13 126 109
Total Assets	<u>\$6 552 795</u>	<u>\$13 277 565</u>	<u>\$ 1 720 213</u>	<u>\$ 21 550 573</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts Payable and Accrued Liabilities	\$ 599 764	\$	\$ 1 602	\$ 601 366
Deferred Revenue	918 616			918 616
Due to Component Unit	25 684			25 684
Due to Other Funds			169 209	169 209
Total Liabilities	<u>1 544 064</u>	<u></u>	<u>170 811</u>	<u>1 714 875</u>
<u>Fund Balances:</u>				
<u>Nonspendable:</u>				
Permanent Fund - 1943 Settlement		12 800 000		12 800 000
<u>Restricted For:</u>				
Stabilization by State Statute	1 978 877			1 978 877
Wireless			75 504	75 504
Education	1 028 382			1 028 382
Human Services			1 172	1 172
<u>Committed To:</u>				
Economic Development	14 892			14 892
<u>Assigned To:</u>				
Public Safety			145 562	145 562
Education			1 327 164	1 327 164
Unassigned	1 986 580	477 565		2 464 145
Total Fund Balances	<u>5 008 731</u>	<u>13 277 565</u>	<u>1 549 402</u>	<u>19 835 698</u>
Total Liabilities and Fund Balances	<u>\$6 552 795</u>	<u>\$13 277 565</u>	<u>\$ 1 720 213</u>	<u>\$ 21 550 573</u>

The notes to the financial statements are an internal part of this statement.

SWAIN COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Amounts reported for governmental activities in the
Statement of Net Assets (Exhibit 1) are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds		\$19 892 871
Other assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
Deferred Revenue-Ad Valorem Taxes	\$ 320 014	
Accrued Interest-Ad Valorem Taxes	<u>29 302</u>	349 316
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds and Leases Payable	(17 458 770)	
Compensated Absences	(361 113)	
LEO Pension Obligation	(85 249)	
OPEB Obligation	<u>(260 727)</u>	(18 165 859)
Fund Balance - Governmental Funds (Exhibit 3)		<u>19 835 698</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$21 912 026</u>

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit 4

	General Fund	Capital Projects	Permanent Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes:					
Property	\$ 4 687 361	\$	\$	\$	\$ 4 687 361
Local Option Sales	2 456 820				2 456 820
Occupancy	368 196				368 196
Public Service	10 380				10 380
Intergovernmental	5 937 924			192 695	6 130 619
Charges for Services	2 658 898			261 860	2 920 758
Investment Earnings	13 641		459 531	4 939	478 111
Miscellaneous	1 523 772				1 523 772
	17 656 992		459 531	459 494	18 576 017
<u>Expenditures</u>					
Current:					
General Government	2 559 682				2 559 682
Public Safety	3 298 315				3 298 315
Environmental Protection	117 598				117 598
Economic and Physical Development	810 426			175 982	986 408
Human Services	7 012 995			383 896	7 396 891
Recreational	574 234				574 234
Education	1 013 876				1 013 876
Debt Service:					
Principal	857 557				857 557
Interest	624 374				624 374
Capital Projects		416 578			416 578
	16 869 057	416 578		559 878	17 845 513
Excess (Deficiency) of Revenue Over Expenditures	787 935	(416 578)	459 531	(100 384)	730 504
<u>Other Financing Sources (Uses)</u>					
Transfers In (Out)	(1 364 854)			1 364 854	
Financing Proceeds	590 000	416 578			1 006 578
	(774 854)	416 578		1 364 854	1 006 578
Net Change in Fund Balances	13 081		459 531	1 264 470	1 737 082
Fund Balances:					
Beginning of Year As Restated	4 995 650		12 818 034	284 932	18 098 616
End of Year	\$ 5 008 731	\$	\$ 13 277 565	\$ 1 549 402	\$ 19 835 698

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total Governmental Funds (Exhibit 4) \$ 1 737 082

Amounts reported for *Governmental Activities* in the Statement of Activities (Exhibit 2) are different because:

Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Capital Outlays of \$954 200 was more than Depreciation of \$786 641 in the current period. 167 559

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 1 399 566

Revenues in the funds statements that is not recognized in the statement of activities (1 505 647)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (149 021)

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 governmental funds. (101 202)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1 548 337

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Exhibit 5

	Budgeted Amounts		Actual	Variances With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad Valorem Taxes	\$ 4 648 385	\$ 4 642 985	\$ 4 687 361	\$ 44 376
Local Option Sales Tax	1 840 000	1 840 000	1 970 034	130 034
Other Taxes and Licenses	12 500	412 500	378 576	(33 924)
Unrestricted Intergovernmental	1 381 813	1 348 813	1 236 505	(112 308)
Restricted Intergovernmental	3 347 561	3 475 561	4 463 858	988 297
Permits and Fees	238 000	238 000	193 990	(44 010)
Sales and Services	2 212 602	2 369 344	2 464 908	95 564
Investment Earnings	30 000	30 000	12 057	(17 943)
Miscellaneous	12 000	1 511 027	1 514 934	3 907
Total Revenues	13 722 861	15 868 230	16 922 223	1 053 993
Expenditures:				
Current:				
General Government	2 682 007	4 414 564	2 559 682	1 854 882
Public Safety	2 532 952	3 502 600	3 298 315	204 285
Environmental Protection	164 139	124 100	117 598	6 502
Economic and Physical Development	378 721	527 787	810 426	(282 639)
Human Services	5 993 080	6 353 674	7 012 995	(659 321)
Cultural and Recreational	630 632	632 174	574 234	57 940
Intergovernmental:				
Education	1 025 000	1 025 000	1 013 876	11 124
Debt Service:				
Principal Retirement	959 474	960 000	857 557	102 443
Interest and Other Charges	488 600	495 074	624 374	(129 300)
Total Expenditures	14 854 605	18 034 973	16 869 057	1 165 916
Revenues Over (Under) Expenditures	(1 131 744)	(2 166 743)	53 166	2 219 909
Other Financing Sources (Uses):				
Transfers In (Out)	1 131 744	1 395 743	(566 120)	(1 961 863)
Financing Proceeds		590 000	590 000	
Appropriated Fund Balance		181 000		(181 000)
Total Other Financing Sources (Used)	1 131 744	2 166 743	23 880	(2 142 863)
Net Change in Fund Balance	\$	\$	\$ 77 046	\$ 77 046
Fund Balance:				
Beginning of Year, as previously reported			3 888 411	
End of Year, June 30			3 965 457	
Legally adopted School's Capital Reserve Fund and Economic Development Fund are consolidated into the General Fund for reporting purposes:				
Miscellaneous			8 838	
Grants			237 561	
Interest Earned			1 584	
Local Option Sales Tax			486 786	
Transfers In (Out)			(798 734)	
Fund Balance - Beginning			1 107 239	
Fund Balance - Ending			\$ 5 008 731	

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
PERMANENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment Earnings	\$ 500 000	\$ 500 000	\$ 459 531	\$ (40 469)
Other Financing Sources (Uses):				
Transfer to General Fund	(500 000)	(500 000)		500 000
Revenues Over (Under) Other Financing Uses	<u>\$</u>	<u>\$</u>	459 531	<u>\$ 459 531</u>
Fund Balance - Beginning of Year			<u>12 818 034</u>	
Fund Balance - Ending of Year			<u>\$13 277 565</u>	

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Enterprise Fund Solid Waste</u>
<u>Assets</u>	
Current Assets:	
Receivables (Net of Allowance for Uncollectibles)	\$ <u>59 612</u>
Non Current Assets:	
Capital Assets:	
Other Capital Assets, Net of Depreciation	<u>482 695</u>
Total Assets	<u>542 307</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable and Accruals	28 300
Due to Other Funds	362 300
Compensated Absences	23 774
Current Portion of Long Term Obligations	45 010
Deferred Revenue	<u>2 108</u>
Total Liabilities	<u>461 492</u>
Non Current Liabilities:	
Non Current Portion of Long Term Obligations	148 551
Post Employee Health Liability	<u>13 723</u>
Total Non Current Liabilities	<u>162 274</u>
Total Liabilities	<u>623 766</u>
<u>Net Assets</u>	
Invested in Capital, Net of Related Debt	289 134
Unrestricted (Deficit)	<u>(370 593)</u>
Total Net Assets (Deficit)	<u>\$ (81 459)</u>

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Enterprise Fund Solid Waste</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 824 833
<u>Operating Expenses</u>	
Waste Management Operations	764 597
Depreciation	<u>72 987</u>
Total Operating Expenses	<u>837 584</u>
Operating Income (Loss)	<u>(12 751)</u>
Non-Operating Revenues (Expenses):	
Interest Expense	<u>(9 293)</u>
Change in Net Assets	(22 044)
Total Net Assets - Beginning	<u>(59 415)</u>
Total Net Assets - Ending	<u>\$ (81 459)</u>

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Enterprise</u> <u>Fund</u> <u>Solid</u> <u>Waste</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 814 839
Cash Paid to Employees	(349 367)
Cash Paid for Goods and Services	(400 922)
Prepaid Waste Fees	<u>(1 194)</u>
Net Cash Provided (Used) by Operating Activities	<u>63 356</u>
Cash Flows From Noncapital Financing Activities:	
Interfund Activity	<u>13 248</u>
Cash Flows From Capital and Related Financing Activities:	
Debt Principal and Interest Paid	<u>(76 604)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	
Cash and Cash Equivalents - Beginning Year	<u> </u>
Cash and Cash Equivalents - End of Year	<u>\$ <u> </u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (12 751)
Adjustments to reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	72 987
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable -	
Customers and Waste Fees	(9 994)
Increase (Decrease) in Accounts Payable and	
Accruals - Customer's	13 401
Increase (Decrease) in Compensated Absences	(2 957)
Increase (Decrease) in Deferred Revenue	(1 194)
Increase (Decrease) in Post Employment Liability	<u>3 864</u>
Total Adjustments	<u>76 107</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 63 356</u>

The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

I. Summary of Significant Accounting Policies

The accounting policies of Swain County 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 generally accepted accounting principles, these financial statements present the County and its component unit, a legally-separate entity for which the County is financially accountable. The discretely presented component unit presented below is reported in a separate column in the County's combined financial statements in order to emphasize that it is legally separate from the County.

Swain County Tourist Development Authority

The County appoints three of the five members of the governing board of the Authority and the Authority operates within the County's boundaries for the benefit of the County's residents. The County is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget, designates its own management, and maintains its own accounting system. Complete financial statements can be obtained from the Authority's administrative office in Bryson City, N.C.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component unit. 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 government 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 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 for 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. 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 nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County. This fund accounts for all financial resources except those that are required to be accounted for in another fund. The School's Capital Reserve and the Economic Development fund are legally budgeted funds under North Carolina general statutes, however they are consolidated into the General Fund in accordance with GASB Statement No. 54.

The **Permanent Fund** accounts for resources received from the partial Settlement of the 1943 Agreement with the U. S. Department of the Interior. The interest earned on the nonexpendable trust principal is unrestricted.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The County has one major capital project - West Elementary School Construction.

The County reports the following major proprietary fund:

The **Solid Waste Fund** is used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Additionally, the County reports the following fund types:

Agency Funds - Agency funds are custodial in nature and do not involve the measurement of operational results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains three Agency Funds: the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Swain County Board of Education, the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County, and the 3% Interest Fund which accounts for interest on motor vehicles for a set period of time and remitted to the state of NC.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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 and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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. Nonexchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, 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 and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

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 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Swain County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes, which are billed during this period, are shown as a receivable on these financial statements.

Sales taxes 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 are both restricted and unrestricted net assets 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. All governmental and business-type activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board of Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue (except for the CDBG fund) and the enterprise fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the CDBG, Special Revenue fund and for all Capital Project funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for funds which adopt annual budgets and at the object level for funds which adopt Project Ordinances. The County Manager has authority, with subsequent approval by the Board, to transfer funds from one appropriation to another per the following guidelines: (1) The funds are not more than five-hundred dollars, (2) The funds involve receipt and appropriation of grant funds or contracts which have been approved by the Board, or (3) The transfer allows for better accounting methods and does not involve a change in the purpose for which funds are spent. All budgets shown in the financial statements are the final June 30, 2011 budgets as amended.

A budget calendar is included in the North Carolina Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 - The budget ordinance shall be adopted by the governing board.

Pursuant to G.S. 159-26(d), the County is not required to maintain encumbrance accounts due to its small population. The County does use purchase orders but they are not reflected in expenditures until the item is received. At June 30, 2011, the County did not have any purchase orders outstanding.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments:

Deposits - All deposits of the County and Swain County Tourist Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the County and the Authority may 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 and the 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, an SEC-registered mutual fund. The County and the Tourist 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 NCCMT Cash Portfolio's securities 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 and 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 to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The County and the Authority considers demand deposits and investments purchased with an original maturity of six months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets:

The County is depositing \$77 390 annually into a sinking fund held with the Bank of America for the future pay off of \$1 500 000 of N.C. Qualified Zone Academy Bonds. The amount of restricted General Fund assets of \$326 109 is the balance in the sinking fund at June 30, 2011. Permanent Fund restricted cash of \$12,800,000 represents the nonexpendable portion of the Swain Settlement funds.

4. Ad Valorem Taxes Receivable:

In accordance with State law [G.S. 105-347 and G.S 159-131(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due 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, 2010. 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.

6. Capital Assets:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

The County holds title to certain Swain County Board of Education properties, which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing for 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 fixed assets in the financial statements of the Swain County Board of Education.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Furniture and Equipment	5-7
Vehicles and Motorized Equipment	5

Capital assets of the Swain County Tourist Development Authority are depreciated over their useful life on a straight-line basis as follows:

<u>Assets</u>	<u>Years</u>
Office Equipment	5

7. Long-Term Obligations:

In the government-wide financial statements, and 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 assets. In fund financial statements for governmental fund types, the face of debt issued is reported as another financing source.

8. Compensated Absences:

The vacation policies of the County provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The County's liability for accumulated earned vacation and the salary-related payments as of June 30, 2011 is recorded in the government-wide financial statements and the proprietary funds. 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 there is no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Assets/Fund Balances:

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, b) or imposed by law through state statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Permanent Fund principal derived from the 1943 agreement with the Department of Interior are to remain in perpetuity.

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

Restricted for Wireless - portion of fund balance that is restricted by revenue source to pay for wireless Technology.

Restricted for Human Services - portion of fund balance that is restricted by revenue source for Social Services.

Restricted for Education - portion of fund balance that can only be used for retirement of School Debt.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote of Swain County's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Economic Development - portion of fund balance that can only be used for economic development.

Assigned Fund Balance - portion of fund balance that the Swain County governing board has budgeted.

Assigned for Public Safety Capital Outlay - portion of fund balance that has been budgeted by the board for law enforcement capital expenditures.

Assigned School Capital Outlay - portion of fund balance that has been budgeted by the board for construction of a learning center.

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

F. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Other Resources

The General Fund provides the basis of local resources for governmental funds. These transactions are recorded as "Transfers-out" in the General Fund and "Transfers-in" in the receiving fund. Transfers are also made out of the Schools Capital Reserve Fund into the General Fund to pay for school debt and capital outlay.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$2 076 328 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement governmental activities column)	\$26 327 647
Less Accumulated Depreciation	<u>6 434 776</u>
Net Capital Assets	19 892 871
Accrued interest receivable on ad valorem taxes in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	29 302
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide - net ad valorem taxes.	320 014
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	(17 458 770)
Compensated Absences	(361 113)
Pension Obligation	(85 249)
OPEB Obligation	<u>(260 727)</u>
Total adjustment	<u>\$ 2 076 328</u>

- B. 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 a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$188 745 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 954 200
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities but not in the fund statements.	(786 641)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Recording of tax receipts deferred in the fund statements.	31 520
Increase in accrued interest on taxes	4 412

Principal payments on debt owed are recorded as a use of funds in the fund statements but affect only the statement of net assets in the government-wide statements.	857 557
Financing Proceeds are recorded as a source of funds in the fund statements but affect only the statement of net assets in the government-wide statements.	(1 006 578)
Law Enforcement Separation Allowance expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements.	(9 163)
Amortization of deferred charges on refunding is not recorded as an expenditure in the funds statement.	(24 643)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	6 008
Post employment health costs are accrued in the government-wide statements, but not in the fund statement.	(73 404)
Gain on Disposal of Fixed Assets is recorded in the government wide statements only.	1 363 634
Revenues recognized in the funds statements but not in the statement of activities-Sale of Fixed Assets.	<u>(1 505 647)</u>
Total Adjustment	<u>\$ (188 745)</u>

III. Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

Expenditures over budgeted amounts were noted in the following Departments:

<u>General Fund</u>	<u>Over Budget</u>
Debt Service	\$ 26 857
Coroner	800
Special Appropriations - Fire Departments	2 874
Economic Development	353 323
Social Services	545 068
Health Department	121 508
Special Appropriations - Human Services	5 867
Total	<u>\$ 1 056 297</u>
<u>Family Preservation</u>	<u>\$ 14 909</u>

These expenditures were approved subsequent to year end. The County annually files a corrective action plan. It is the County's intention to amend their budget on a more timely basis in the future.

B. Accumulated Deficit of Individual Funds

The Solid Waste fund had a unrestricted deficit of \$370 593 at June 30, 2011. The Enterprise Fund will fund this deficit in future years.

IV. Detail Notes On All Funds and Account Groups

A. Assets

1. Deposits:

All of the County's and 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's or the Authority's agents in these 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 and the 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 or the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Authority under the Pooling Method, the potential exists for undercollateralization, 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 County and Authority have no policy regarding outstanding risk for deposits.

At June 30, 2011, the County's deposits had a carrying amount of \$3 753 748 and a bank balance of \$3 836 260. Of the bank balance \$750 000 was covered by federal depository insurance and \$3 086 260 was covered by collateral held under the Pooling Method.

At June 30, 2011 the carrying amount of deposits for Swain County Tourist Development Authority was \$187 264 and the bank balance was \$267 000. All of the bank balance was covered by federal depository insurance or other sufficient collateral.

2. Investments:

At June 30, 2011, Swain County had \$2 170 825 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poors. The County also had \$13 277 565 invested with the North Carolina Master Trust Account. The County has no policy regarding credit risk.

3. Receivables - Net of Allowances for Doubtful Accounts:
 Receivables at June 30, 2011, were as follows at the government-wide level:

	<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$1 447 368	\$	\$ 708 270	\$ 29 302	\$2 184 940
Other Governmental	49 544	_____	_____	_____	49 544
Total Receivables	1 496 912	_____	708 270	29 302	2 234 484
Allowance for doubtful accounts			388 256		388 256
Total-governmental activities	<u>\$1 496 912</u>	<u>\$</u>	<u>\$ 320 014</u>	<u>\$ 29 302</u>	<u>\$1 846 228</u>
Business-type Activities:					
Solid Waste	\$ 6 550	\$ 143 410	\$	\$	\$ 149 960
Allowance for doubtful accounts		90 348			90 348
Total business-type activities	<u>\$ 6 550</u>	<u>\$ 53 062</u>	_____	<u>\$</u>	<u>\$ 59 612</u>

4. Property Tax - Use Value Assessment on Certain Lands:

In accordance with the general statutes, agriculture, horticulture, and forest land may be taxed at 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 accrued interest from the original due 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	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2008	\$53 735	\$3 234	\$56 959
2009	52 112	2 084	54 196
2010	53 502	1 070	54 572

5. Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

1. Primary Government:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital Assets not being depreciated:				
Land	\$ 4 604 551	\$ 175 002	\$ 120 000	\$ 4 659 553
Capital Assets being depreciated:				
Buildings	17 256 033		41 843	17 214 190
Equipment	2 298 354	132 928	100 199	2 331 083
Vehicles	1 627 583	646 270	151 032	2 122 821
Total capital assets being depreciated	<u>21 181 970</u>	<u>779 198</u>	<u>293 074</u>	<u>21 668 094</u>
Less accumulated depreciation for:				
Buildings	3 234 127	429 242	20 220	3 643 149
Equipment	1 392 477	184 847	100 199	1 477 125
Vehicles	1 292 592	172 552	150 642	1 314 502
Total accumulated depreciation	<u>5 919 196</u>	<u>786 641</u>	<u>271 061</u>	<u>6 434 776</u>
Total Capital Assets, being Depreciated, net	<u>15 262 774</u>	<u>(7 443)</u>	<u>22 013</u>	<u>15 233 318</u>
Governmental Capital Assets, net	<u>\$19 867 325</u>	<u>\$ 167 559</u>	<u>\$ 142 013</u>	<u>\$19 892 871</u>

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

Governmental activities:	
General government	\$115 266
Public safety	402 120
Economic and physical development	65 880
Environmental protection	385
Human services	138 403
Culture and recreation	<u>64 587</u>
Total depreciation expense - government activities	<u>\$786 641</u>
Business-type activities:	
Solid Waste	<u>\$ 72 987</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Vehicles	\$ 784 966	\$	\$ 57 280	\$ 727 686
Equipment	396 874		10 000	386 874
Buildings	<u>607 030</u>			<u>607 030</u>
Total capital assets, being depreciated	<u>\$1 788 870</u>	<u>\$</u>	<u>\$ 67 280</u>	<u>\$1 721 590</u>
Less accumulated depreciation for:				
Vehicles	633 745	49 361	57 280	625 826
Equipment	364 607	5 453	10 000	360 060
Buildings	<u>234 836</u>	<u>18 173</u>		<u>253 009</u>
Total Accumulation Depreciation	<u>1 233 188</u>	<u>72 987</u>	<u>67 280</u>	<u>1 238 895</u>
Total capital assets, being depreciated, net	<u>555 682</u>	<u>(72 987)</u>		<u>482 695</u>
Proprietary Capital Assets, net	<u>\$ 555 682</u>	<u>\$ (72 987)</u>	<u>\$</u>	<u>\$ 482 695</u>

Discretely presented component unit:

Capital asset activity for Swain County Tourist Development
Authority for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Office Equipment	\$ 20 279	\$ 1 482	\$	\$ 21 761
Total capital assets being depreciated	<u>20 279</u>	<u>1 482</u>		<u>21 761</u>
Less accumulated depreciation:				
Office Equipment	8 912	3 083		11 995
Total accumulated depreciation	<u>8 912</u>	<u>3 083</u>		<u>11 995</u>
Total capital assets being depreciated (net)	<u>11 367</u>	<u>(1 601)</u>		<u>9 766</u>
Governmental activities				
Capital Assets, net	<u>\$ 11 367</u>	<u>\$ (1 601)</u>	<u>\$</u>	<u>\$ 9 766</u>

B. Liabilities

1. Payables

Payables at June 30, 2011 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Insurance</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$115 171	\$229 021	\$ 100 430	\$ 155 142	\$ 599 764
Other Governmental		1 602			1 602
Total Governmental activities	<u>\$115 171</u>	<u>\$230 623</u>	<u>\$ 100 430</u>	<u>\$ 155 142</u>	<u>\$ 601 366</u>
Business-type activities:					
Solid Waste	<u>\$ 19 477</u>	<u>\$ 8 823</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 28 300</u>

2. Unearned/Deferred Revenues - The balance in deferred revenues in the fund financial statements and unearned revenue in the government-wide financial statements at June 30, 2011 is composed of the following elements:

Governmental Activities:	<u>Deferred</u>	<u>Unearned</u>	Business Type Activities:	<u>Deferred</u>	<u>Unearned</u>
Taxes receivable (Net)	\$ 320 014	\$ _____	Prepaid Taxes not yet earned	\$ _____	\$ _____
Prepaid taxes not yet earned	18 352	18 352		<u>2 108</u>	<u>2 108</u>
Payment in Lieu of Taxes Paid in Advance	<u>580 250</u>	<u>580 250</u>			
Total	<u>\$ 918 616</u>	<u>\$ 598 602</u>			

3. Pension Plan Obligations

a. Local Government Employee's Retirement System - Plan Description

Swain County contributes to the statewide Local Government Employee's 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 Government Employee's 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.

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.48% and 6.41%, respectively, of annual payroll. The contribution requirements of members and of Swain County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2011 and 2010 were \$348 302 and \$261 768 respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description - Swain County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-0-
Terminated plan members entitled to but not yet receiving benefits	-0-
Active plan members	<u>17</u>
Total	<u>17</u>

(2) Summary of Significant Accounting Policies

Basis of Accounting - The County has chosen not to fund the Separation Allowance on an annual basis. Pension expenditures are made from the General Fund when payments are due.

- (3) Contributions - The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on an annual basis through appropriations made in the General Fund Operating Budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

- (4) 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	\$ 9 432
Interest on net pension obligation	3 804
Adjustment to annual required contribution	<u>(4 073)</u>
Annual pension cost	\$ 9 163
Contributions made for fiscal year ended 6-30-10	<u>- 0 -</u>
Increase (decrease) in net pension obligation	9 163
Net pension obligation beginning of year	<u>76 086</u>
Net pension obligation end of year	<u>\$85 249</u>

3 YEAR TREND INFORMATION

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APOC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 9 163	0%	\$85 249
6/30/10	9 579	0%	76 086
6/30/09	6 918	0%	66 507

c. Supplemental Retirement Income Plan for Law Enforcement Officers -

Plan Description - The County contributes to the Supplemental Retirement Income 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 Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina Assembly.

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, 2011 were \$27 858, which consisted of \$27 858 from the County and \$-0- from the law enforcement officers.

d. Deferred Compensation Plan - The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits 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. Thus the County's Deferred Compensation Plan is not reported within the County's Agency Funds.

e. Register of Deeds' Supplemental Pension Fund - Plan Description - Swain County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The 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, or by calling (919) 981-5454.

Funding Policy - On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$1 927.

- f. Other Employment Benefits - The County 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 died 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 not exceed \$50 000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.
- g. Other Post-Employment Benefits - Plan Description - In addition to providing pension benefits, Swain County, has elected to provide health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 10 to 30 years of continuous service with the County, depending on date of hire. Retirees are eligible to receive the same benefits as active County employees. The County pays the costs of coverage for these benefits as incurred on a pay as you go basis. Also, retirees can purchase coverage for their dependents at the County's group rates.

Membership in the plan included the following at 12-31-09, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	3	-0-
Active plan members	<u>165</u>	<u>14</u>
Total	<u>168</u>	<u>14</u>

Funding Policy - The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. The County's members pay \$333 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 1.90% of annual covered payroll. For the current year, the county contributed \$8 658 or .2% of annual covered payroll. The County's medical coverage is self insured, which is administered by an outside provider. There were no contributions made by employees, except for dependant coverage for retirees in the amount of \$3 047.

Summary of Significant Accounting Policies - Post-employment expenditures are made from the County's General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

Annual OPEB cost and Net OPEB Obligation - the County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 62 576
Interest on net OPEB obligation	7 887
Adjustment to annual required contribution	<u>6 805</u>
Annual OPEB cost	77 268
Contributions made for 6-30-11	<u>-0-</u>
Increase in net OPEB obligation	77 268
Net OPEB liability, beginning of year	<u>197 182</u>
Net OPEB liability, end of year	<u>\$ 274 450</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB	Net OPEB Liability
		Cost Contributed	
2011	\$ 77 268	0%	\$ 274 450
2010	98 861	0%	197 182
2009	98 321	0%	98 321

As of 12-31-09, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$274 450. The covered payroll (annual payroll of active employees covered by the plan) was \$4 326 287. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 12-31-09 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.5 to 5.0 percent. The UAAL is being amortized as a level dollar percentage of projected payroll on an open basis. The remaining amortization period at 12-31-09 was 30 years.

4. 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 three self-funded risk financing pools administered by 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 \$125.5 million, for any one occurrence, The County also purchases general, auto, public officials, law enforcement, and employment practices 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, worker's compensation coverage up to the statutory limits, and medical and dental insurance for county employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500 000 up to a \$2 million limit for liability coverage, \$600 000 of aggregate annual losses in excess of \$50 000 per occurrence and an for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for worker's compensation. For medical and dental insurance, the County is reinsured through the Pool for individual losses in excess of \$50 000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100 000.

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 claims have not exceeded coverage in any of the past three fiscal years. The County does not carry flood insurance.

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, sheriff, register of deeds and tax collector are each individually bonded for \$50 000 each. The County Manager is bonded for \$500 000.

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. The Authority has property and general liability insurance. The coverage amounts are \$5,000 for business personal property and \$2,000,000 for liability and medical expenses.

5. Long-Term Obligations:

- a. General Obligation Indebtedness - The general obligation bonds are collateralized by the full faith, credit and taxing power of the County. They bear interest, payable semi-annually as follows:

School - 2005 Refunding	2.0 to 3.5%	<u>\$2 755 000</u>
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- b. Installment Purchases - Installment contracts for the purchase of equipment are treated as purchases at the inception of the contract and are carried in the General Fund. Enterprise obligations are carried in the Solid Waste Fund. The County had the following installment purchase contracts at June 30, 2011:

Description	Cost	Date	Term	Rate	Amount
3 Vehicles	\$ 60 000	5-15-06	5 Yrs.	4.54%	\$ 13 683/Annual
Sanitation Truck	164 500	2-23-06	8 Yrs.	3.89%	\$ 24 322/Annual
5 Police Cars	150 000	11-15-08	5 Yrs.	4.04%	\$ 33 732/Annual
2 Sanitation Tractors	170 000	11-03-08	7 Yrs.	3.85%	\$ 28 167/Annual
Ambulance	100 961	11-25-08	4 Yrs.	3.46%	\$ 27 461/Annual
Fibre Optic Cable	120 000	6-30-06	8 Yrs.	4.23%	\$ 17 993/Annual
Land-Middle School	2 000 000	10-18-06	15 Yrs.	4.25%	\$218 333/Annual
8 Vehicles	240 000	5-10-11	3 Yrs.	2.61%	\$ 83 693/Annual
Total	<u>\$2 765 461</u>				

- c. Qualified Zone Academy Bond - As authorized by State law (G.S.160A-20), the County financed the renovation of Swain County High School for use by Swain County Board of Education during the fiscal year ended June 30, 2007 by installment purchase designated as a Qualified Zone Academy Bond. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Swain County Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation. The transaction requires 16 annual payments of \$77 930 to a sinking fund with Bank of America. The sinking fund yields a projected investment return of 5.36%. The principal amount of the installment purchase is \$1 500 000 at zero interest. The payments began July, 2007. If investment earnings do not result as projected, the County will pay the required amount for the total funds to equal \$1 500 000 on July 15, 2023.
- d. Construction Loan - Qualified School Construction Bond - During the year ended June 30, 2011, the County began financing the construction of classrooms at West Elementary School. The maximum amount of the loan is \$1 825 000 at 5.43% interest. To date the County has drawn down \$416 578.
- e. Mortgages - Health Department Building - The mortgage is for 15 years at an interest rate of 4.83% with monthly payments of \$1 241. Social Services Building - The mortgage is for 15 years at an interest rate of 3.81% with annual principal payments of \$51 816 plus interest. Social Services Building Addition - The mortgage is for 15 years at an interest rate of 3.53% with annual principal payments of \$73 333 plus interest. Tourist Development Authority Building - The mortgage is for 15 years at an interest rate of 4.20% with annual principal payments of \$41 333 plus interest.
- f. Changes in Long-Term Obligations - The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

Governmental Activity:	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
General Obligation Bonds: Refunding Bonds-Schools	\$ 3 105 000	\$ _____	\$ 350 000	\$ 2 755 000	\$ 360 000
Installment Purchase	3 389 891	590 000	214 685	3 765 206	360 941
Mortgages and Loans	10 962 714	_____	292 872	10 669 842	298 026
Construction Loan-School Construction Bond	_____	416 578	_____	416 578	416 578
Compensated Absences	367 121	_____	6 008	361 113	361 113
Unfunded Pension Cost	76 086	9 163	_____	85 249	_____
Unfunded OPEB Cost	187 323	73 404	_____	260 727	_____
Subtotal	18 088 135	1 089 145	863 565	18 313 715	1 796 658
Less Deferred Amount on Refunding Bonds	172 499	_____	24 643	147 856	_____
Totals	<u>\$17 915 636</u>	<u>\$1 089 145</u>	<u>\$ 838 922</u>	<u>\$ 18 165 859</u>	<u>\$ 1 796 658</u>

Business Type Activity:	Balance	Additions	Retirements	Balance	Current
	July 1, 2010			June 30, 2011	Portion
Capitalized Leases	\$ 260 872	\$	\$ 67 311	\$ 193 561	\$ 45 010
Compensated Absences	26 731		2 957	23 774	23 774
Unfunded OPEB Cost	9 859	3 864		13 723	
Totals	\$ 297 462	\$ 3 864	\$ 70 268	\$ 231 058	\$ 68 784

The annual debt service payments to maturity for all long-term obligations excluding construction loan of \$416 578, compensated absences, unfunded pension costs and post employment benefit is as follows:

Year	Governmental Activity				Business Type Activity				Total Debt Due	
	School Bonds		Installment Obligations		Mortgage and Loans		Installment Obligation		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2012	\$ 360 000	\$ 89 510	\$ 360 941	\$ 84 655	\$ 298 026	\$ 433 813	\$ 45 010	\$ 7 479	\$ 1 063 977	\$ 615 457
2013	375 000	78 710	355 037	72 038	303 399	422 001	46 751	5 738	1 080 187	578 487
2014	380 000	66 523	335 012	59 795	308 999	409 961	48 560	3 929	1 072 571	540 208
2015	395 000	54 173	205 788	48 824	303 482	397 855	26 117	2 050	930 387	502 902
2016	410 000	41 928	208 426	41 444	305 129	386 055	27 123	1 044	950 678	470 471
2017-2021	835 000	43 303	666 669	113 333	1 613 793	1 848 971			3 115 462	2 005 607
2022-2026			1 633 333	5 667	1 169 489	1 446 861			2 802 822	1 452 528
2027-2031					1 141 208	1 224 442			1 141 208	1 224 442
2032-2036					1 397 154	968 496			1 397 154	968 496
2037-2041					1 710 502	655 148			1 710 502	655 148
2042-2046					2 094 126	271 517			2 094 126	271 517
2047-2051					24 535				24 535	
	<u>\$2 755 000</u>	<u>\$ 374 147</u>	<u>\$3 765 206</u>	<u>\$425 756</u>	<u>\$10 669 842</u>	<u>\$8 465 120</u>	<u>\$ 193 561</u>	<u>\$ 20 240</u>	<u>\$17 383 609</u>	<u>\$ 9 285 263</u>

At June 30, 2011 Swain County had a legal debt margin of \$94 825 777.

g. Commitments:

The County has one active construction project as of June 30, 2011. At year end, the County's commitments with contracts are as follows:

Project	Spent to date	Remaining Commitment
West Elementary School Construction	\$ 240 156	\$ 1 281 696

h. Contingent Liabilities:

At June 30, 2011, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

i. Interfund Balances and Activity:

1. Interfund receivables and payables at June 30, 2011 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 531 509	
Non-Major Governmental Funds		169 209
Enterprise Fund		<u>362 300</u>
Total Interfund receivables and payables	<u>\$ 531 509</u>	<u>\$ 531 509</u>

The outstanding balances between funds result mainly from working capital loans made to other funds which are expected to be reimbursed in the subsequent year.

2. Interfund receivables and payables at June 30, 2011 for primary government and component unit are composed as follows:

Component Unit - Receivable From Primary Government	\$25 684	\$
Primary Government - Payable to Component Unit		<u>25 684</u>
Total	<u>\$25 684</u>	<u>\$25 684</u>

3. Interfund transfers at June 30, 2011 are as follows:

<u>Transfers From</u>		<u>Transfers To</u>	
Non-Major Governmental Funds	<u>\$1 364 854</u>	General Fund	<u>\$1 364 854</u>

Transfers are used for various reasons. In the year ended June 30, 2011 transfers were used to:

- Reimburse inter-departmental costs shared by more than one fund including school debt paid by the general fund

4. Fund Balance

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

The following schedule provides management and citizens with information on the portion of General Fund Balance that is available for appropriation:

Total fund balance - General Fund	\$ 5 008 731
Less:	
Stabilization by State Statute	(1 978 877)
Restricted for Education	<u>(1 028 382)</u>
Remaining Fund Balance	<u>\$ 2 001 472</u>

5. Subsequent Events:

Subsequent events have been evaluated through August 31, 2011, which is the date the financial statements were available to be issued.

V. Related Organization

The chairman of the County's governing board is also responsible for appointing the members of the board of the Swain County Industrial Facility and Pollution Control Authority, but the County's accountability for this organization does not extend beyond making the appointments. This Authority is a nonprofit organization which exists to approve industrial revenues bonds.

VI . Joint Ventures

The County participants in a joint venture to operate Marianna Black Regional Library with two other local governments. Each participating government appoints two board members to the six member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$189 000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices in Bryson City, N.C.

The County, in conjunction with the State of North Carolina and the Swain County Board of Education, participates in a joint venture to operate the Southwest Tech Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. 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. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. 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 \$125 000 to the community college during the fiscal year ended June 30, 2011. 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, 2011. Complete financial statements for the community college may be obtained from the community college's administrative offices in Sylva, N. C.

Swain County, in conjunction with seven other Counties, participates in the Smokey Mountain Mental Health Board. Swain County appoints 2 of the 23 member board. The Mental Health Board is a joint venture formed to provide better health services to its citizens. All participating Counties provide an annual appropriation to the Health Board but has no equity interest in the joint venture. Thus no equity interest has been reflected in the financial statements at June 30, 2011. Swain County contributed \$74 658 to the Board during the fiscal year ended June 30, 2011. Complete financial statements can be obtained from the Board's administrative office in Dillsboro, N.C.

The County supports the Fontana Regional Library by providing building space in the Marianna Black Regional Library. The County has no responsibility in appointing any board members. The County has no equity interest in the library, thus no equity interest has been reflected in the financial statement at June 30, 2011.

VII. Jointly Governed Organization

The County, in conjunction with 7 other counties and 16 municipalities, established the Southwestern North Carolina Planning and Economic Development Commission. The participating governments established the Commission to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid fees of \$86 097 to the Commission during the fiscal year ended June 30, 2011.

VIII. Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2011, the County reported these unrestricted local option sales taxes within its General Fund and the restricted portion in the Special Revenue Fund - Schools Capital Reserve. During the year the County expended the restricted portion of these taxes for public school debt retirement.

IX. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from Federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefits payments to be issued by the State. The amounts disclose this additional aid to County recipients which do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
IV-E Foster Care	\$ 104 186	\$ 46 955
SC/SA Domiciliary Care		85 948
TANF	89 464	(38)
Medicaid	17 562 542	5 954 093
Foster Care		339 743
Low Income Energy Assistance	218 396	
WIC	132 259	
IV-E Adopt Subsidy	38 720	28 076
Independent Living-Links	<u>3 100</u>	
Total	<u>\$18 148 667</u>	<u>\$6 454 777</u>

X. Summary Disclosure of Significant Contingencies

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 moneys 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.

XI. Special Item

During the year ended June 30, 2011, the County sold undeveloped land to a private developer. This item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management. The land had a book value of \$136 366 and was sold for \$1 500 000 for a gain of \$1 363 634.

Required Supplemental Financial Data

Schedule of Funding Progress for the Law Enforcement Officers' Special Separations Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress for Other Postemployment Benefits

Schedule of Employer Contributions for Other Postemployment Benefits

SWAIN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a : b)</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll (b - a : c)</u>
12/31/05	-0-	38 471	38 471	0%	423 754	9.08%
12/31/06	-0-	43 692	43 692	0%	411 000	10.63%
12/31/07	-0-	44 005	44 005	0%	327 352	13.44%
12/31/08	-0-	55 251	55 251	0%	526 599	10.49%
12/31/09	-0-	47 093	47 093	0%	507 468	9.28%
12/31/10	-0-	37 150	37 150	0%	509 987	7.28%

SWAIN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2011	\$ 9 169	0%
2010	9 579	0%
2009	6 364	0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/10
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	20 Years
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	5.00%
Projected Salary Increase	4.25% - 7.85%
Includes Inflation at	3.00%
Cost of Living Adjustments	None

SWAIN COUNTY, NORTH CAROLINA
OTHER POST - EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability (AAL) -</u> <u>Projected Unit</u> <u>Credit</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a : b)</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a %</u> <u>of Covered</u> <u>Payroll</u> <u>(b - a : c)</u>
12/31/08	-0-	798 771	798 771	0%	5 444 211	14.7%
12/31/09	-0-	723 182	723 182	0%	5 245 350	13.8%

SWAIN COUNTY, NORTH CAROLINA
OTHER POST - EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2011	\$ 62 576	0%
2010	98 861	0%
2009	98 321	0%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	12/31/09
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	4.0%
Includes Inflation at	3.75%
Medical Cost Trend Rate	10.5 - 5.0%
Year of Ultimate Trend Rate	2017

SWAIN COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Ad Valorem Taxes:			
Current Year	\$4 394 685	\$4 291 803	\$(102 882)
Prior Year	148 300	310 153	161 853
Penalties and Interest	100 000	85 405	(14 595)
Total	4 642 985	4 687 361	44 376
Local Option Sales Taxes:			
1 Cent Sales Tax	900 000	855 316	(44 684)
½ Cent Sales Tax	840 000	663 897	(176 103)
Medicaid Hold Harmless	100 000	450 821	350 821
Total	1 840 000	1 970 034	130 034
Other Taxes and Licenses:			
Room Occupancy Tax	403 000	368 196	(34 804)
Marriage Licenses	9 500	10 380	880
Total	412 500	378 576	(33 924)
Unrestricted Intergovern- mental Revenues:			
ABC Revenue	7 000	6 323	(677)
Payments in Lieu of Taxes	1 311 813	1 192 332	(119 481)
Satellite Video Tax	30 000	37 850	7 850
Total	1 348 813	1 236 505	(112 308)
Restricted Intergovern- mental Revenues:			
State and Federal Grants (Exhibit I)	3 445 161	3 917 852	472 691
Court Facility Fees	30 400	21 018	(9 382)
Indirect Cost		524 988	524 988
Total	3 475 561	4 463 858	988 297
Permits and Fees:			
Inspection Fees	70 000	63 704	(6 296)
Register of Deeds	165 000	127 605	(37 395)
Safe Driving	3 000	2 681	(319)
Total	238 000	193 990	(44 010)

Revenues - Continued:	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Sales and Service:			
Tag Office	\$ 45 000	\$ 50 235	\$ 5 235
Officers Fees	16 000	11 136	(4 864)
Jail Fees	325 000	345 584	20 584
Ambulance Fees	560 000	708 447	148 447
Recreation Department	95 500	94 205	(1 295)
Town Contribution - Recreation	21 000	21 000	
Town Contribution - Fire Marshall	17 000	17 000	
Town Dispatcher & PIN	28 700	28 700	
Building Lease	156 900	167 630	10 730
Social Services Fees		4 066	4 066
Chamber Salary Reimbursement	105 712	72 915	(32 797)
Sheriff Revenues	116 690	85 075	(31 615)
Health Dept. Fees and Reimbursements	881 842	858 915	(22 927)
Total	2 369 344	2 464 908	95 564
Investment Earnings:			
Interest Earned	30 000	12 057	(17 943)
Miscellaneous:			
Sales of Fixed Assets	1 507 000	1 505 647	(1 353)
Other	4 027	9 287	5 260
Total	1 511 027	1 514 934	3 907
Total Revenues	15 868 230	16 922 223	1 053 993
Expenditures:			
General Government:			
Governing Body:			
Salaries and Employees			
Benefits		55 866	
Operating Expenditures		13 626	
Travel		17 957	
Total	91 416	87 449	3 967
Administration:			
Salaries and Employees			
Benefits		303 605	
Operating Expenditures		136 449	
Workers' Comp. Insurance		5 077	
Capital Outlay		175 002	
Legal Services		29 414	
Total	2 378 380	649 547	1 728 833

	2011		Variance
Expenditures - Continued:	Budget	Actual	Favorable Unfavorable)
Elections:			
Salaries and Employee			
Benefits	\$	\$ 94 987	\$
Operating Expenditures		47 807	
Capital Outlay		2 600	
Total	<u>160 269</u>	<u>145 394</u>	<u>14 875</u>
Finance:			
Salaries and Employee			
Benefits		111 566	
Operating Expenditures		34 745	
Professional Services		60 149	
Total	<u>213 625</u>	<u>206 460</u>	<u>7 165</u>
Tax and Mapping:			
Salaries and Employee			
Benefits		287 499	
Operating Expenditures		149 407	
Capital Outlay		4 893	
Total	<u>486 136</u>	<u>441 799</u>	<u>44 337</u>
Register of Deeds:			
Salaries and Employee			
Benefits		117 020	
Operating Expenditures		81 361	
Recording Fees		39 333	
Total	<u>261 542</u>	<u>237 714</u>	<u>23 828</u>
Public Buildings:			
Salaries and Employee			
Benefits		325 554	
Maintenance & Repairs		102 115	
Utilities & Fuel		58 955	
Other Operating Expenditures		137 798	
Insurance		8 272	
Capital Outlay		19 503	
Total	<u>671 554</u>	<u>652 197</u>	<u>19 357</u>
Court Facilities:			
Operating Expenditures	<u>30 700</u>	<u>23 401</u>	<u>7 299</u>
Data Processing:			
Salaries and Employee			
Benefits		49 899	
Operating Expenditures		55 242	
Capital Outlay		10 580	
Total	<u>120 942</u>	<u>115 721</u>	<u>5 221</u>
Total General			
Government	<u>4 414 564</u>	<u>2 559 682</u>	<u>1 854 882</u>

Expenditures - Continued:	2011		Variance Favorable Unfavorable)
	Budget	Actual	
Public Safety:			
Sheriff			
Salaries and Employee			
Benefits	\$	\$ 818 179	\$
Operating Expenditures		365 593	
Capital Outlay		386 014	
Total	<u>1 636 261</u>	<u>1 569 786</u>	<u>66 475</u>
Jail:			
Salaries and Employee			
Benefits		616 904	
Operating Expenditures		211 943	
Food		121 251	
Medical Expenditures		44 694	
Total	<u>1 014 296</u>	<u>994 792</u>	<u>19 504</u>
Criminal Justice:			
Operating Expenditures	<u>1 900</u>	<u>1 550</u>	<u>350</u>
Emergency Management:			
Salaries and Employee			
Benefits		85 356	
Operating Expenditures		17 222	
Grant Expenditures		17 882	
Total	<u>232 861</u>	<u>120 460</u>	<u>112 401</u>
Emergency Communications:			
Salaries and Employee			
Benefits		236 365	
Operating Expenditures		18 404	
Total	<u>258 000</u>	<u>254 769</u>	<u>3 231</u>
Fire Marshall:			
Operating Expenditures		724	
Total	<u>1 000</u>	<u>724</u>	<u>276</u>
Inspections:			
Salaries and Employee			
Benefits		87 611	
Operating Expenditures		29 949	
Total	<u>123 282</u>	<u>117 560</u>	<u>5 722</u>
Medical Examiner:			
Professional Services	<u>19 000</u>	<u>19 800</u>	<u>(800)</u>
Special Appropriations:			
Fire Departments		179 548	
Rescue Squad		39 241	
Task Force		85	
Total	<u>216 000</u>	<u>218 874</u>	<u>(2 874)</u>
Total Public Safety	<u>3 502 600</u>	<u>3 298 315</u>	<u>204 285</u>

Expenditures - Continued:	2011		Variance Favorable Unfavorable)
	Budget	Actual	
Environmental Protection:			
Soil and Water:			
Salaries and Employee			
Benefits	\$	\$ 72 298	\$
Operating Expenditures		17 989	
Capital Outlay		27 311	
Total Environmental Protection	124 100	117 598	6 502
Economic and Physical Development:			
Agriculture Extension:			
Salaries and Employee			
Benefits		191 694	
Operating Expenditures		33 542	
Total	237 302	225 236	12 066
Community Development:			
SW Commission - CBA		73 493	
SW Commission - CBA Match		6 302	
JCPC		450	
Total	90 275	80 245	10 030
Economic Development:			
Salaries and Employee			
Benefits		42 665	
Operating Expenditures		27 011	
Contract Services		20 991	
Swain Tourist Authority		357 150	
Total	94 494	447 817	(353 323)
Chamber of Commerce:			
Salaries and Employee			
Benefits	105 716	57 128	48 588
Total Economic and Physical Development	527 787	810 426	(282 639)
Human Services:			
Social Services:			
Administration:			
Salaries and Employee			
Benefits		1 844 775	
Operating Expenditures		860 868	
Travel		5 521	
Total	1 824 176	2 711 164	(886 988)

	2011		Variance
Expenditures - Continued:	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Programs:			
TANF	\$	\$ 122 477	\$
Foster Care		537 062	
Special Assistance		86 316	
Child Support		50 137	
Crisis Intervention		89 877	
Commodities Food		42 495	
Total	<u>1 270 284</u>	<u>928 364</u>	<u>341 920</u>
Total Social Services	<u>3 094 460</u>	<u>3 639 528</u>	<u>(545 068)</u>
Emergency Medical Services			
Salaries and Employee			
Benefits		748 872	
Operating Expenditures		174 103	
Capital Outlay		241 491	
Total Emergency			
Medical Services	<u>1 176 585</u>	<u>1 164 466</u>	<u>12 119</u>
Veterans Service Officer:			
Salaries and Employee			
Benefits	<u>5 889</u>	<u>4 886</u>	<u>1 003</u>
Health Department:			
General:			
Salaries and Employee			
Benefits		41 422	
Other Operating Expenditures		144 009	
Total	<u>133 203</u>	<u>185 431</u>	<u>(52 228)</u>
Breast and Cervical Cancer:			
Salaries and Employee			
Benefits		19 305	
Other Operating Expenditures		19 103	
Total	<u>37 888</u>	<u>38 408</u>	<u>(520)</u>
Wisewomen:			
Salaries and Employee			
Benefits		10 539	
Other Operating Expenditures		2 335	
Total	<u>12 175</u>	<u>12 874</u>	<u>(699)</u>
H1N1:			
Salaries and Employee			
Benefits		9 181	
Other Operating Expenses		43 703	
Total		<u>52 884</u>	<u>(52 884)</u>

Expenditures - Continued:	2011		Variance Favorable Unfavorable)
	Budget	Actual	
Child Services Coordination:			
Salaries and Employee			
Benefits	\$	\$ 16 586	\$
Other Operating Expenditures		447	
Total	<u>27 419</u>	<u>17 033</u>	<u>10 386</u>
Adult Health:			
Salaries and Employee			
Benefits		89 852	
Other Operating Expenditures		52 132	
Total	<u>171 000</u>	<u>141 984</u>	<u>29 016</u>
Immunization:			
Salaries and Employee			
Benefits		2 221	
Other Operating Expenditures		57	
Total	<u>6 938</u>	<u>2 278</u>	<u>4 660</u>
Health Promotion:			
Salaries and Employee			
Benefits		32 682	
Other Operating Expenditures		9 119	
Total	<u>50 550</u>	<u>41 801</u>	<u>8 749</u>
Environmental Health:			
Salaries and Employee			
Benefits		92 336	
Other Operating Expenditures		5 175	
Total	<u>106 000</u>	<u>97 511</u>	<u>8 489</u>
Maternal Health:			
Salaries and Employee			
Benefits		5 313	
Other Operating Expenditures		244	
Total	<u>18 450</u>	<u>5 557</u>	<u>12 893</u>
Child Health:			
Salaries and Employee			
Benefits		28 171	
Other Operating Expenditures		1 374	
Total	<u>40 850</u>	<u>29 545</u>	<u>11 305</u>
Well Program:			
Salaries and Employee			
Benefits		15 886	
Other Operating Expenditures		2 723	
Total	<u>15 000</u>	<u>18 609</u>	<u>(3 609)</u>

Expenditures - Continued:	2011		Variance Favorable Unfavorable)
	Budget	Actual	
HIPAA:			
Salaries and Employee			
Benefits	\$	\$ 5 411	\$
Other Operating Expenditures		4 000	
Total	<u>15 000</u>	<u>9 411</u>	<u>5 589</u>
MH PPHV:			
Salaries and Employee			
Benefits	<u>1 100</u>		<u>1 100</u>
CH NBHV:			
Salaries and Employee			
Benefits	<u>1 200</u>		<u>1 200</u>
WIC/Client Services and Administration:			
Salaries and Employee			
Benefits		43 918	
Other Operating Expenditures		2 932	
Total	<u>51 840</u>	<u>46 850</u>	<u>4 990</u>
WIC/Nutritional Education:			
Salaries and Employee			
Benefits		15 539	
Other Operating Expenditures		553	
Total	<u>21 600</u>	<u>16 092</u>	<u>5 508</u>
WIC/Breast Feeding Promotion:			
Salaries and Employee			
Benefits	<u>11 500</u>	<u>10 912</u>	<u>588</u>
WIC/General Administration:			
Salaries and Employee			
Benefits	<u>8 500</u>	<u>5 581</u>	<u>2 919</u>
MCC:			
Salaries and Employee			
Benefits		17 197	
Other Operating Expenditures		1 884	
Total	<u>19 000</u>	<u>19 081</u>	<u>(81)</u>

Expenditures - Continued:	2011		Variance Favorable Unfavorable)
	Budget	Actual	
Food and Lodging:			
Salaries and Employee			
Benefits	\$	\$ 50 607	\$
Other Operating Expenditures		215	
Total	<u>25 750</u>	<u>50 822</u>	<u>(25 072)</u>
Smart Start:			
Salaries and Employee			
Benefits		20 744	
Other Operating Expenditures		4 666	
Total	<u>30 495</u>	<u>25 410</u>	<u>5 085</u>
Family Planning:			
Salaries and Employee			
Benefits		73 862	
Other Operating Expenditures		33 808	
Total	<u>129 544</u>	<u>107 670</u>	<u>21 874</u>
Healthy Carolinians:			
Other Operating Expenditures	<u>10 000</u>	<u>20 721</u>	<u>(10 721)</u>
Communicable Diseases:			
Salaries and Employee			
Benefits		37 960	
Other Operating Expenditures		4 944	
Total	<u>22 295</u>	<u>42 904</u>	<u>(20 609)</u>
CAP Program:			
Salaries and Employee			
Benefits		764 744	
Other Operating Expenditures		79 438	
Total	<u>720 000</u>	<u>844 182</u>	<u>(124 182)</u>
Chore:			
Salaries and Employee			
Benefits		65 487	
Other Operating Expenditures		10 402	
Total	<u>99 147</u>	<u>75 889</u>	<u>23 258</u>
Family Strengthening:			
Other Operating Expenditures	<u>47 937</u>	<u>36 449</u>	<u>11 488</u>
 Total Health Department	 <u>1 834 381</u>	 <u>1 955 889</u>	 <u>(121 508)</u>

Expenditures - Continued:	2011		Variance Favorable Unfavorable)
	Budget	Actual	
Special Appropriations:			
Safe Program	\$	\$ 14 500	\$
Elderly Transportation		159 068	
Smokey Mountain Mental Health		74 658	
Other			
Total	<u>242 359</u>	<u>248 226</u>	<u>(5 867)</u>
Total Human Services	<u>6 353 674</u>	<u>7 012 995</u>	<u>(659 321)</u>
Recreational:			
Recreation:			
Salaries and Employee			
Benefits		197 214	
Operating Expenditures		132 137	
Repairs & Maintenance		20 455	
Total	<u>388 664</u>	<u>349 806</u>	<u>38 858</u>
Cultural:			
N.C. Forestry		35 428	
Marianna Black Library		189 000	
Total	<u>243 510</u>	<u>224 428</u>	<u>19 082</u>
Total Recreational and Cultural	<u>632 174</u>	<u>574 234</u>	<u>57 940</u>
Education:			
Swain County Board of			
Education:			
Current Expense		750 000	
Capital Outlay		95 000	
Forest Funds		43 876	
Southwestern Community			
College		125 000	
Total Education	<u>1 025 000</u>	<u>1 013 876</u>	<u>11 124</u>
Debt Service:			
Principal Retirement		857 557	
Interest Expense		624 374	
Total Debt Service	<u>1 455 074</u>	<u>1 481 931</u>	<u>(26 857)</u>
Total Expenditures	<u>18 034 973</u>	<u>16 869 057</u>	<u>1 165 916</u>
Revenues Over (Under)			
Expenditures	<u>(2 166 743)</u>	<u>53 166</u>	<u>2 219 909</u>

	2011		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>Unfavorable)</u>
Other Financing Sources (Uses):			
Transfers In (Out)	\$ 1 395 743	\$ (566 120)	\$ (1 961 863)
Financing Proceeds	590 000	590 000	
Appropriated Fund Balance	<u>181 000</u>	<u> </u>	<u>(181 000)</u>
Total Other Financing Sources (Uses)	<u>2 166 743</u>	<u>23 880</u>	<u>(2 142 863)</u>
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 <u>\$</u>	 77 046	 <u>\$ 77 046</u>
 Fund Balances:			
Beginning of Year		<u>3 888 411</u>	
End of Year		<u>\$3 965 457</u>	

SWAIN COUNTY
CAPITAL PROJECTS FUND - SCHOOL CONSTRUCTION (WEST ELEMENTARY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPARED WITH AUTHORIZATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Engineering	\$ 182 000	\$	\$169 612	\$169 612	\$ 12 388
Construction	1 516 636		240 156	240 156	1 276 480
Administration	126 364		6 810	6 810	119 554
Total Expenditures	<u>1 825 000</u>		<u>416 578</u>	<u>416 578</u>	<u>1 408 422</u>
Other Financing Sources (Uses):					
Financing Proceeds	<u>1 825 000</u>		<u>416 578</u>	<u>416 578</u>	<u>(1 408 422)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Items	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

SWAIN COUNTY, NORTH CAROLINA
PERMANENT FUND - SWAIN SETTLEMENT TRUST FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>2011</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues:			
Investment Earnings:			
Interest Earned	<u>500 000</u>	<u>459 531</u>	<u>(40 469)</u>
Other Financing Sources (Uses):			
Transfer (To) From			
General Fund	<u>(500 000)</u>	<u> </u>	<u>500 000</u>
Excess of Revenues and Other			
Sources Over (Under)			
Expenditures and Other Uses	<u>\$ </u>	459 531	<u>\$ 459 531</u>
Fund Balance - Beginning of Year		<u>12 818 034</u>	
Fund Balance - End of Year		<u>\$13 277 565</u>	

SWAIN COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			Capital Projects			Combining Totals
	Emergency Telephone	Family Preservation	CDBG	Public Safety	Governor's Island	Learning Center	2011
<u>Assets</u>							
Cash and Cash Equivalents	\$ 69 934	\$ 39	\$ 11 667	\$ 145 562	\$ 116 303	\$ 1 327 164	\$ 1 670 669
Receivables, Net		10 045	5 912		33 587		49 544
Due from Other Funds	7 172						7 172
Total Assets	\$ 77 106	\$ 10 084	\$ 17 579	\$ 145 562	\$ 149 890	\$ 1 327 164	\$ 1 727 385
<u>Liabilities and Fund Balances</u>							
<u>Liabilities:</u>							
Accrued Expenses	\$ 1 602	\$	\$	\$	\$	\$	\$ 1 602
Due to Other Funds		8 912	17 579		149 890		176 381
Total Liabilities	1 602	8 912	17 579		149 890		177 983
<u>Fund Balance:</u>							
<u>Restricted For:</u>							
Stabilization by State Statute	7 172	10 045					17 217
Available	68 332	(8 873)		145 562		1 327 164	1 532 185
Total Fund Balance	\$ 75 504	\$ 1 172	\$	\$ 145 562	\$	\$ 1 327 164	\$ 1 549 402
Total Liabilities and Fund Balance	\$ 77 106	\$ 10 084	\$ 17 579	\$ 145 562	\$ 149 890	\$ 1 327 164	\$ 1 727 385

SWAIN COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			Capital Projects			Combining Totals
	Emergency Telephone	Family Preservation	CDBG	Public Safety	Governor's Island	Learning Center	2011
<u>Revenues</u>							
Intergovernmental	\$	\$	\$	\$	\$	\$	\$
Charges for Services	261 860	79 534	25 912		87 249		192 695
Investment Earnings	1 489	209		673	404	2 164	261 860
Total Revenues	<u>263 349</u>	<u>79 743</u>	<u>25 912</u>	<u>673</u>	<u>87 653</u>	<u>2 164</u>	<u>459 494</u>
<u>Expenditures</u>							
Current:							
Economic Development			25 912		150 070		175 982
Human Services	268 987	114 909					383 896
Total Expenditures	<u>268 987</u>	<u>114 909</u>	<u>25 912</u>		<u>150 070</u>		<u>559 878</u>
Excess (Deficiency) of Revenues Over Expenditures	(5 638)	(35 166)		673	(62 417)	2 164	(100 384)
Other Financing Sources (Uses):							
Transfers In (Out)				(22 563)	62 417	1 325 000	1 364 854
Net Change in Fund Balance	<u>(5 638)</u>	<u>(35 166)</u>		<u>(21 890)</u>		<u>1 327 164</u>	<u>1 264 470</u>
Fund Balance-Beginning	81 142	36 338		167 452			284 932
Fund Balance - Ending	<u>\$ 75 504</u>	<u>\$ 1 172</u>	<u>\$</u>	<u>\$ 145 562</u>	<u>\$</u>	<u>\$ 1 327 164</u>	<u>\$ 1 549 402</u>

SWAIN COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Permits and Fees:			
Fees Charged	\$ 260 000	\$ 261 860	\$ 1 860
Investment Earnings:			
Interest Earned	_____	1 489	1 489
Total Revenues	260 000	263 349	3 349
Expenditures:			
Salaries and Fringe Benefits		60 378	
Operating Expenditures		121 804	
Capital Outlay	_____	86 805	_____
Total Expenditures	453 737	268 987	184 750
Revenues Over (Under) Expenditures	(193 737)	(5 638)	188 099
Other Financing Sources (Uses):			
Transfer From Other Funds	193 737	_____	(193 737)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ _____	(5 638)	\$ (5 638)
Fund Balance - Beginning of Year		81 142	
Fund Balance - End of Year		\$ 75 504	

SWAIN COUNTY, NORTH CAROLINA
FAMILY PRESERVATION GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>2011</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted Intergovernmental:			
Family Preservation Grant	\$ 100 000	\$ 79 534	\$ (20 466)
Investment Earnings:			
Interest Earned		209	209
Total Revenues	<u>100 000</u>	<u>79 743</u>	<u>(20 257)</u>
Expenditures:			
Contract Labor		85 753	
Travel		2 554	
Communications and Telephone		13 613	
Supplies		10 971	
Flex Funds		<u>2 018</u>	
Total Expenditures	<u>100 000</u>	<u>114 909</u>	<u>(14 909)</u>
Revenues Over (Under) Expenditures	<u>\$</u>	(35 166)	<u>\$ (35 166)</u>
Fund Balance - Beginning of Year		<u>36 338</u>	
Fund Balance - End of Year		<u>\$ 1 172</u>	

SWAIN COUNTY
CDBG FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2011

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted Intergovernmental					
Revenues:					
Community Development					
Block Grant	\$407 000	\$ _____	\$ 25 912	\$ 25 912	\$(381 088)
Expenditures:					
Clearance	100 000				100 000
Relocation Assistance	260 000				260 000
Administration/Legal	47 000		25 912	25 912	21 088
Total Expenditures	<u>407 000</u>		<u>25 912</u>	<u>25 912</u>	<u>381 088</u>
Revenues Over (Under) Expenditures	<u>\$ _____</u>				<u>\$ _____</u>
Fund Balance - Beginning of Year July 1					
Fund Balance - End of Year, June 30		<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	

SWAIN COUNTY, NORTH CAROLINA
SCHOOLS CAPITAL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Other Taxes and Licenses:			
1/2 Cent Sales Tax	\$ 500 000	\$ 486 786	\$ (13 214)
Restricted Intergovernmental:			
Public School Building Capital Grant	280 000	237 561	(42 439)
Investment Earnings:			
Interest Earned	_____	1 476	1 476
Total Revenues	780 000	725 823	(54 177)
Other Financing Sources (Uses):			
Transfers (Out)	(1 100 000)	(733 734)	366 266
Appropriated Fund Balance	320 000	_____	(320 000)
Total Other Financing Sources (Uses)	(780 000)	(733 734)	46 266
Excess of Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	\$ _____	(7 911)	\$ (7 911)
Fund Balance - Beginning of Year		1 036 293	
Fund Balance - End of Year		\$1 028 382	

SWAIN COUNTY, NORTH CAROLINA
ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>2011</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues:			
Investment Earnings	\$	\$ 108	\$ 108
Miscellaneous:			
Revolving Loan Payback	<u>100 000</u>	<u>8 838</u>	<u>(91 162)</u>
Total Revenues	<u>100 000</u>	<u>8 946</u>	<u>(91 054)</u>
Other Financing Sources (Uses):			
Transfers (Out)	<u>(100 000)</u>	<u>(65 000)</u>	<u>35 000</u>
Excess of Revenues Over Expenditures	<u>\$</u>	(56 054)	<u>\$ (56 054)</u>
Fund Balance - Beginning of Year		<u>70 946</u>	
Fund Balance - End of Year		<u>\$ 14 892</u>	

SWAIN COUNTY, NORTH CAROLINA
CAPITAL PROJECTS - PUBLIC SAFETY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Investment Earnings:			
Interest Earned	\$	\$ 673	\$ 673
Expenditures:			
Future Capital Outlay	130 000		130 000
Revenues Over (Under) Expenditures	(130 000)	673	130 673
Other Financing Sources (Uses):			
Appropriated Fund Balance	160 000		(160 000)
Transfers (to) From Other Funds	(30 000)	(22 563)	7 437
Total Other Financing Sources (Uses)	130 000	(22 563)	(152 563)
Total Revenues and Other Sources Over Expenditures and Other Uses	\$	(21 890)	\$ (21 890)
Fund Balance - Beginning of Year		167 452	
Fund Balance - End of Year		\$ 145 562	

SWAIN COUNTY
CAPITAL PROJECTS - GOVERNOR'S ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2011

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:					
Restricted Intergovernmental					
Revenues:					
Clean Water Grant	\$ 1 328 030	\$ 979 981	\$ 87 249	\$1 067 230	\$ (260 800)
Investment Earnings:					
Interest Earned		17 303	404	17 707	17 707
Miscellaneous:					
Contributions-Eastern Band of					
Cherokee Indians	<u>140 854</u>	<u>138 854</u>		<u>138 854</u>	<u>(2 000)</u>
Total Revenues	<u>1 468 884</u>	<u>1 136 138</u>	<u>87 653</u>	<u>1 223 791</u>	<u>(245 093)</u>
Expenditures:					
Acquisition	19 006				19 006
Construction	1 241 432	996 435	124 208	1 120 643	120 789
Administration	46 000	19 676	25 862	45 538	462
Engineering	281 400	120 027		120 027	161 373
Contingency	<u>181 046</u>				<u>181 046</u>
Total Expenditures	<u>1 768 884</u>	<u>1 136 138</u>	<u>150 070</u>	<u>1 286 208</u>	<u>482 676</u>
Revenues Over (Under) Expenditures	(300 000)		(62 417)	(62 417)	237 583
Other Financing Sources (Uses):					
Transfers from General Fund	<u>300 000</u>		<u>62 417</u>	<u>62 417</u>	<u>(237 583)</u>
Revenues and Other Sources Over (Under)					
Expenditures and Other Uses	<u>\$</u>				
Fund Balance - Beginning of Year					
July 1			=		
Fund Balance - End of Year,					
June 30			<u>\$</u>		

SWAIN COUNTY, NORTH CAROLINA
CAPITAL PROJECTS - LEARNING CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>2011</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues:			
Investment Earnings:			
Interest Earned	\$ _____	\$ 2 164	\$ 2 164
Expenditures:			
Future Capital Outlay	<u>1 500 000</u>	_____	<u>1 500 000</u>
Revenues Over (Under) Expenditures	<u>(1 500 000)</u>	<u>2 164</u>	<u>1 502 164</u>
Other Financing Sources (Uses):			
Transfer (to) From Other Funds	<u>1 500 000</u>	<u>1 325 000</u>	<u>(175 000)</u>
Total Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ _____</u>	<u>1 327 164</u>	<u>\$1 327 164</u>
Fund Balance - Beginning of Year		_____	
Fund Balance - End of Year		<u>\$1 327 164</u>	

SWAIN COUNTY, NORTH CAROLINA
ENTERPRISE FUND - SOLID WASTE
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Operating Revenue:			
Solid Waste Charges	\$ 35 000	\$ 58 150	\$ 23 150
Landfill Use Fee	663 165	674 652	11 487
Recycling	55 320	20 160	(35 160)
Scrap Tire Disposal Fees	13 000	16 242	3 242
White Goods Tax	30 000	4 458	(25 542)
Cardboard Fee	45 000	41 006	(3 994)
Disposal Tax		10 165	10 165
Total Operating Revenue	<u>841 485</u>	<u>824 833</u>	<u>(16 652)</u>
Expenditures:			
Solid Waste Disposal:			
Salaries		270 567	
Social Security		19 869	
Group Insurance		46 200	
Retirement		15 514	
Telephone		1 707	
Utilities		6 482	
Insurance - Worker's Comp		5 000	
Maintenance and Repairs		19 680	
Supplies and Materials		4 672	
Fuel		90 074	
Contracted Service		15 277	
Uniforms		4 955	
Disposal		221 769	
Insurance - Vehicles		20 000	
Use Tax		21 153	
Miscellaneous		771	
Total Disposal	<u>769 741</u>	<u>763 690</u>	<u>6 051</u>

SWAIN COUNTY, NORTH CAROLINA
ENTERPRISE FUND - SOLID WASTE
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Budgetary Appropriations:			
Debt Principal and Interest	\$ 100 000	76 604	23 396
Total Expenditures	869 741	840 294	29 447
Revenues Over (Under) Expenditures	(28 256)	(15 461)	12 795
Other Financing Sources (Uses):			
Transfer (To) From Other Funds	28 256		(28 256)
Revenues and Other Sources Over (Under) Expenditures	\$	\$ (15 461)	\$ (15 461)
RECONCILIATION OF MODIFIED ACCURAL BASIS TO FULL ACCURAL BASIS:			
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			\$ (15 461)
Add:			
Payment of Debt Principal		67 311	
Decrease in Vacation Pay		2 957	70 268
Less:			
Depreciation		72 987	
Increase in Post Employment Health Benefits		3 864	(76 851)
Change in Net Assets (Exhibit 8)			\$ (22 044)

SWAIN COUNTY, NORTH CAROLINA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Fines and Forfeitures:				
<u>Assets</u>				
Cash	\$ _____	\$ 92 268	\$ 92 268	\$ _____
<u>Liabilities</u>				
Amount Due Swain County Board of Education	\$ _____	\$ 92 268	\$ 92 268	\$ _____
Motor Vehicle Taxes:				
<u>Assets</u>				
Cash	\$ _____	\$ 16 717	\$ 16 717	\$ _____
<u>Liabilities</u>				
Motor Vehicle Taxes Payable	\$ _____	\$ 16 717	\$ 16 717	\$ _____
3% Interest on Motor Vehicles:				
<u>Assets</u>				
Cash	\$ _____	\$ 2 672	\$ 2 672	\$ _____
<u>Liabilities</u>				
3% Interest on Motor Vehicles Payable	\$ _____	\$ 2 672	\$ 2 672	\$ _____

SWAIN COUNTY, NORTH CAROLINA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Totals - All Agency Funds:				
<u>Assets</u>				
Cash	\$ _____	\$ <u>111 657</u>	\$ <u>111 657</u>	\$ _____
<u>Liabilities</u>				
Fines and Forfeitures	\$	\$ 92 268	\$ 92 268	\$
Motor Vehicle Taxes		16 717	16 717	
3% Interest on Motor Vehicle Taxes	_____	<u>2 672</u>	<u>2 672</u>	_____
Total Liabilities	\$ _____	\$ <u>111 657</u>	\$ <u>111 657</u>	\$ _____

SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$	\$4 645 821	\$ 4 291 803	\$ 354 018
2009-2010	363 895		225 764	138 131
2008-2009	132 904		64 304	68 600
2007-2008	51 754		19 607	32 147
2006-2007	27 015		5 801	21 214
2005-2006	19 893		4 105	15 788
2004-2005	21 508		1 205	20 303
2003-2004	22 512		1 096	21 416
2002-2003	19 950		1 143	18 807
2001-2002	18 497		651	17 846
2000-2001	13 657		13 657	
Total	<u>\$ 691 585</u>	<u>\$4 645 821</u>	<u>\$ 4 629 136</u>	\$ 708 270
Less Allowance for Uncollectible Accounts				<u>388 256</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 320 014</u>

Reconciliation with Revenues:

Ad Valorem Taxes - Exhibit B	\$4 687 361		
Less Penalties and Interest Releases - Prior Years	<u>85 405</u>	\$ 4 601 956	13 523
Amount Written Off Per Statute of Limitations		<u>13 657</u>	
Total Collections and Credits		<u>\$ 4 629 136</u>	

SWAIN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

JUNE 30, 2011

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Levy</u>	<u>Excluding Motor Vehicles</u>	<u>Motor Vehicles</u>
Original Levy	\$1 305 380 909	.33	\$ 4 307 757	\$ 4 307 757	\$
Vehicle Taxes	3 734 848	.33	12 325		12 325
Add Discoveries	107 096 061	.33	353 417	131 593	221 824
Less Releases	<u>(8 387 273)</u>	.33	<u>(27 678)</u>	<u>(21 957)</u>	<u>(5 721)</u>
Total	<u>\$1 407 824 545</u>		4 645 821	4 417 393	228 428
Less Uncollected Taxes June 30, 2011			<u>354 018</u>	<u>297 433</u>	<u>56 585</u>
Current Year's Taxes Collected			<u>\$ 4 291 803</u>	<u>\$ 4 119 960</u>	<u>\$ 171 843</u>
Percent of Current Year's Taxes Collected			<u>92.38</u>	<u>93.27</u>	<u>75.23</u>

SWAIN COUNTY, NORTH CAROLINA
GENERAL FUND
FEDERAL AND STATE GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		Variance
	Budget	Actual	Favorable (Unfavorable)
Social Services:			
Administration Grant	\$2 298 988	\$2 259 037	\$ (130 074)
IVE Foster Care	35 472	422 303	386 831
Commodities		46 638	46 638
Work First		7 278	97 401
Total	2 334 460	2 735 256	400 796
Health Department:			
State Aid to Counties	95 203	115 935	20 732
Environmental Health	6 000	4 000	(2 000)
Bioterrorism	17 058	47 261	30 203
Community Care Block Grant	87 647	144 763	57 116
Food & Lodging	750	4 423	3 673
BCCCP	16 888	16 888	
Wise Women	7 175	7 175	
Smart Start (Region A)	30 495	26 998	(3 497)
Communicable Disease	10 535	10 535	
Tuberculosis	2 260	2 331	71
HIV	500	500	
CSC	6 419	5 841	(578)
Immunization	6 938	1 886	(5 052)
Health Promotion	23 550	23 377	(173)
WIC	81 440	71 735	(9 705)
Child Health	20 850	21 263	413
Maternal Health	5 950	5 950	
Family Planning	85 144	90 876	5 732
Family Strengthening	47 937	47 937	
MH PPHV	100		(100)
MCC	9 000	11 803	2 803
Adult Health		18 502	18 502
CH NBHV	200		(200)
Paternity Draw	500		(500)
H1N1		47 837	47 837
Total	562 539	727 816	165 277

SWAIN COUNTY, NORTH CAROLINA
GENERAL FUND
FEDERAL AND STATE GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other Grants:			
Cooperative Extension	\$ 136 000	\$ 133 505	\$ (2 495)
Criminal Justice	1 900		(1 900)
Veterans Services	2 000	2 000	
Emergency Management	27 500	27 716	216
Forest Funds	55 000	43 875	(11 125)
Soil & Water Conservation	15 755	17 419	1 664
Juvenile Justice - CBA	69 681	65 395	(4 286)
Elderly Handicapped	105 326	60 773	(44 553)
RGP		55 999	55 999
CYFAR	9 000		(9 000)
Governor's Crime Control		6 216	6 216
COPS		24 442	24 442
USAR	26 000	17 440	(8 560)
Appalachian Community	65 000		(65 000)
School Social Worker	30 000		(30 000)
SHIIP	5 000		(5 000)
Total	<u>548 162</u>	<u>454 780</u>	<u>(93 382)</u>
Total Federal and State Grants (Exhibit B)	<u>\$3 445 161</u>	<u>\$3 917 852</u>	<u>\$ 472 691</u>

COMPLIANCE SECTION

S. Eric Bowman, P.A.

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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 Commissioners
Swain County
North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprises Swain County's basic financial statements and have issued our report thereon dated August 31, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Swain County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Swain County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Swain County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in

To the Board of Commissioners
Swain County
North Carolina

the accompanying schedule of findings and responses as 2011-1 through 2011-5 to be significant deficiencies in internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2011-4 and 2011-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swain County's financial statements are free of 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 instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as 2011-5.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Swain County Commissioners, and Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 31, 2011

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Commissioners
Swain County
North Carolina

Compliance

We have audited Swain County, North Carolina's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2011. Swain County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Swain County's management. Our responsibility is to express an opinion on Swain County's compliance based on our audit.

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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Swain 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. Our audit does not provide a legal determination on Swain County's compliance with those requirements.

In our opinion, Swain County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as items 2011-6 through 2011-10.

To the Board of Commissioners
Swain County
North Carolina

Internal Control Over Compliance

The management of Swain County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Swain County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for expressing an opinion on the effectiveness of Swain County's 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 federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Swain County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of Swain County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 31, 2011

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Report On Compliance With Requirements Applicable
To Each of Its Major State Programs And Internal Control
Over Compliance In Accordance With Applicable
Sections of OMB Circular A-133 and the
State Single Audit Implementation Act

To the Board of Commissioners
Swain County
North Carolina

Compliance

We have audited the compliance of Swain County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2011. Swain County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Swain County's management. Our responsibility is to express an opinion on Swain County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Swain 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. Our audit does not provide a legal determination on Swain County's compliance with those requirements.

In our opinion, Swain County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as items 2011-11 through 2011-14.

To the Board of Commissioners
Swain County
North Carolina

Internal Control Over Compliance

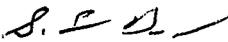
The management of Swain County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Swain County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act but not for expressing an opinion on the effectiveness of Swain County's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Swain County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of Swain County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


S. Eric Bowman, P.A.
Certified Public Accountant

Morganton, North Carolina
August 31, 2011

SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Significant deficiency identified? yes no

Significant deficiency identified that is considered to be material weaknesses reported yes no

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs?

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses yes no

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

Any audit findings disclosed that are required to be reported in accordance with Section / 510 (a) of Circular A-133 yes no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
93.658	IV-E Foster Care
93.659	Adoptive Assistance
93.767	Child Health Insurance Program
93.778	Title XIX Medicaid

Dollar threshold used to distinguish between Type A and Type B Programs \$ 637 909

Auditee qualified as low-risk auditee? yes no

SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

State Awards

Internal control over major state programs:

Material weakness(es) identified?	__	yes	_X	no
Significant Deficiencies identified that are not considered to be material weaknesses	_X	yes	__	no

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	__	yes	_X	no
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Identification of major state programs:

Program Name
SFHF Maximization
Title XIX Medicaid - State Portion

Findings Related to the Audit of the General Purpose
Financial Statements of Swain County: Continued:

2011-3 Internal Controls Over Financial Reporting - Significant
Deficiency

Condition: There is not proper segregation of duties over cash collected in the Recreation department.

Criteria: Management is responsible for implementating proper internal controls over cash collections.

Effect: Misappropriation of funds, if any, can not be detected.

Cause: The County does not have adequate staffing in the recreation department to properly segregate duties.

Recommendation: We recommend additional staffing and/or the use of trained volunteers to properly handle and account for Recreation department receipts.

Management Response: The County agrees with this finding.

Uncorrected Finding: The County did not correct this finding from the previous year.

2011-3 Material Internal Controls Over Financial Reporting -
Material Weakness

Condition: Currently, the assistant finance officer reconciles the bank account, makes deposits and receipts funds.

Criteria: Bank reconciliations should be prepared by someone independent of the assistant finance officer.

Effect: Any improper activity can not be detected without independent reconciliation procedures.

Cause: The County has not implemented adequate internal controls in this area.

Recommendation: We recommend that another employee prepare the bank reconciliations.

Management Response: The County does not have adequate staffing to segregate these duties at this time.

Uncorrected Finding: The County did not correct this finding from the previous year.

Findings Related to the Audit of the General Purpose
Financial Statements of Swain County: Continued:

2011-5 Internal Controls Over Financial Reporting -
Material Non Compliance

Condition: All Local Governments are to adopt a balanced budget and make necessary amendments to the original budget as conditions dictate.

Criteria: The County overexpended several departments in the General Fund totaling \$1 056 297. Also overexpenditures of \$14 909 was noted in the Family Preservation Special Revenue Fund.

Effect: Funds were expended out of several departments before the appropriate budget amendments were made.

Cause: The Board failed to adopt the budget amendments prior to fiscal year end.

Recommendation: Swain County should not expend any funds unless there is adequate amounts in the particular department budget.

Management Response: The County agrees with this finding.

Uncorrected Finding: Even though the County amended the budget, the County did not fully correct this finding from the previous year.

Section III.

Findings and Questioned Costs Related to Federal
Awards:

U.S. Department of Health and Human Services
Passed through the N.C. Department of Health and Human Services
Program Name: Medicaid Assistance Program (Medicaid, Title XIX)
CFDA # 93.778

Finding 2011-6 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain income verification budgets showing total countable monthly income.

Condition: One applicant file did not contain an income budget worksheet.

Findings and Questioned Costs Related to Federal Awards: Continued:

Questioned Costs: Not applicable. This file was a Redetermination case. Prior years case was determined eligible.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documenting the income budget on this Redetermination.

Recommendation: Better training in the are of documentation.

Management Response: The County agrees with this finding.

Finding 2011-7 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain health insurance verification.

Condition: One applicant file did not contain health insurance verification.

Questioned Costs: Not applicable. Online verification did not provide evidence of client being insured nor did the client respond to the question on application concerning health insurance coverage.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Finding 2011-8 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain liquid asset verification.

Condition: One applicant file did not contain liquid asset verification.

Findings and Questioned Costs Related to Federal Awards: Continued:

Questioned Costs: Not applicable. This file did not have proper documentation.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Finding 2011-9 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain real property verification.

Condition: Seven applicant files did not contain real property verification.

Questioned Costs: Not applicable. Online verification was performed, but there was no printed documentation in the files to verify real property verification.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Findings and Questioned Costs Related to Federal Awards: Continued:

U.S. Department of Health and Human Services
Passed through the N.C. Department of Health and Human Services
Program Name: Children's Health Insurance Program
CFDA # 93.767

Finding 2011-10 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain income verification showing total countable monthly income.

Condition: One applicant file did not contain an income verification.

Questioned Costs: Not applicable. The file was a Redetermination case. Prior years case was determined eligible.

Context: We examined 25 case files out of a population of 146 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documenting the income verification upon redetermination.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Section IV.

Findings and Questioned Costs Related to State Awards:

U.S. Department of Health and Human Services
Passed through the N.C. Department of Health and Human Services
Program Name: Medicaid Assistance Program (Medicaid, Title XIX)
CFDA # 93.778

Finding 2011-11 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain income verification budgets showing total countable monthly income.

Condition: One applicant file did not contain an income budget worksheet.

Findings and Questioned Costs Related to State Awards: Continued:

Questioned Costs: Not applicable. This file was a Redetermination case. Prior years case was determined eligible.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documenting the income budget on this Redetermination.

Recommendation: Better training in the are of documentation.

Management Response: The County agrees with this finding.

Finding 2011-12 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain health insurance verification.

Condition: One applicant file did not contain health insurance verification.

Questioned Costs: Not applicable. Online verification did not provide evidence of client being insured nor did the client respond to the question on application concerning health insurance coverage.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Finding 2011-13 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain liquid asset verification.

Condition: One applicant file did not contain liquid asset verification.

Findings and Questioned Costs Related to Federal Awards: Continued:

Questioned Costs: Not applicable. This file did not have proper documentation.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Finding 2011-14 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain real property verification.

Condition: Seven applicant files did not contain real property verification.

Questioned Costs: Not applicable. Online verification was performed, but there was no printed documentation in the files to verify real property verification.

Context: We examined 60 case files out of a population of 2949 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

SWAIN COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- 1) There was one audit finding relative to internal controls concerning hiring an internal auditor. The County feels it is not economically feasible to hire additional staff at this time.
- 2) There was one audit finding concerning fund raising activities by the Sheriff's department. This finding was corrected.
- 3) There was one audit finding relative to segregation of duties in the Recreation department. This finding was not corrected.
- 4) There was one audit finding for the year ended June 30, 2010 concerning certain departments being over expended. Budget amendments were made throughout the year. However, several departments were again over expended due to auditor reclassifications, booking of certain unforeseen accounts payable, and miscommunication between the budget officer, DSS and Health departments.

SWAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL AWARDS:					
<u>U.S. Department of Agriculture</u>					
Passed Through N.C. Department of Health and Human Services:					
Division of Social Services:					
Supplemental Nutrition Assistance Program Cluster:					
Administration	10.561		\$ 225 019	\$ 11 989	\$
Commodities - Food Distribution	10.568		4 143	42 495	_____
Subtotal Supplemental Nutrition Assistance Program Cluster			229 162	54 484	_____
Division of Public Health:					
Special Supplemental Nutrition Food Program for Women, Infants and Children:					
Administration	10.557		5 000		
Direct Benefit Payments	10.557		66 735		
Commodities - Food Distribution	10.557		132 259		
Subtotal Special Supplemental Nutrition Food Program for Women, Infants and Children			203 994		
Direct Program:					
Forest Funds	10.665		43 875		_____
Total U.S. Department of Agriculture			477 031	54 484	_____
<u>U.S. Department of Justice</u>					
Direct Program:					
COPS - Methamphetamine	16.710		24 442		
CBA - Juvenile Justice	16.540		65 395		
Total U.S. Department of Justice			89 837		
<u>U.S. Department of Housing and Urban Development</u>					
Passed Through N.C. Department of Commerce:					
Community Development Block Grant	14.228		25 912		
<u>U.S. Department of Transportation</u>					
Passed through N.C. Department of Transportation:					
Governor's Highway Safety Program	20 601	K8-2010	6 216		

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Health & Human Services</u>					
Passed Through N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Medicaid Cluster:					
Medicaid - Administration	93.778		409 112	81 800	
Medicaid - Administration - ARRA	93.778-ARRA		1 251		
Medicaid - Direct Benefit Payments	93.778		17 562 542	5 954 093	
Subtotal Medical Assistance Cluster			<u>17 972 905</u>	<u>6 035 893</u>	
Division of Social Services:					
Foster Care Cluster:					
IVE Foster Care - Administration	93.658		226 397	92 483	
IVE Foster Care - Direct Benefits Payments	93.658		526 489	46 955	3 773
Subtotal - IVE Foster Care			<u>752 886</u>	<u>139 438</u>	<u>3 773</u>
Adoptive Assistance - Administrative	93.659		1 394		
Adoptive Assistance - Direct Benefits Payments	93.659		38 720	28 076	5 284
Subtotal Adoptive Assistance			<u>40 114</u>	<u>28 076</u>	<u>5 284</u>
Subtotal Foster Care Cluster			<u>793 000</u>	<u>167 514</u>	<u>9 057</u>
TANF - Administration	93.558		541 701		
TANF - Direct Benefits Payments	93.558		89 464	(38)	890
Subtotal TANF			<u>631 165</u>	<u>(38)</u>	<u>890</u>
Low Income Energy Assistance - Adminstration	93.568		102 004		
Low Income Energy Assistance - Direct Benefits Payments	93.568		218 396		
Subtotal Low Income Energy Assistance			<u>320 400</u>		
Independent Living Links - Administration	93.674		1 638	140	
Independent Living Links - Direct Benefits Payments	93.674		3 100		
Subtotal Independent Living Links			<u>4 738</u>	<u>140</u>	
Permanency Planning - Administration	93.645		46 746	25 634	
Children's Health Insurance Program	93.767		27 226	7 835	
Child Support Enforcement	93.563		174 537		
Social Services Block Grant	93.667		123 280	7 348	
Family Preservation Grant - Administration	93.556		2 423		
Family Preservation Grant	93.556		79 534		
Subtotal Family Preservation Grant			<u>81 957</u>		

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal (Direct and Pass Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Division of Public Health:</u>					
Adult Health	93.994		18 502		
Maternal and Child Health	93.994		39 016		
Child Services Coordination	93.994		5 841		
Home Community Block Grant	93.994		144 763		
Subtotal Child Health			<u>208 122</u>		
Health Promotion	93.991		23 377		
Breast and Cervical Cancer	93.919		16 888		
Family Planning	93.217		138 813		
Wise Women	93.919		7 175		
Immunization Action Plan	93.268		1 886		
Bioterrorism Projects	93.283		47 261		
Total U.S. Department of Health and Human Services			<u>20 619 476</u>	<u>6 244 326</u>	
<u>U.S. Department of Homeland Security</u>					
Passed through N.C. Department of Crime Control and Public Safety:					
Emergency Management Assistance	97.029	EMPG 37173	45 156		
Total Federal Awards			<u>21 263 628</u>	<u>6 298 810</u>	<u>9 947</u>
 STATE AWARDS:					
<u>N.C. Department of Public Instruction:</u>					
Public School Building Capital Fund				237 561	
<u>N.C. Department of Health and Human Services:</u>					
<u>Division of Public Health:</u>					
Smart Start (Region A)				26 998	
Health Aid to Counties				115 935	
Tuberculosis				2 331	
Environmental Health Services				4 000	
Communicable Disease				10 535	
Food and Lodging				4 423	
HIV				500	
Other County Administration				8 010	
SC/SA Domiciliary Care				85 948	85 948
CPS Expansion				35 500	
SFHF Maximization				383 803	4 132
H1N1				47 837	
<u>Division of Social Services:</u>					
State Foster Home				61 510	10 104
Total N.C. Department of Health and Human Services				<u>787 330</u>	<u>100 184</u>

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal (Direct and Pass Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>N.C. Department of Administration</u> Veterans Service			_____	2 000	_____
<u>N.C. Department of Agriculture</u> Cooperative Extension				133 505	
Soil and Water Conservation District Technician			_____	17 419	_____
Total N.C. Department of Agriculture			_____	150 924	_____
<u>N.C. Department of Transportation</u> Elderly and Disabled Transportation Assistance				60 773	
Rural General Public				55 999	
Work First			_____	7 278	_____
Total N.C. Department of Transportation			_____	124 050	_____
<u>N.C. Department of Environment and Natural Resources</u> Clean Water Bond Act of 1998			_____	87 249	_____
Total State Awards			_____	1 389 114	_____
Total Federal and State Awards			<u>\$ 21 263 628</u>	<u>\$ 7 687 924</u>	<u>\$ 110 131</u>

Note 1 - Basis of Presentation:

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

Note 2 - Subrecipient Pass Throughs:

Federal and State Awards which have been passed through to subrecipients:

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA #</u>	<u>Federal</u>	<u>State</u>
Swain County Board of Education	Forest Funds	10.665	\$ 43 875	\$
Southwest Commission	Community Based Alternatives	16.540	65 395	
State of Franklin	EHTAP	N/A		60 773
State of Franklin	Rural General Public	N/A		55 999
Swain County Board of Education	Public School Building Capital Fund	N/A		237 561