SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2012

S. Eric Bowman, P.A.
CERTIFIED PUBLIC ACCOUNTANT
Morganton, North Carolina
SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

BOARD OF COMMISSIONERS

Phil Carson - Chairman
Donnie Dixon
David Monteith
Steve Moon
Robert White

OFFICIALS

Kevin King        County Manager
Dean Kowal        Finance Officer
Diana Kirkland    Register of Deeds
Peggy Hyde        Tax Administrator
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FINANCIAL SECTION
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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund, permanent fund and emergency telephone fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.
Swain County

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2012 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. 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 the basic financial statements of Swain County, North Carolina. The combining and individual fund financial statements, budgetary schedules and other schedules 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 basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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
September 5, 2012
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, 2012. 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 $20,290,876 (net assets).
- The government’s total net assets decreased by $1,539,691 due to decreased net assets in both the Governmental and Business Type Activities.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,597,563, or 8.8 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 $18,541,518 after a net decrease in fund balance $1,294,180. Approximately 82 percent of this total amount or $15,259,737 is restricted or nonspendable.
- Swain County's total debt increased by $873,279 or 4.9 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**

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<th>Fund Statements</th>
<th>Fiduciary Funds</th>
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<td>Entire County government (except fiduciary funds) and the County’s component unit</td>
<td>The activities of the County that are not proprietary or fiduciary, such as police, administration and human services</td>
<td>Instances in which the County is the trustee or agent for someone else’s resources</td>
</tr>
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<td>• Balance sheet</td>
<td>• Statement of net assets</td>
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<td></td>
<td>• Statement of activities</td>
<td>• Statement of revenues, expenditures, and changes in fund balances</td>
<td>• Statement of revenues, expenses, and changes in net assets</td>
</tr>
<tr>
<td></td>
<td>• Statement of cash flows</td>
<td></td>
<td>• Statement of cash flows</td>
</tr>
<tr>
<td>Accounting basis and measurement focus</td>
<td>Accrual accounting and economic resources focus</td>
<td>Modified accrual accounting and current financial resources focus</td>
<td>Accrual accounting and economic resources focus</td>
</tr>
<tr>
<td>Type of asset/liability information</td>
<td>All assets and liabilities, both financial and capital, and short-term and long-term</td>
<td>Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included</td>
<td>All assets and liabilities, both financial and capital, and short-term and long-term; the County’s funds do not currently contain capital assets, although they can</td>
</tr>
<tr>
<td>Type of inflow/outflow information</td>
<td>All revenues and expenses during year, regardless of when cash is received or paid</td>
<td>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</td>
<td>All revenues and expenses during year, regardless of when cash is received or paid</td>
</tr>
</tbody>
</table>

**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 $20,290,876 at the close of the most recent fiscal year (Table 1).

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>NET ASSETS</th>
<th>Business - Type</th>
<th>Activities</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Governmental</td>
<td>Primary</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Activities</td>
<td>Activities</td>
<td></td>
</tr>
<tr>
<td>Current and Other Assets</td>
<td>$20,595,375</td>
<td>$21,410,666</td>
<td>$(420,522)</td>
<td>$(302,688)</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$20,767,887</td>
<td>$19,892,871</td>
<td>501,436</td>
<td>482,690</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$41,363,262</td>
<td>$41,303,537</td>
<td>80,914</td>
<td>80,097</td>
</tr>
<tr>
<td>Long-Term Debt Outstanding</td>
<td>$18,401,702</td>
<td>$17,458,770</td>
<td>148,551</td>
<td>193,561</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>$2,547,787</td>
<td>$1,932,741</td>
<td>55,260</td>
<td>67,395</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$20,949,489</td>
<td>$19,385,472</td>
<td>203,815</td>
<td>261,466</td>
</tr>
<tr>
<td>Net Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Invested in Capital Assets,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net of Related Debt</td>
<td>$9,297,851</td>
<td>$8,572,346</td>
<td>352,885</td>
<td>289,134</td>
</tr>
<tr>
<td>Restricted</td>
<td>$14,651,685</td>
<td>$13,883,935</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted (Deficit)</td>
<td>$(3,535,763)</td>
<td>$(2,544,255)</td>
<td>$(475,782)</td>
<td>$(370,593)</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>$20,413,753</td>
<td>$21,912,824</td>
<td>$(1,822,831)</td>
<td>$(1,103,450)</td>
</tr>
</tbody>
</table>

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 $6,931,666, 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 $3,395,903.
For Governmental Activities, the Invested in Capital Assets, net of related debt (ICAND) is computed as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total General Long Term Debt</td>
<td>$18,401,702</td>
</tr>
<tr>
<td>Bonds</td>
<td>$2,395,000</td>
</tr>
<tr>
<td>Installments Purchase</td>
<td>$5,758,099</td>
</tr>
<tr>
<td>Mortgage and Loans</td>
<td>$10,371,816</td>
</tr>
<tr>
<td>Less: Deferred Refunding</td>
<td>($123,213)</td>
</tr>
<tr>
<td>Total</td>
<td>$18,401,702</td>
</tr>
</tbody>
</table>

Less School Debt:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installment Purchases:</td>
<td></td>
</tr>
<tr>
<td>QZAB</td>
<td>($1,500,000)</td>
</tr>
<tr>
<td>Middle School Land</td>
<td>($1,333,333)</td>
</tr>
<tr>
<td>West Elementary</td>
<td>($4,536,666)</td>
</tr>
<tr>
<td>Bonds</td>
<td>($2,395,000)</td>
</tr>
<tr>
<td>Total Non School Debt</td>
<td>$11,470,036</td>
</tr>
</tbody>
</table>

General Fixed Assets: $20,767,887
Less: Non School Debt: ($11,470,036)

Total ICAND: $9,297,851
Change in Net Assets

The County’s total revenues were $19,226,137 at June 30, 2012 (see Table 2). Charges for services made up 20% of revenues. Property taxes and other taxes made up 25% and 15% of revenues respectively. The County’s expenses cover a range of services with 40% of those expenses being related to human services.

### TABLE 2
CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business - Type Activities</th>
<th>Total Primary Government</th>
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<tbody>
<tr>
<td>Revenues</td>
<td></td>
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</tr>
<tr>
<td>Program Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$ 2,985,801</td>
<td>$ 2,920,758</td>
<td>$ 822,736</td>
</tr>
<tr>
<td>Operating Grants and</td>
<td>4,867,672</td>
<td>4,079,889</td>
<td>4,077,672</td>
</tr>
<tr>
<td>Contributions</td>
<td>117,738</td>
<td>268,219</td>
<td>117,738</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>4,734,559</td>
<td>4,718,881</td>
<td>4,734,559</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>2,879,249</td>
<td>2,835,396</td>
<td>2,879,249</td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>1,157,149</td>
<td>1,236,505</td>
<td>1,157,149</td>
</tr>
<tr>
<td>Other</td>
<td>1,661,233</td>
<td>1,046,654</td>
<td>1,661,233</td>
</tr>
<tr>
<td>Special Item - Gain on</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Land</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>18,403,401</td>
<td>19,669,936</td>
<td>18,413,773</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>2,628,289</td>
<td>2,474,815</td>
<td>2,628,289</td>
</tr>
<tr>
<td>Public Safety</td>
<td>3,842,955</td>
<td>3,254,662</td>
<td>3,842,955</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>93,446</td>
<td>118,717</td>
<td>93,446</td>
</tr>
<tr>
<td>Economic and Physical</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>1,055,679</td>
<td>1,026,444</td>
<td>1,055,679</td>
</tr>
<tr>
<td>Human Services</td>
<td>8,239,931</td>
<td>7,327,201</td>
<td>8,239,931</td>
</tr>
<tr>
<td>Recreational</td>
<td>672,747</td>
<td>640,289</td>
<td>672,747</td>
</tr>
<tr>
<td>Education</td>
<td>2,625,596</td>
<td>1,430,454</td>
<td>2,625,596</td>
</tr>
<tr>
<td>Interest on Long-Term</td>
<td>744,593</td>
<td>649,017</td>
<td>744,593</td>
</tr>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Waste</td>
<td>864,174</td>
<td>846,877</td>
<td>864,174</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>19,901,654</td>
<td>16,921,599</td>
<td>19,913,654</td>
</tr>
<tr>
<td>Increase (Decrease) in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets, July 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21,932,626</td>
<td>20,363,689</td>
<td>(81,459)</td>
</tr>
<tr>
<td>Net Assets, June 30</td>
<td>20,413,795</td>
<td>20,363,689</td>
<td>(122,897)</td>
</tr>
</tbody>
</table>
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 $19.9 million.

- However, the amount that our taxpayers paid for these activities through County taxes was $11.9 million. Some of the cost was paid by:
  - Those who directly benefited from the programs (3.0 million), or
  - Other governments and organizations that subsidized certain programs with grants and contributions (5.0 million).

- The County paid for the $11.9 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)

<table>
<thead>
<tr>
<th></th>
<th>Total Cost of Services</th>
<th>Net Cost of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>General Government</td>
<td>$ 2.6</td>
<td>$ 2.5</td>
</tr>
<tr>
<td>Public Safety</td>
<td>3.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Human Services</td>
<td>8.2</td>
<td>7.3</td>
</tr>
<tr>
<td>Education</td>
<td>2.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Recreation</td>
<td>.7</td>
<td>.6</td>
</tr>
<tr>
<td>Other</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 19.9</td>
<td>$ 16.9</td>
</tr>
</tbody>
</table>

**Business-type Activities**

Revenues of the County’s business-type activities totaled $822,736 with expenses totaling $864,174 (see Table 2). This produced a deficit of $41,438. 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 $1,627,521, while total fund balance was $4,012,705. 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 8.9 percent of total General Fund expenditures, while total fund balance represents 22.0 percent of that same amount.

At June 30, 2012, the governmental funds of Swain County reported a combined fund balance of $18,541,518 a decrease of $1,294,180. The primary reason for this decrease, was the increase in the non major capital project fund expenditures.

**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 $1,667,294.

**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 $(475,782). 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, 2012 totals $21,269,323 (net of accumulated depreciation). These assets include land, buildings, equipment, and vehicles.

Major capital asset transactions during the year include:

- Construction in Progress – Education Center
- Purchased 3 vehicles for Public Safety
- Purchased Computer Equipment
- Upgrade to Emergency 911 System
Swain County’s Capital Assets
(net of accumulated depreciation)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Land</td>
<td>$4,679,412</td>
<td>$4,655,553</td>
<td>$4,679,412</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>1,254,033</td>
<td>1,254,033</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13,141,759</td>
<td>13,571,041</td>
<td>13,477,647</td>
</tr>
<tr>
<td></td>
<td>335,848</td>
<td>354,021</td>
<td>13,831,679</td>
</tr>
<tr>
<td>Equipment</td>
<td>964,586</td>
<td>853,938</td>
<td>852,085</td>
</tr>
<tr>
<td></td>
<td>21,360</td>
<td>26,814</td>
<td>880,772</td>
</tr>
<tr>
<td>Vehicles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>723,057</td>
<td>808,319</td>
<td>1,531,376</td>
</tr>
<tr>
<td></td>
<td>144,228</td>
<td>101,840</td>
<td></td>
</tr>
<tr>
<td></td>
<td>873,285</td>
<td>932,179</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$20,767,887</td>
<td>$20,375,566</td>
<td></td>
</tr>
</tbody>
</table>

Long-term Debt: As of June 30, 2012, Swain County had total debt outstanding of $18,673,466, 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

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>$2,395,000</td>
<td>$2,755,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$2,395,000</td>
<td>$2,755,000</td>
<td></td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>5,758,099</td>
<td>3,765,206</td>
<td></td>
</tr>
<tr>
<td></td>
<td>148,551</td>
<td>193,561</td>
<td></td>
</tr>
<tr>
<td>Mortgages and Loans</td>
<td>10,371,816</td>
<td>10,669,842</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,371,816</td>
<td>10,669,842</td>
<td></td>
</tr>
<tr>
<td>Construction Loans</td>
<td>416,578</td>
<td>416,578</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$18,673,466</td>
<td>$18,929,871</td>
<td></td>
</tr>
</tbody>
</table>

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.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: The County will complete renovations to the Learning Center and begin construction of a Museum project at a cost of approximately $700,000.

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, 2012

#### Exhibit 1

<table>
<thead>
<tr>
<th>Primary Government</th>
<th>Business - Type</th>
<th>Component Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>Governmental Activities</td>
<td>Activities</td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>3,157,949</td>
<td>$</td>
</tr>
<tr>
<td>Investments</td>
<td>1,380,109</td>
<td>1,380,109</td>
</tr>
<tr>
<td>Receivables (Net of Allowance for Uncollectibles)</td>
<td>1,425,378</td>
<td>59,891</td>
</tr>
<tr>
<td>Due from Primary Government</td>
<td>39,683</td>
<td></td>
</tr>
<tr>
<td>Internal Balance</td>
<td>480,413</td>
<td>(480,413)</td>
</tr>
<tr>
<td>Restricted Cash and Investments</td>
<td>14,151,526</td>
<td>14,151,526</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>20,595,375</td>
<td>(420,522)</td>
</tr>
<tr>
<td><strong>Non Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and Construction in Progress</td>
<td>5,933,445</td>
<td>5,933,445</td>
</tr>
<tr>
<td>Other Capital Assets, Net of Depreciation</td>
<td>14,834,442</td>
<td>501,436</td>
</tr>
<tr>
<td>Total Non Current Assets</td>
<td>20,767,887</td>
<td>501,436</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>41,363,262</td>
<td>80,914</td>
</tr>
</tbody>
</table>

#### Liabilities:

| Current Liabilities: |                  |              |        |  |
| Accounts Payable    | 1,034,238 | 10,450 | 1,044,688 |
| Compensated Absences | 407,713 | 23,592 | 431,305 |
| Unearned Revenue    | 612,053 | 2,258 | 614,311 |
| Due to Component Unit | 39,683 |  |
| Current Portion of Long Term Obligations | 1,223,501 | 46,753 | 1,270,254 |
| Total Current Liabilities | 3,517,268 | 83,031 | 3,600,299 |

| Non Current Liabilities: |                  |              |        |  |
| Unfunded Pension Cost | 93,873 | 93,873 |
| Post Employee Health Benefits | 360,247 | 18,960 | 379,207 |
| Non Current Portion of Long Term Obligations | 17,178,201 | 101,800 | 17,280,001 |
| Total Non Current Liabilities | 17,632,321 | 120,760 | 17,753,081 |
| **Total Liabilities**   |                  |              |        |  |
|                     | 20,949,489 | 203,811 | 21,153,300 |

#### Net Assets

| Invested in Capital, Net of Related Debt |                  |              |        |  |
| Human Services | 19,370 | 19,370 |
| Wireless | 55,183 | 55,183 |
| Education | 155,952 | 155,952 |
| Stabilization by State Statute | 1,621,180 | 1,621,180 | 39,683 |
| 1943 Agreement | 12,800,000 | 12,800,000 |
| Unrestricted (Deficit) | (3,535,763) | (475,782) | (4,011,545) | 191,493 |
| **Total Net Assets**   |                  |              |        |  |
|                      | 20,413,773 | (122,827) | 20,290,946 | 242,019 |

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

**For the Year Ended June 30, 2012**

### (Net Expense) Revenues and Changes in Net Assets

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Operating</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td>Charges For</td>
</tr>
<tr>
<td><strong>Primary Government</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government:</td>
<td>$2,628,289</td>
<td>$331,064</td>
</tr>
<tr>
<td>Public Safety</td>
<td>3,842,955</td>
<td>749,814</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>93,464</td>
<td>191,181</td>
</tr>
<tr>
<td>Economic and Physical Development</td>
<td>1,053,679</td>
<td>107,946</td>
</tr>
<tr>
<td>Human Services</td>
<td>8,239,931</td>
<td>1,779,415</td>
</tr>
<tr>
<td>Recreational</td>
<td>872,747</td>
<td>125,708</td>
</tr>
<tr>
<td>Education</td>
<td>2,625,956</td>
<td>183,751</td>
</tr>
<tr>
<td>Interest on Long Term Debt</td>
<td>744,533</td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>19,901,654</td>
<td>2,985,820</td>
</tr>
<tr>
<td><strong>Business-Type Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Waste</td>
<td>864,174</td>
<td>822,736</td>
</tr>
<tr>
<td><strong>Total Primary Government</strong></td>
<td>20,765,828</td>
<td>33,808,557</td>
</tr>
<tr>
<td><strong>Component Unit:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Development - Tourism</td>
<td>1,938,140</td>
<td></td>
</tr>
</tbody>
</table>

### General Revenues:

<table>
<thead>
<tr>
<th>Taxes:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>4,734,559</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Option Sales</td>
<td>2,473,760</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy Tax</td>
<td>394,809</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service Taxes</td>
<td>10,680</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment from Swain County</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted Intergovernment</td>
<td>1,157,149</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>1,077,151</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>584,082</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Total General Revenue Before Special Items** | 10,432,190 | 10,432,190 | 382,440 |
| Special Item - Golden Leaf Contribution      | 10,432,190 | 10,432,190 | 382,440 |

| **Total General Revenues**                   | 10,432,190 | 10,432,190 | 577,645 |

| Change in Net Assets                         | (1,498,253) | (41,438)   | (1,539,691)| 19,305 |
| Net Assets - Beginning                       | 21,912,026  | (81,455)   | 21,830,567 | 222,714 |
| Net Assets - Ending                          | $20,413,773 | $122,897   | $20,536,665| 242,019 |

The notes to the financial statements are an integral part of this statement.
### Exhibit 3

#### SWAIN COUNTY

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2012**

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Capital Projects</th>
<th>Permanent Fund</th>
<th>Emergency Telephone Telephone</th>
<th>Non-Major Governmental</th>
<th>Total Governmental</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$2,532,559</td>
<td>$</td>
<td>$313,571</td>
<td>$311,819</td>
<td>$3,157,949</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td>1,380,109</td>
<td></td>
<td></td>
<td>1,380,109</td>
<td></td>
</tr>
<tr>
<td>Receivables, Net</td>
<td>1,097,263</td>
<td>571,917</td>
<td>581,347</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax Receivable, Net</td>
<td>336,040</td>
<td>1,057,475</td>
<td>336,040</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due From Other Funds</td>
<td>9,430</td>
<td>430,821</td>
<td>581,347</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>1,182,451</td>
<td>1,790,000</td>
<td>1,182,451</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Investments</td>
<td>1,182,451</td>
<td>1,790,000</td>
<td>1,182,451</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$5,672,230</td>
<td>$1,790,000</td>
<td>$1,418,109</td>
<td>$323,001</td>
<td>$20,664,446</td>
<td></td>
</tr>
</tbody>
</table>

#### Liabilities and Fund Balances

|               | General Fund | Capital Projects | Permanent Fund | Emergency Telephone Telephone | Non-Major Governmental | Total Governmental |
|---------------|--------------|------------------|----------------|-------------------------------|                        |                    |
| **Liabilities** |              |                  |                |                               |                        |                    |
| Accounts Payable and Accrued Liabilities | $671,749 | $94,651          | $267,818       |                               | $1,034,218            |
| Deferred Revenue | 948,093 | 948,093          |                |                               |
| Due to Component Unit | 39,883 | 39,883           |                |                               |
| Due to Other Funds | 74,424 | 74,424           |                |                               |
| **Total Liabilities** | 1,659,255 | 1,659,255        | $267,818       |                               | 2,022,420            |

#### Fund Balances:

**Nonspendable:**

- Permanent Fund - 1943 Settlement: 1,182,451
- Restricted For:
  - Stabilization by State Statute: 1,621,180
  - Wireless: 55,183
  - Education: 764,004
  - Human Services: 19,370
  - Committed To:
    - Economic Development: 29,958
  - Assigned To:
    - Public Safety: 118,199
    - Education: 155,952
  - Unassigned: 1,597,563

**Total Fund Balances:** 4,012,705

**Total Liabilities and Fund Balances:** $5,672,230

The notes to the financial statements are an internal part of this statement.
Amounts reported for governmental activities in the
Statement of Net Assets (Exhibit 1) are different because:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets used in Governmental Activities</td>
<td>$20,767,887</td>
</tr>
<tr>
<td>are not financial resources and therefore are</td>
<td></td>
</tr>
<tr>
<td>not reported in the funds</td>
<td></td>
</tr>
<tr>
<td>Other assets used in governmental activities are</td>
<td></td>
</tr>
<tr>
<td>not financial resources and, therefore are not</td>
<td></td>
</tr>
<tr>
<td>reported in the funds</td>
<td></td>
</tr>
<tr>
<td>Deferred Revenue - Ad Valorem Taxes</td>
<td>336,040</td>
</tr>
<tr>
<td>Accrued Interest - Ad Valorem Taxes</td>
<td>31,863</td>
</tr>
<tr>
<td>Long-term liabilities, including bonds payable,</td>
<td></td>
</tr>
<tr>
<td>are not due and payable in the current period</td>
<td></td>
</tr>
<tr>
<td>and therefore are not reported in the funds:</td>
<td></td>
</tr>
<tr>
<td>Bonds and Leases Payable</td>
<td>(18,401,702)</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>(407,713)</td>
</tr>
<tr>
<td>LEO Pension Obligation</td>
<td>(93,873)</td>
</tr>
<tr>
<td>OPEB Obligation</td>
<td>(360,247)</td>
</tr>
<tr>
<td>Fund Balance - Governmental Funds (Exhibit 3)</td>
<td>18,541,518</td>
</tr>
<tr>
<td>Net Assets of Governmental Activities (Exhibit 1)</td>
<td>$20,413,773</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Capital Projects</th>
<th>Permanent Fund</th>
<th>Emergency Telephone Fund</th>
<th>Non-Major Governmental Fund</th>
<th>Total Governmental Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>$4,718,333</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$4,718,333</td>
<td></td>
</tr>
<tr>
<td>Local Option Sales</td>
<td>2,473,760</td>
<td>2,473,760</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Occupancy</td>
<td>394,809</td>
<td>394,809</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Public Service</td>
<td>10,680</td>
<td>10,680</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>6,274,095</td>
<td>2,745,339</td>
<td>274,339</td>
<td>6,548,334</td>
<td></td>
<td></td>
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<tr>
<td>Charges for Services</td>
<td>2,844,134</td>
<td>1,411,607</td>
<td></td>
<td>2,955,741</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>19,397</td>
<td>1,052,544</td>
<td>669</td>
<td>1,074,913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>178,007</td>
<td></td>
<td></td>
<td>178,007</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>16,913,475</td>
<td>1,052,544</td>
<td>142,276</td>
<td>2,985,801</td>
<td>18,384,814</td>
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</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>2,519,735</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Public Safety</td>
<td>3,495,513</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Environmental Protection</td>
<td>92,083</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic and Physical Development</td>
<td>874,132</td>
<td>101,966</td>
<td>983,098</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Services</td>
<td>7,761,659</td>
<td>408,840</td>
<td>128,435</td>
<td>8,394,924</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreational</td>
<td>811,971</td>
<td>651,971</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>1,020,940</td>
<td></td>
<td></td>
<td>1,274,973</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service:</td>
<td>1,150,133</td>
<td></td>
<td>1,150,133</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>719,950</td>
<td></td>
<td></td>
<td>719,950</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Projects</td>
<td>1,605,056</td>
<td></td>
<td></td>
<td>1,605,056</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>18,247,100</td>
<td>1,605,056</td>
<td>404,840</td>
<td>1,490,414</td>
<td>21,747,414</td>
<td></td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenue Over Expenditures</strong></td>
<td>(1,333,631)</td>
<td>(1,605,056)</td>
<td>1,052,544</td>
<td>(2,985,801)</td>
<td>(3,362,602)</td>
<td></td>
</tr>
<tr>
<td><strong>Other Financing Sources</strong></td>
<td>(80,152)</td>
<td>136,634</td>
<td>(150,000)</td>
<td>33,518</td>
<td>2,068,422</td>
<td></td>
</tr>
<tr>
<td>Transfers In (Out)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing Proceeds</td>
<td>660,000</td>
<td>1,408,422</td>
<td></td>
<td>2,068,422</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Financing Sources</strong></td>
<td>579,848</td>
<td>1,605,056</td>
<td>(150,000)</td>
<td>33,518</td>
<td>2,068,422</td>
<td></td>
</tr>
<tr>
<td><strong>Net Change in Fund Balances</strong></td>
<td>(753,783)</td>
<td>902,544</td>
<td>(2,985,801)</td>
<td>(1,213,895)</td>
<td>(1,294,180)</td>
<td></td>
</tr>
<tr>
<td>Fund Balances:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of Year As Restated</td>
<td>5,008,731</td>
<td>13,277,565</td>
<td>75,504</td>
<td>1,473,898</td>
<td>19,855,698</td>
<td></td>
</tr>
<tr>
<td>Prior Period Adjustment</td>
<td>(242,243)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>End of Year</strong></td>
<td>$4,766,488</td>
<td>$14,180,109</td>
<td>$55,183</td>
<td>$233,521</td>
<td>$18,541,518</td>
<td></td>
</tr>
</tbody>
</table>

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, 2012

Net change in fund balances - total Governmental Funds (Exhibit 4) $1,294,180

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 $1,740,117 was more than Depreciation of $865,101 in the current period. $875,016

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 18,587

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. (918,289)

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. (179,387)

Change in Net Assets of Governmental Activities (Exhibit 2) $(1,498,253)

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Budgeted Amounts</th>
<th>Variance With Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ad Valorem Taxes</td>
<td>$4,727,885</td>
<td>$(9,352)</td>
</tr>
<tr>
<td>Local Option Sales Tax</td>
<td>$2,190,000</td>
<td></td>
</tr>
<tr>
<td>Other Taxes and Licenses</td>
<td>$410,500</td>
<td></td>
</tr>
<tr>
<td>Unrestricted Intergovernmental</td>
<td>$1,144,000</td>
<td>$11,149</td>
</tr>
<tr>
<td>Restricted Intergovernmental</td>
<td>$2,509,015</td>
<td>$1,727,262</td>
</tr>
<tr>
<td>Permits and Fees</td>
<td>$228,000</td>
<td>$201,563</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>$2,454,235</td>
<td>$(147,008)</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$20,000</td>
<td>$17,397</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$11,000</td>
<td>$(35,599)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$13,694,635</td>
<td>$1,241,587</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>Budgeted Amounts</th>
<th>Variance With Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>$5,163,209</td>
<td>$2,847,389</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$2,900,115</td>
<td>$96,002</td>
</tr>
<tr>
<td>Economic and Physical Development</td>
<td>$100,198</td>
<td>$9,115</td>
</tr>
<tr>
<td>Human Services</td>
<td>$5,112,752</td>
<td>$(1,976,703)</td>
</tr>
<tr>
<td>Cultural and Recreational</td>
<td>$578,878</td>
<td>$9,171</td>
</tr>
<tr>
<td>Intergovernmental:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>$1,025,000</td>
<td>$19,000</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$1,344,000</td>
<td>$193,867</td>
</tr>
<tr>
<td>Interest and Other Charges</td>
<td>$200,000</td>
<td>$(283,950)</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$17,220,161</td>
<td>$640,349</td>
</tr>
</tbody>
</table>

| Revenues Over (Under) Expenditures:         |                  |                             |
| (3,525,526)                                 | (2,028,190)      | $1,523,794                  |

| Other Financing Sources (Uses):             |                  |                             |
| Transfers In (Out)                          | $(943,871)       |                             |
| Financing Proceeds                          | $3,020,725       | $1,619,725                  |
| Appropriated Fund Balance                   | $17,732          | $210,932                    |
| **Total Other Financing Sources (Used)**    | $4,523,522       | $(1,984,437)                |

| Net Change in Fund Balance                  | $504,471         | $(504,471)                  |

| Fund Balance:                               |                  |                             |
| Beginning of Year, as previously reported   | $3,965,457       |                             |
| Prior Period Adjustment                     | $(242,243)       |                             |
| End of Year, June 30                        | $3,723,214       |                             |

| Fund Balance – Ending                       | $4,012,705       |                             |

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

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$</td>
<td>$</td>
<td>$ 1,052,544</td>
<td>$ 1,052,544</td>
</tr>
<tr>
<td>Other Financing Sources (Uses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated Fund Balance</td>
<td>400,000</td>
<td>400,000</td>
<td>(400,000)</td>
<td></td>
</tr>
<tr>
<td>Transfer (to) General Fund</td>
<td>(400,000)</td>
<td>(400,000)</td>
<td>(150,000)</td>
<td>250,000</td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses):</td>
<td></td>
<td></td>
<td>(150,000)</td>
<td>(150,000)</td>
</tr>
<tr>
<td>Revenues Over (Under) Other Financing Uses</td>
<td>$</td>
<td>$</td>
<td>902,544</td>
<td>$ 902,544</td>
</tr>
</tbody>
</table>

**Fund Balance - Beginning of Year**

13,277,565

**Fund Balance - Ending of Year**

$14,180,109

The notes to the financial statements are an integral part of this statement.
SWAIN COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Revenues:  
<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Favorable</td>
<td>(Unfavorable)</td>
<td></td>
</tr>
<tr>
<td>Permits and Fees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees Charged</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$141,607</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>($258,393)</td>
</tr>
<tr>
<td>Investment Earnings:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td></td>
<td></td>
<td>669</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>669</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$142,276</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>($257,724)</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Services</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$404,840</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>($4,840)</td>
</tr>
<tr>
<td>Revenues Over (Under)Expenditures</td>
<td>$</td>
<td>$</td>
<td>($262,564)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>($262,564)</td>
</tr>
<tr>
<td>Fund Balance - Beginning of Year</td>
<td>$75,504</td>
<td>$75,504</td>
<td>$75,504</td>
</tr>
<tr>
<td>Prior Period Adjustment</td>
<td>$242,243</td>
<td>$242,243</td>
<td>$242,243</td>
</tr>
<tr>
<td>Fund Balance - End of Year</td>
<td>$55,183</td>
<td>$55,183</td>
<td>$55,183</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
SWAIN COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

<table>
<thead>
<tr>
<th>Enterprise Fund</th>
<th>Solid Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
</tr>
<tr>
<td>Receivables (Net of Allowance for Uncollectibles)</td>
<td>$59,891</td>
</tr>
</tbody>
</table>

| Non Current Assets: |             |
| Capital Assets:     |             |
| Other Capital Assets, Net of Depreciation | 501,436 |

Total Assets 561,327

| Liabilities       |             |
| Current Liabilities: |         |
| Accounts Payable and Accruals | 10,450 |
| Due to Other Funds   | 480,413    |
| Compensated Absences | 23,592    |
| Current Portion of Long Term Obligations | 46,751 |
| Deferred Revenue     | 2,258      |

Total Current Liabilities 563,464

| Non Current Liabilities: |             |
| Non Current Portion of Long Term Obligations | 101,800 |
| Post Employment Health Liability | 18,960 |

Total Non Current Liabilities 120,760

Total Liabilities 684,224

Net Assets  
Invested in Capital, Net of Related Debt 352,885
Unrestricted (Deficit) (475,782)

Total Net Assets (Deficit) $122,897

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, 2012

<table>
<thead>
<tr>
<th>Enterprise Fund</th>
<th>Solid Waste</th>
</tr>
</thead>
</table>

Operating Revenues:
- Charges for Services: $822,736

Operating Expenses:
- Waste Management Operations: $773,978
- Depreciation: $82,643

Total Operating Expenses: $856,621

Operating Income (Loss): $(33,885)

Non-Operating Revenues (Expenses):
- Interest Expense: $(7,553)

Change in Net Assets: $(41,438)

Total Net Assets - Beginning: $(81,459)

Total Net Assets - Ending: $(122,897)

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, 2012

<table>
<thead>
<tr>
<th>Enterprise Fund</th>
<th>Solid Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows From Operating Activities:</td>
<td></td>
</tr>
<tr>
<td>Cash Received From Customers</td>
<td>$822,457</td>
</tr>
<tr>
<td>Cash Paid to Employees</td>
<td>$(354,684)</td>
</tr>
<tr>
<td>Cash Paid for Goods and Services</td>
<td>$(432,089)</td>
</tr>
<tr>
<td>Prepaid Waste Fees</td>
<td>150</td>
</tr>
<tr>
<td>Net Cash Provided (Used) by Operating Activities</td>
<td>35,834</td>
</tr>
</tbody>
</table>

| Cash Flows From Noncapital Financing Activities: | |
| Interfund Activity | 118,113 |

| Cash Flows From Capital and Related Financing Activities: | |
| Acquisition of Capital Assets | $(101,384) |
| Debt Principal and Interest Paid | $(52,563) |
| Total | $(153,947) |

Net Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents – Beginning Year

Cash and Cash Equivalents – End of Year

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

| Operating Income (Loss) | $33,885 |
| Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 82,643 |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable - Customers and Waste Fees | $(279) |
| Increase (Decrease) in Accounts Payable and Accruals - Customer’s | $(17,850) |
| Increase (Decrease) in Compensated Absences | $(182) |
| Increase (Decrease) in Deferred Revenue | 150 |
| Increase (Decrease) in Post Employment Liability | 5,237 |
| Total Adjustments | 69,719 |

Net Cash Provided (Used) by Operating Activities | $35,834 |

The notes to the financial statements are an integral part of this statement.
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 **Emergency Telephone Fund** accounts for financial resources to be used to account for emergency telephone services.

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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 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, 2012 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, 2012, 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-
regulated 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. The County’s Permanent Fund is invested in the
State Treasurer’s STIF and LTIF investment funds. The State
Treasurer’s Short Term Investment Fund (STIF) consists of short
to intermediate treasuries, agencies and corporate issues
authorized by G.S. 147-69.1. The long-term investment fund
(LTIF) consists of investment grade corporate securities,
treasuries, and agencies.

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 three 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 is made up of $418,447 which is
the balance in the sinking fund as of June 30, 2012 plus the
Schools Capital Reserve Fund cash of $764,004. Permanent Fund
restricted investments of $12,800,000 represents the
nonexpendable portion of the Swain Settlement funds. Capital
Projects cash of $169,075 is also restricted.

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, 2011. 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:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>40</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>5-7</td>
</tr>
<tr>
<td>Vehicles and Motorized Equipment</td>
<td>5</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Equipment</td>
<td>5</td>
</tr>
</tbody>
</table>

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, 2012 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 emergency telephone 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 $1,872,255 consists of several elements as follows:
### Description

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) **$528,067,764**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Accumulated Depreciation</td>
<td><strong>$7,299,877</strong></td>
</tr>
<tr>
<td>Net Capital Assets</td>
<td><strong>$20,767,887</strong></td>
</tr>
</tbody>
</table>

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. **$31,863**

Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide – net ad valorem taxes. **$336,040**

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 **($18,401,702)**
- Compensated Absences **($407,713)**
- Pension Obligation **($93,873)**
- OPEB Obligation **($360,247)**

**Total adjustment** **$1,872,255**

### 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 **$(204,073)** as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities</td>
<td><strong>$1,740,117</strong></td>
</tr>
<tr>
<td>Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities but not in the fund statements.</td>
<td><strong>(865,101)</strong></td>
</tr>
<tr>
<td>Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:</td>
<td><strong>16,026</strong></td>
</tr>
<tr>
<td>Recording of tax receipts deferred in the fund statements.</td>
<td><strong>2,561</strong></td>
</tr>
<tr>
<td>Increase in accrued interest on taxes</td>
<td><strong>2,561</strong></td>
</tr>
</tbody>
</table>
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. 1,150,133

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. (2,068,422)

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. (8,624)

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. (46,600)

Post employment health costs are accrued in the government-wide statements, but not in the fund statement. (99,520)

Total Adjustment $ (204,073)

III. Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

Expenditures over budgeted amounts were noted in the following departments:

<table>
<thead>
<tr>
<th>Department</th>
<th>Over Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>$ 106,083</td>
</tr>
<tr>
<td>Economic Development</td>
<td>347,100</td>
</tr>
<tr>
<td>Social Services</td>
<td>2,005,340</td>
</tr>
<tr>
<td>Health Department</td>
<td>41,439</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,499,962</td>
</tr>
</tbody>
</table>

Emergency Telephone System Fund $ 4,840

Economic Development Fund

There was no budget for the Economic Development Fund. There were no expenditures in this fund for the fiscal year.

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 $475,782 at June 30, 2012. 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, 2012, the County’s deposits had a carrying amount of $2 498 618 and a bank balance of $2 564 616. Of the bank balance $750 000 was covered by federal depository insurance and $1 814 616 was covered by collateral held under the Pooling Method.

   At June 30, 2012 the carrying amount of deposits for Swain County Tourist Development Authority was $191 493 and the bank balance was $271 483. All of the bank balance was covered by federal depository insurance or other sufficient collateral.

2. **Investments:**

   At June 30, 2012, Swain County had $1 423 335 invested with the North Carolina Capital Management Trust’s Cash Portfolio which carried a credit rating of AAAm by Standard and Poors. The County invested $3 958 033 in the State Treasurer’s Short Term Investment Fund (STIF) and $10 222 076 in the State Treasurer’s Long-Term Investment Fund (LTIF). The STIF and LTIF are not considered cash and cash equivalents because they have maturities longer than three months. The County has no policy regarding credit risk.
3. Receivables - Net of Allowances for Doubtful Accounts:

Receivables at June 30, 2012, were as follows at the government-wide level:

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Customers</th>
<th>Taxes</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>$1,049,263</td>
<td>$779,702</td>
<td>$31,863</td>
<td>$1,850,828</td>
</tr>
<tr>
<td>Other Governmental</td>
<td>79,664</td>
<td></td>
<td></td>
<td>79,664</td>
</tr>
<tr>
<td>Total Receivables</td>
<td>1,128,927</td>
<td>779,702</td>
<td>31,863</td>
<td>1,940,492</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>71,452</td>
<td>483,652</td>
<td>73,114</td>
<td></td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$1,057,475</td>
<td>$336,040</td>
<td>$31,863</td>
<td>$1,425,378</td>
</tr>
<tr>
<td>Business-type Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Waste</td>
<td>$162,235</td>
<td></td>
<td></td>
<td>162,235</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>102,344</td>
<td></td>
<td></td>
<td>102,344</td>
</tr>
<tr>
<td>Total business-type activities</td>
<td>$264,579</td>
<td></td>
<td></td>
<td>264,579</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Levied</th>
<th>Tax</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>253,840</td>
<td></td>
<td>53,240</td>
<td>307,080</td>
</tr>
<tr>
<td>2010</td>
<td>53,502</td>
<td>2,120</td>
<td>55,622</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>53,221</td>
<td>1,040</td>
<td>54,261</td>
<td></td>
</tr>
</tbody>
</table>

5. Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

1. Primary Government:

<table>
<thead>
<tr>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$4,059,553</td>
<td>$19,893</td>
<td>$4,079,446</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>1,256,033</td>
<td></td>
<td>1,256,033</td>
</tr>
<tr>
<td>Total Capital Assets not being depreciated</td>
<td>$5,315,586</td>
<td></td>
<td>$5,315,586</td>
</tr>
<tr>
<td>Capital Assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>17,214,190</td>
<td></td>
<td>17,214,190</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,331,083</td>
<td>322,159</td>
<td>2,653,242</td>
</tr>
<tr>
<td>Vehicles</td>
<td>2,122,821</td>
<td>146,060</td>
<td>2,268,881</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>21,668,094</td>
<td>668,328</td>
<td>22,336,422</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>3,843,149</td>
<td>429,242</td>
<td>4,272,391</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,477,125</td>
<td>211,531</td>
<td>1,688,656</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,314,502</td>
<td>224,328</td>
<td>1,538,830</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>6,635,776</td>
<td>865,101</td>
<td>7,500,877</td>
</tr>
<tr>
<td>Total Capital Assets, being Depreciated, net</td>
<td>15,207,318</td>
<td>503,227</td>
<td>15,710,545</td>
</tr>
<tr>
<td>Governmental Capital Assets, net</td>
<td>$12,992,871</td>
<td>2,875,616</td>
<td>$15,868,487</td>
</tr>
</tbody>
</table>
Depreciation expense was charged to function/programs of the primary government as follows:

**Governmental activities:**

- General government: $111,503
- Public safety: 457,001
- Economic and physical development: 68,611
- Environmental protection: 386
- Human services: 168,914
- Culture and recreation: 68,786

**Total depreciation expense - government activities:** $865,101

**Business-type activities:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solid Waste</strong></td>
<td>$ 22,643</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Business-type activities:**

- **Capital assets, being depreciated:**
  - Vehicles: $297,686
  - Equipment: 386,874
  - Buildings: 607,030

  **Total capital assets, being depreciated:** $1,291,590

- **Less accumulated depreciation:**
  - Vehicles: $25,826
  - Equipment: 360,060
  - Buildings: 233,000

  **Total accumulated depreciation:** $651,886

- **Total capital assets, being depreciated (net):** $642,604

**Proprietary Capital Assets, net:** $502,436

**Discretely presented component unit:**

**Capital asset activity for Swain County Tourist Development Authority for the year ended June 30, 2012** was as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
</table>
| **Governmental Activities:**
  - Capital assets, being depreciated:
    - Office Equipment: $21,761
  - **Total capital assets being depreciated:** $21,761

- **Less accumulated depreciation:**
  - Office Equipment: 11,935

  **Total accumulated depreciation:** $11,935

- **Total capital assets being depreciated (net):** 9,766

**Governmental activities:**

- **Capital Assets, net:** $9,766

- **Business-type activities:**

  **Capital assets, being depreciated:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office Equipment</strong></td>
<td>11,935</td>
<td>3,776</td>
<td></td>
<td>15,711</td>
</tr>
</tbody>
</table>

  **Total accumulated depreciation:** $11,935

  **Total capital assets being depreciated (net):** 9,766

**Governmental activities:**

- **Capital Assets, net:** $9,766

- **Business-type activities:**

  **Capital assets, being depreciated:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office Equipment</strong></td>
<td>11,935</td>
<td>3,776</td>
<td></td>
<td>15,711</td>
</tr>
</tbody>
</table>

  **Total accumulated depreciation:** $11,935

  **Total capital assets being depreciated (net):** 9,766

**Governmental activities:**

- **Capital Assets, net:** $9,766
B. Liabilities

1. Payables

Payables at June 30, 2012 were as follows at the government-wide level:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>Insurance</td>
<td>Other</td>
<td>Total</td>
</tr>
<tr>
<td>General</td>
<td>$221 201</td>
<td>$283 348</td>
<td>$15 085</td>
</tr>
<tr>
<td>Other Governmental</td>
<td>360 145</td>
<td>1 924</td>
<td>362 449</td>
</tr>
<tr>
<td>Total-governmental activities</td>
<td>581 346</td>
<td>285 272</td>
<td>162 115</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-type activities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Solid Waste</td>
<td>$694 180</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxes receivable (Net)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$336 040</td>
<td>$19 801</td>
<td>$19 801</td>
<td>$2 258</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment in Lieu of Taxes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid in Advance</td>
<td>592 252</td>
</tr>
</tbody>
</table>

| Total                    | $948 093         |

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, 2012 is composed of the following elements:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Deferred</th>
<th>Unearned</th>
<th>Business Type Activities:</th>
<th>Deferred</th>
<th>Unearned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes receivable (Net)</td>
<td>$336 040</td>
<td>$19 801</td>
<td>Prepaid Taxes not yet earned</td>
<td>$2 258</td>
<td>$2 258</td>
</tr>
<tr>
<td>Payment in Lieu of Taxes</td>
<td>592 252</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Total                    | $948 093 | $612 053 |

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 6.99% and 7.05%, 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, 2012 and 2011 were $395 059 and $348 302 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, 2011, the Separation Allowance’s membership consisted of:

<table>
<thead>
<tr>
<th>Retirees receiving benefits</th>
<th>Terminated plan members entitled to but not yet receiving benefits</th>
<th>Active plan members</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0-</td>
<td>-0-</td>
<td>22</td>
</tr>
</tbody>
</table>

Total 22
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.

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, 2011 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.

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 $9,448
- Interest on net pension obligation 4,262
- Adjustment to annual required contribution (5,086)
- Annual pension cost $8,624
- Contributions made for fiscal year ended 6-30-12 0
- Increase (decrease) in net pension obligation 8,624
- Net pension obligation beginning of year 85,249
- Net pension obligation end of year $93,873

3 YEAR TREND INFORMATION

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Annual Pension Cost (APOC)</th>
<th>Percentage of APC Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/12</td>
<td>$8,624</td>
<td>0%</td>
<td>$93,873</td>
</tr>
<tr>
<td>6/30/11</td>
<td>9,163</td>
<td>0%</td>
<td>85,249</td>
</tr>
<tr>
<td>6/30/10</td>
<td>9,579</td>
<td>0%</td>
<td>76,086</td>
</tr>
</tbody>
</table>
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, 2012 were $34,883, which consisted of $34,883 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, 2012, the County’s required and actual contributions were $3 764.

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 12-31-11, the date of the latest actuarial valuation:

<table>
<thead>
<tr>
<th></th>
<th>Law General Employees</th>
<th>Law Enforcement Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees receiving benefits</td>
<td>3</td>
<td>-0-</td>
</tr>
<tr>
<td>Active plan members</td>
<td>185</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>188</td>
<td>22</td>
</tr>
</tbody>
</table>
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 2.52% of annual covered payroll. For the current year, the county contributed 0% 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 $3 138.

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution</td>
<td>$103,250</td>
</tr>
<tr>
<td>Interest on net OPEB obligation</td>
<td>10,978</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>(9,471)</td>
</tr>
<tr>
<td>Annual OPEB cost</td>
<td>104,757</td>
</tr>
<tr>
<td>Contributions made for 6-30-12</td>
<td>0</td>
</tr>
<tr>
<td>Increase in net OPEB obligation</td>
<td>104,757</td>
</tr>
<tr>
<td>Net OPEB liability, beginning of year</td>
<td>274,450</td>
</tr>
<tr>
<td>Net OPEB liability, end of year</td>
<td>$379,207</td>
</tr>
</tbody>
</table>
The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual OPEB Cost</th>
<th>Percentage Contributed</th>
<th>Net OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$104,757</td>
<td>0%</td>
<td>$379,207</td>
</tr>
<tr>
<td>2011</td>
<td>77,268</td>
<td>0%</td>
<td>274,450</td>
</tr>
<tr>
<td>2010</td>
<td>98,861</td>
<td>0%</td>
<td>197,182</td>
</tr>
</tbody>
</table>

As of 12-31-11, 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 $1,031,633. The covered payroll (annual payroll of active employees covered by the plan) was $5,762,989. 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 12-31-11 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 9.5 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 12-31-11 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%  $2,395,000
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, 2012:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Date</th>
<th>Term</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitation Truck</td>
<td>194,500</td>
<td>7-27-06</td>
<td>5 Yrs.</td>
<td>3.85%</td>
<td>24,726/Annual</td>
</tr>
<tr>
<td>5 Police Cars</td>
<td>150,000</td>
<td>11-25-06</td>
<td>5 Yrs.</td>
<td>4.04%</td>
<td>33,732/Annual</td>
</tr>
<tr>
<td>2 Sanitation Tractors</td>
<td>170,000</td>
<td>11-03-08</td>
<td>7 Yrs.</td>
<td>3.85%</td>
<td>28,167/Annual</td>
</tr>
<tr>
<td>Ambulance</td>
<td>100,961</td>
<td>11-25-06</td>
<td>4 Yrs.</td>
<td>3.65%</td>
<td>27,461/Annual</td>
</tr>
<tr>
<td>Fiber Optic Cable</td>
<td>120,000</td>
<td>6-30-06</td>
<td>8 Yrs.</td>
<td>4.23%</td>
<td>17,993/Annual</td>
</tr>
<tr>
<td>Land-Middle School</td>
<td>2,000,000</td>
<td>10-18-06</td>
<td>15 Yrs.</td>
<td>4.25%</td>
<td>218,333/Annual</td>
</tr>
<tr>
<td>8 Vehicles</td>
<td>240,000</td>
<td>5-10-11</td>
<td>3 Yrs.</td>
<td>2.41%</td>
<td>81,693/Annual</td>
</tr>
<tr>
<td>2 Police Vehicles</td>
<td>60,000</td>
<td>5-14-12</td>
<td>2 Yrs.</td>
<td>5.00%</td>
<td>32,268/Annual</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,398,416</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

c. Qualified Zone Academy Bond - As authorized by State law (G.S.160A-201), 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 in equal $1,500,000 on July 15, 2023.

d. Mortgages - Health Department Building - The mortgage is for 15 years at an interest rate of 3.81% with monthly payments of $51,241.

Social Services Building Addition - The mortgage is for 15 years at an interest rate of 3.53% with annual principal payments of $51,816 plus interest.

Tourist Development Authority Building - The mortgage is for 15 years at an interest rate of 4.20% with annual principal payments of $51,241 plus interest.

e. Changes in Long-Term Obligations - The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

<table>
<thead>
<tr>
<th>Governmental Activity</th>
<th>July 1, 2011</th>
<th>Additions</th>
<th>Retirements</th>
<th>Balance June 30, 2012</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunding Bonds-Schools</td>
<td>5,275,000</td>
<td>$</td>
<td>$360,000</td>
<td>2,395,000</td>
<td>378,000</td>
</tr>
<tr>
<td>Installment Purchase</td>
<td>2,485,000</td>
<td>492,107</td>
<td>5,758,099</td>
<td>545,103</td>
<td></td>
</tr>
<tr>
<td>Mortgages and Loans</td>
<td>10,689,842</td>
<td>298,024</td>
<td>10,371,816</td>
<td>303,399</td>
<td></td>
</tr>
<tr>
<td>Construction Loan-School</td>
<td>416,578</td>
<td>1,408,422</td>
<td>1,825,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>261,312</td>
<td>46,600</td>
<td>407,713</td>
<td>407,713</td>
<td></td>
</tr>
<tr>
<td>Unfunded Pension Cost</td>
<td>85,249</td>
<td>8,624</td>
<td>93,873</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unfunded OPEB Cost</td>
<td>260,727</td>
<td>99,520</td>
<td>360,247</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>18,313,715</td>
<td>4,048,166</td>
<td>2,970,133</td>
<td>19,386,746</td>
<td>1,631,214</td>
</tr>
<tr>
<td>Less Deferred Amount</td>
<td>147,856</td>
<td>24,643</td>
<td>123,213</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>18,165,859</td>
<td>54,048,166</td>
<td>2,995,480</td>
<td>19,286,535</td>
<td>1,631,214</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------------</td>
<td>-----------</td>
<td>-------------</td>
<td>-----------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Capitalized Leases</td>
<td>$193,561</td>
<td>$45,010</td>
<td>$148,551</td>
<td>$46,751</td>
<td></td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>23,774</td>
<td></td>
<td>23,592</td>
<td>23,592</td>
<td></td>
</tr>
<tr>
<td>Unfunded OPEB Cost</td>
<td>13,723</td>
<td>5,237</td>
<td>18,960</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$231,058</td>
<td>5,237</td>
<td>$45,192</td>
<td>$191,103</td>
<td>$70,343</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Bonds</td>
<td>$375,000</td>
<td>$78,710</td>
<td>$182,955</td>
<td>$422,001</td>
<td>$46,751</td>
</tr>
<tr>
<td>Installment Obligations</td>
<td>$545,102</td>
<td></td>
<td>$303,399</td>
<td>$578</td>
<td>$1,270,252</td>
</tr>
<tr>
<td>Mortgage and Loans</td>
<td>$409,961</td>
<td></td>
<td>$48,560</td>
<td>$3,929</td>
<td>$1,263,725</td>
</tr>
<tr>
<td>Total</td>
<td>$1,135,063</td>
<td></td>
<td>$1,204,674</td>
<td>$1,741,544</td>
<td>$3,485,744</td>
</tr>
</tbody>
</table>

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

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

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

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

At June 30, 2012 Swain County had a legal debt margin of $95,858,607.

f. Commitment:
The County has one active construction project as of June 30, 2012. At year end, the County’s commitments with contracts are as follows:

<table>
<thead>
<tr>
<th>Project</th>
<th>Spent to date</th>
<th>Remaining Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning Center</td>
<td>$1,137,659</td>
<td>$25,123</td>
</tr>
</tbody>
</table>

g. Contingent Liabilities:
At June 30, 2012, 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, 2012 are composed as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Receivables</th>
<th>Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>571,917</td>
<td>74,424</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>9,430</td>
<td>26,510</td>
</tr>
<tr>
<td>Emergency Telephone</td>
<td>18,430</td>
<td>480,413</td>
</tr>
<tr>
<td>Non-Major Governmental Funds</td>
<td>26,510</td>
<td></td>
</tr>
<tr>
<td>Enterprise Fund</td>
<td>480,413</td>
<td></td>
</tr>
<tr>
<td><strong>Total Interfund receivables and payables</strong></td>
<td><strong>581,347</strong></td>
<td><strong>581,347</strong></td>
</tr>
</tbody>
</table>

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, 2012 for primary government and component unit are composed as follows:

<table>
<thead>
<tr>
<th>Component Unit - Receivable From Primary Government</th>
<th>$39,683</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Government - Payable to Component Unit</td>
<td>39,683</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,683</strong></td>
</tr>
</tbody>
</table>

3. Interfund transfers at June 30, 2012 are as follows:

<table>
<thead>
<tr>
<th>Transfers From</th>
<th>Transfers To</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>Capital Projects</td>
</tr>
<tr>
<td>Permanent Fund</td>
<td>Non-Major Governmental</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>230,152</strong></td>
</tr>
</tbody>
</table>

Transfers are used for various reasons. In the year ended June 30, 2012 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total fund balance - General Fund</td>
<td>$ 4,012,705</td>
</tr>
<tr>
<td>Less: Stabilization by State Statute</td>
<td>($1,621,180)</td>
</tr>
<tr>
<td>Restricted for Education</td>
<td>($764,004)</td>
</tr>
<tr>
<td>Remaining Fund Balance</td>
<td>$1,627,521</td>
</tr>
</tbody>
</table>

5. Subsequent Events:

Subsequent events have been evaluated through September 5, 2012, 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 participates 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, 2012. 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, 2012. 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, 2012. 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, 2012. Swain County contributed $39,334 to the Board during the fiscal year ended June 30, 2012. 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, 2012.
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 $78,222 to the Commission during the fiscal year ended June 30, 2012.

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, 2012, 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.

<table>
<thead>
<tr>
<th></th>
<th>Federal</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV-E Foster Care</td>
<td>$102,690</td>
<td>$42,198</td>
</tr>
<tr>
<td>SC/SA Domiciliary Care</td>
<td>79,912</td>
<td></td>
</tr>
<tr>
<td>TANF</td>
<td>76,209</td>
<td>(85)</td>
</tr>
<tr>
<td>Medicaid</td>
<td>16,193,507</td>
<td>7,806,753</td>
</tr>
<tr>
<td>Foster Care</td>
<td>242,145</td>
<td></td>
</tr>
<tr>
<td>Low Income Energy Assistance</td>
<td>(604)</td>
<td></td>
</tr>
<tr>
<td>WIC</td>
<td>264,500</td>
<td></td>
</tr>
<tr>
<td>IV-E Adopt Subsidy</td>
<td>37,616</td>
<td>22,637</td>
</tr>
<tr>
<td>Independent Living-Links</td>
<td>(2,370)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,671,548</strong></td>
<td><strong>$8,193,560</strong></td>
</tr>
</tbody>
</table>

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. Prior Period Adjustment

General fund expenditures of $242,243 were incorrectly included as Emergency Telephone expenditures in prior years. Beginning fund balance has been restated to reflect an increase in Emergency Telephone fund balance and decrease in General fund balance of $242,243 respectively.
Required Supplemental Financial Data

Schedule of Funding Progress for the Law Enforcement Officers’ Special Separation 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
<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</th>
<th>Unfunded AAL (UAAL) (b - a)</th>
<th>Funded Ratio (a : b)</th>
<th>Covered Payroll (b - a : c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/05</td>
<td>0</td>
<td>38,471</td>
<td>38,471</td>
<td>0%</td>
<td>423,754</td>
</tr>
<tr>
<td>12/31/06</td>
<td>0</td>
<td>43,692</td>
<td>43,692</td>
<td>0%</td>
<td>411,000</td>
</tr>
<tr>
<td>12/31/07</td>
<td>0</td>
<td>44,005</td>
<td>44,005</td>
<td>0%</td>
<td>327,352</td>
</tr>
<tr>
<td>12/31/08</td>
<td>0</td>
<td>55,251</td>
<td>55,251</td>
<td>0%</td>
<td>526,599</td>
</tr>
<tr>
<td>12/31/09</td>
<td>0</td>
<td>47,093</td>
<td>47,093</td>
<td>0%</td>
<td>507,468</td>
</tr>
<tr>
<td>12/31/10</td>
<td>0</td>
<td>37,150</td>
<td>37,150</td>
<td>0%</td>
<td>509,987</td>
</tr>
<tr>
<td>12/31/11</td>
<td>0</td>
<td>29,724</td>
<td>29,724</td>
<td>0%</td>
<td>623,900</td>
</tr>
</tbody>
</table>
### SWAIN COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICER’S SPECIAL SEPARATION ALLOWANCE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Annual Required Contribution</th>
<th>Percentage Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$8,624</td>
<td>0%</td>
</tr>
<tr>
<td>2011</td>
<td>$9,163</td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>$9,579</td>
<td>0%</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</th>
<th>Unfunded AAL (UAAL) (b - a)</th>
<th>Funded Ratio (a : b)</th>
<th>Covered Payroll (b - a : c)</th>
<th>UAAL as a % of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/08</td>
<td>0</td>
<td>798 771</td>
<td>0%</td>
<td>5 444 211</td>
<td>14.7%</td>
<td></td>
</tr>
<tr>
<td>12/31/09</td>
<td>0</td>
<td>723 182</td>
<td>0%</td>
<td>5 245 350</td>
<td>13.8%</td>
<td></td>
</tr>
<tr>
<td>12/31/11</td>
<td>0</td>
<td>1 031 633</td>
<td>0%</td>
<td>5 762 989</td>
<td>17.9%</td>
<td></td>
</tr>
</tbody>
</table>
### Required Supplementary Information

#### Schedule of Employer Contributions

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Annual Required Contribution</th>
<th>Percentage Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$145,256</td>
<td>0%</td>
</tr>
<tr>
<td>2011</td>
<td>62,576</td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>98,861</td>
<td>0%</td>
</tr>
</tbody>
</table>

**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**: 12/31/11
- **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**: 3.00%
- **Medical Cost Trend Rate**: 9.5 - 5.0%
- **Year of Ultimate Trend Rate**: 2018
SWAIN COUNTY, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>2012 Budget</th>
<th>2012 Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unfavorable)</td>
<td>Actual</td>
<td></td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem Taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Year</td>
<td>$4,394,385</td>
<td>$4,326,165</td>
<td>($68,220)</td>
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<tr>
<td>Prior Year</td>
<td>233,500</td>
<td>304,125</td>
<td>70,625</td>
</tr>
<tr>
<td>Penalties and Interest</td>
<td>100,000</td>
<td>88,243</td>
<td>(11,757)</td>
</tr>
<tr>
<td>Total</td>
<td>4,727,885</td>
<td>4,718,533</td>
<td>(9,352)</td>
</tr>
<tr>
<td><strong>Local Option Sales Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Cent Sales Tax</td>
<td>900,000</td>
<td>972,802</td>
<td>72,802</td>
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<tr>
<td>½ Cent Sales Tax</td>
<td>840,000</td>
<td>720,300</td>
<td>(119,700)</td>
</tr>
<tr>
<td>Medicaid Hold Harmless</td>
<td>450,000</td>
<td>250,004</td>
<td>(199,996)</td>
</tr>
<tr>
<td>Total</td>
<td>2,190,000</td>
<td>1,943,106</td>
<td>(246,894)</td>
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<tr>
<td><strong>Other Taxes and Licenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Room Occupancy Tax</td>
<td>430,000</td>
<td>394,809</td>
<td>(35,191)</td>
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<tr>
<td>Marriage Licenses</td>
<td>10,500</td>
<td>10,680</td>
<td>180</td>
</tr>
<tr>
<td>Total</td>
<td>440,500</td>
<td>405,489</td>
<td>(35,011)</td>
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<tr>
<td>Unrestricted Intergovernmental Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABC Revenue</td>
<td>9,000</td>
<td>5,934</td>
<td>(3,066)</td>
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<tr>
<td>Payments in Lieu of Taxes</td>
<td>1,100,000</td>
<td>1,113,565</td>
<td>13,565</td>
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<td>Satellite Video Tax</td>
<td>37,000</td>
<td>37,650</td>
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<td>Total</td>
<td>1,146,000</td>
<td>1,157,149</td>
<td>11,149</td>
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<tr>
<td>Restricted Intergovernmental Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and Federal Grants</td>
<td>(Exhibit J)</td>
<td>3,211,485</td>
<td>4,563,072</td>
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<tr>
<td>Court Facility Fees</td>
<td>30,400</td>
<td>17,218</td>
<td>(13,182)</td>
</tr>
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<td>Indirect Cost</td>
<td></td>
<td>388,857</td>
<td>388,857</td>
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<tr>
<td>Total</td>
<td>3,241,885</td>
<td>4,969,147</td>
<td>1,727,262</td>
</tr>
<tr>
<td>Permits and Fees:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Inspection Fees</td>
<td>70,000</td>
<td>55,143</td>
<td>(14,857)</td>
</tr>
<tr>
<td>Register of Deeds</td>
<td>163,900</td>
<td>143,930</td>
<td>(19,970)</td>
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<tr>
<td>Safe Driving</td>
<td>3,000</td>
<td>2,470</td>
<td>(530)</td>
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<tr>
<td>Total</td>
<td>236,900</td>
<td>201,543</td>
<td>(35,357)</td>
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</table>

- 57 -  Exhibit B
Page 1 of 11
Revenues - Continued:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Favorable</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Unfavorable)</td>
<td></td>
</tr>
</tbody>
</table>

Sales and Service:

- **Tag Office**: $48,000 vs. $46,302, $1,698 unfavorable, $50,235
- **Officers Fees**: $15,000 vs. $21,463, $6,463, $11,136
- **Jail Fees**: $572,400 vs. $581,991, $9,591, $345,584
- **Ambulance Fees**: $685,000 vs. $618,954, $66,046, $708,447
- **Recreation Department**: $111,700 vs. $104,708, $6,992, $94,205
- **Town Contribution - Recreation**: $21,000 vs. $21,000
- **Town Contribution - Fire Marshall**: $17,000 vs. $17,000
- **Town Dispatcher & PIN**: $28,700 vs. $28,700
- **Building Lease**: $208,000 vs. $207,798, $202, $167,630
- **Social Services Fees**: $57 vs. $57, $0, $406
- **Chamber Salary - Reimbursement**: $100,000 vs. $76,964, $23,036, $72,915
- **Sheriff Revenues**: $72,935 vs. $100,460, $27,525, $85,075
- **Health Dept. Fees and Reimbursements**: $909,924 vs. $817,254, $92,670, $858,915
- **Total**: $2,789,659 vs. $2,642,651, $(147,008), $2,464,908

Investment Earnings:

- **Interest Earned**: $5,000 vs. $17,397, $12,397, $12,057

Miscellaneous:

- **Interest Payback**: $103,600 vs. $103,557, $(43)
- **Sales of Fixed Assets**: $95,800 vs. $1,505,647
- **Other**: $60,344 vs. $(35,556), $9,287
- **Total**: $199,500 vs. $163,901, $(35,599), $1,514,934

**Total Revenues**: $14,977,329 vs. $16,218,916, $1,241,587 vs. $16,922,223

Expenditures:

**General Government**:

- **Governing Body**:
  - **Salaries and Employees**
    - Benefits: $62,153 vs. $55,866
    - Operating Expenditures: $12,022 vs. $13,626
    - Travel: $16,900 vs. $17,957
  - **Total**: $94,454 vs. $91,075, $3,379 vs. $87,449

- **Administration**:
  - **Salaries and Employees**
    - Benefits: $252,832 vs. $303,605
    - Operating Expenditures: $47,059 vs. $136,449
    - Workers’ Comp. Insurance: $2,400 vs. $5,077
    - Capital Outlay: $21,830 vs. $175,002
    - Legal Services: $72,164 vs. $29,414
  - **Total**: $2,627,359 vs. $396,285, $2,231,074 vs. $649,547
<table>
<thead>
<tr>
<th>Expenditures - Continued:</th>
<th>Variance</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elections:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>$ 89,019</td>
<td>$ 94,987</td>
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<tr>
<td>Operating Expenditures</td>
<td>58,155</td>
<td>47,807</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>1,171</td>
<td>2,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>173,815</td>
<td>145,394</td>
</tr>
<tr>
<td><strong>Finance:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>144,041</td>
<td>111,566</td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>29,458</td>
<td>34,745</td>
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<tr>
<td>Professional Services</td>
<td>61,503</td>
<td>60,149</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>243,404</td>
<td>206,460</td>
</tr>
<tr>
<td><strong>Tax and Mapping:</strong></td>
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<td></td>
</tr>
<tr>
<td>Salaries and Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>275,553</td>
<td>287,499</td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>347,320</td>
<td>149,407</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>4,893</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>644,980</td>
<td>441,799</td>
</tr>
<tr>
<td><strong>Register of Deeds:</strong></td>
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<td></td>
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<tr>
<td>Salaries and Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>126,379</td>
<td>117,020</td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>71,362</td>
<td>81,361</td>
</tr>
<tr>
<td>Recording Fees</td>
<td>42,365</td>
<td>39,333</td>
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<tr>
<td><strong>Total</strong></td>
<td>275,055</td>
<td>237,714</td>
</tr>
<tr>
<td><strong>Public Buildings:</strong></td>
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<td></td>
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<tr>
<td>Salaries and Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>371,858</td>
<td>325,554</td>
</tr>
<tr>
<td>Maintenance &amp; Repairs</td>
<td>89,807</td>
<td>102,115</td>
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<tr>
<td>Utilities &amp; Fuel</td>
<td>64,138</td>
<td>58,955</td>
</tr>
<tr>
<td>Other Operating Expenditures</td>
<td>113,445</td>
<td>137,798</td>
</tr>
<tr>
<td>Insurance</td>
<td>14,000</td>
<td>8,272</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>6,936</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,169,705</td>
<td>652,197</td>
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<tr>
<td><strong>Court Facilities:</strong></td>
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<td></td>
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<tr>
<td>Operating Expenditures</td>
<td>28,200</td>
<td>23,401</td>
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<td><strong>Data Processing:</strong></td>
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<td></td>
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<tr>
<td>Salaries and Employee</td>
<td></td>
<td></td>
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<tr>
<td>Benefits</td>
<td>53,802</td>
<td>49,899</td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>47,882</td>
<td>55,242</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>3,572</td>
<td>10,580</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>110,152</td>
<td>115,721</td>
</tr>
<tr>
<td><strong>Total General Government</strong></td>
<td>5,367,124</td>
<td>2,559,682</td>
</tr>
</tbody>
</table>
## Public Safety: Variance Favorable 2011

### Sheriff

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>$975,565</td>
<td>$818,179</td>
<td>$8,386</td>
<td>$86,014</td>
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</table>

### Jail:

#### Salaries and Employee Benefits

<table>
<thead>
<tr>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>717,365</td>
<td>616,904</td>
<td></td>
<td></td>
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</tbody>
</table>

#### Operating Expenditures

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>112,506</td>
<td>117,222</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Food

<table>
<thead>
<tr>
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<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,005</td>
<td>44,694</td>
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</table>

#### Medical Expenditures

<table>
<thead>
<tr>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>14,460</td>
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</table>

#### Total

<table>
<thead>
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<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,169,024</td>
<td>1,125,593</td>
<td>43,431</td>
<td>994,792</td>
</tr>
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</table>

### Criminal Justice:

#### Operating Expenditures

<table>
<thead>
<tr>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,500</td>
<td>1,488</td>
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</tbody>
</table>

### Emergency Management:

#### Salaries and Employee Benefits

<table>
<thead>
<tr>
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<th>Unfavorable</th>
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</tr>
</thead>
<tbody>
<tr>
<td>88,097</td>
<td>85,356</td>
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</tbody>
</table>

#### Operating Expenditures

<table>
<thead>
<tr>
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<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td>112,506</td>
<td>117,222</td>
<td></td>
<td></td>
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</tbody>
</table>

#### Total

<table>
<thead>
<tr>
<th>Budget</th>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>226,134</td>
<td>221,374</td>
<td>8,760</td>
<td>120,460</td>
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</table>

### Emergency Communications:

#### Salaries and Employee Benefits

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>221,272</td>
<td>236,365</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Operating Expenditures

<table>
<thead>
<tr>
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<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>32,295</td>
<td>18,404</td>
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#### Total

<table>
<thead>
<tr>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>265,409</td>
<td>253,760</td>
<td>11,649</td>
<td>254,760</td>
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</table>

### Fire Marshall:

#### Operating Expenditures

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
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<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000</td>
<td>897</td>
<td>103</td>
<td>724</td>
</tr>
</tbody>
</table>

### Inspections:

#### Salaries and Employee Benefits

<table>
<thead>
<tr>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>70,264</td>
<td>87,611</td>
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#### Operating Expenditures

<table>
<thead>
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<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,084</td>
<td>29,949</td>
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#### Total

<table>
<thead>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>98,000</td>
<td>90,348</td>
<td>7,652</td>
<td>117,560</td>
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</table>

### Medical Examiner:

#### Professional Services

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<tr>
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<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,000</td>
<td>10,800</td>
<td>1,200</td>
<td>19,800</td>
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</tbody>
</table>

### Special Appropriations:

#### Fire Departments

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>183,775</td>
<td>179,548</td>
<td></td>
<td></td>
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</tbody>
</table>

#### Rescue Squad

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>48,025</td>
<td>39,241</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Task Force

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>139</td>
<td>85</td>
<td></td>
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</tbody>
</table>

#### Total

<table>
<thead>
<tr>
<th>Budget</th>
<th>Actual</th>
<th>Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>240,000</td>
<td>231,939</td>
<td>8,061</td>
<td>218,874</td>
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</table>

### Total Public Safety

<table>
<thead>
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<th>Actual</th>
<th>Unfavorable</th>
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### Exhibit B

#### Page 5 of 11

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**Emergency Medical Services**

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**Veterans Service Officer:**

| Salaries and Employee Benefits | 5,840 | 5,058 | 782 | 4,886 |

**Health Department:**

**General:**

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**H1N1:**

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**2011**
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<td>Favorable</td>
<td>Unfavorable</td>
<td>Actual</td>
</tr>
<tr>
<td><strong>Expenditures - Continued:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Family Planning:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Employee Benefits</td>
<td>$23,510</td>
<td>$23,438</td>
<td></td>
<td>$73,862</td>
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<tr>
<td>Other Operating Expenditures</td>
<td>23,510</td>
<td>23,438</td>
<td></td>
<td>33,808</td>
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<tr>
<td>Total</td>
<td>101,855</td>
<td>99,570</td>
<td>2,285</td>
<td>107,670</td>
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<tr>
<td><strong>Healthy Carolinians:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Other Operating Expenditures</td>
<td>8,500</td>
<td>8,072</td>
<td>428</td>
<td>20,721</td>
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<tr>
<td><strong>Communicable Diseases:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Salaries and Employee Benefits</td>
<td>$37,960</td>
<td>$37,844</td>
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<td>37,960</td>
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<tr>
<td>Other Operating Expenditures</td>
<td>6,983</td>
<td>4,944</td>
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<td>4,944</td>
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<tr>
<td>Total</td>
<td>55,060</td>
<td>52,021</td>
<td>3,101</td>
<td>42,904</td>
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</tr>
<tr>
<td><strong>CAP Program:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Employee Benefits</td>
<td>$76,448</td>
<td>$76,482</td>
<td></td>
<td>76,479</td>
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<tr>
<td>Other Operating Expenditures</td>
<td>12,111</td>
<td>10,240</td>
<td></td>
<td>10,402</td>
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</tr>
<tr>
<td>Total</td>
<td>88,560</td>
<td>86,722</td>
<td>(1,838)</td>
<td>86,881</td>
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<tr>
<td><strong>Chore:</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Salaries and Employee Benefits</td>
<td>$75,914</td>
<td>$75,407</td>
<td></td>
<td>75,487</td>
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<tr>
<td>Other Operating Expenditures</td>
<td>12,111</td>
<td>10,240</td>
<td></td>
<td>10,402</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>88,025</td>
<td>85,647</td>
<td>(2,378)</td>
<td>85,889</td>
<td></td>
</tr>
<tr>
<td><strong>Family Strengthening:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other Operating Expenditures</td>
<td></td>
<td></td>
<td></td>
<td>36,449</td>
<td></td>
</tr>
<tr>
<td><strong>Total Health Department:</strong></td>
<td>1,848,056</td>
<td>1,889,495</td>
<td>(41,439)</td>
<td>1,955,889</td>
<td></td>
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</table>
## Special Appropriations:

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td>Safe Program</td>
<td>$</td>
<td>$14,500</td>
<td>$</td>
<td>$14,500</td>
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<tr>
<td>Elderly Transportation</td>
<td>121,507</td>
<td>159,068</td>
<td></td>
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<tr>
<td>Smokey Mountain Mental Health</td>
<td>39,334</td>
<td>74,658</td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td>67,784</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>303,457</td>
<td>243,125</td>
<td>60,332</td>
<td>248,226</td>
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</table>

### Total Human Services

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>$784,946</td>
<td>776,649</td>
<td>(1,976,703)</td>
<td></td>
<td>7,012,995</td>
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</table>

## Recreational:

### Recreation:

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Employee Benefits</td>
<td>210,527</td>
<td>197,214</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Operating Expenditures</td>
<td>156,268</td>
<td>132,137</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>26,750</td>
<td>20,455</td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td>399,878</td>
<td>393,545</td>
<td>6,333</td>
<td>349,806</td>
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</table>

### Cultural:

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.C. Forestry</td>
<td>29,426</td>
<td>35,428</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marianna Black Library</td>
<td>189,000</td>
<td>189,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>243,510</td>
<td>224,428</td>
<td>25,084</td>
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</table>

### Total Recreational and Cultural

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>643,388</td>
<td>611,971</td>
<td>31,417</td>
<td>574,234</td>
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</table>

## Education:

### Swain County Board of Education:

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Expense</td>
<td>750,000</td>
<td>750,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>110,000</td>
<td>95,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest Funds</td>
<td>35,940</td>
<td>43,876</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southwestern Community College</td>
<td>125,000</td>
<td>125,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Education</strong></td>
<td>1,040,000</td>
<td>1,020,940</td>
<td>19,060</td>
<td>1,013,876</td>
<td></td>
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</tbody>
</table>

## Debt Service:

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Retirement</td>
<td>1,500,133</td>
<td>857,557</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>719,950</td>
<td>624,374</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td>1,764,083</td>
<td>1,870,083</td>
<td>(106,083)</td>
<td>1,481,931</td>
<td></td>
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</tbody>
</table>

### Total Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>18,887,455</td>
<td>18,247,106</td>
<td>640,349</td>
<td>16,869,057</td>
<td></td>
<td></td>
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</tbody>
</table>

## Revenues Over (Under) Expenditures:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Variance Unfavorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3,910,126)</td>
<td>(2,028,190)</td>
<td>1,881,936</td>
<td>53,166</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 2012 Variance Favorable Unfavorable  
<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Financing Sources (Uses):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers In (Out)</td>
<td>$1,279,394</td>
<td>$863,719</td>
<td>$(415,675)</td>
</tr>
<tr>
<td>Financing Proceeds</td>
<td>2,360,000</td>
<td>660,000</td>
<td>$(1,700,000)</td>
</tr>
<tr>
<td>Appropriated Fund Balance</td>
<td>270,732</td>
<td>(270,732)</td>
<td></td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses)</td>
<td>3,910,126</td>
<td>1,523,719</td>
<td>$(2,386,407)</td>
</tr>
</tbody>
</table>

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$(504,471)</td>
<td>$ (504,471)</td>
<td>77,046</td>
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</table>

Fund Balances:

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of Year</td>
<td>3,965,457</td>
<td>3,888,411</td>
<td></td>
</tr>
<tr>
<td>Prior Period Adjustment</td>
<td>(242,243)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of Year</td>
<td>$3,218,743</td>
<td>$3,965,457</td>
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</table>
### 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, 2012**

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Variance</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Project Prior Year</td>
<td>Current Year</td>
</tr>
<tr>
<td>Expenditures:</td>
<td>Authorization</td>
<td>Year</td>
</tr>
<tr>
<td>Engineering</td>
<td>$190,000</td>
<td>$169,612</td>
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<tr>
<td>Construction</td>
<td>1,820,000</td>
<td>240,156</td>
</tr>
<tr>
<td>Administration</td>
<td>15,000</td>
<td>6,810</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>2,025,000</strong></td>
<td><strong>416,578</strong></td>
</tr>
<tr>
<td>Other Financing Sources (Uses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from Other Funds</td>
<td>200,000</td>
<td>196,634</td>
</tr>
<tr>
<td>Financing Proceeds</td>
<td>1,825,000</td>
<td>416,578</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td><strong>2,025,000</strong></td>
<td><strong>416,578</strong></td>
</tr>
<tr>
<td>Revenues and Other Financing Sources Over (Under) Expenditures and Other Items</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Variance</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Earnings:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$</td>
<td>$1,052,544</td>
<td>$1,052,544</td>
</tr>
<tr>
<td>Other Financing Sources (Uses):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer (To) From General Fund</td>
<td>(400,000)</td>
<td>(150,000)</td>
<td>250,000</td>
</tr>
<tr>
<td>Appropriated Fund Balance</td>
<td>400,000</td>
<td>(400,000)</td>
<td></td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses)</td>
<td></td>
<td>(150,000)</td>
<td>(150,000)</td>
</tr>
<tr>
<td><strong>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</strong></td>
<td>$902,544</td>
<td>$902,544</td>
<td>459,531</td>
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<tr>
<td><strong>Fund Balance - Beginning of Year</strong></td>
<td>13,277,565</td>
<td>12,818,034</td>
<td></td>
</tr>
<tr>
<td><strong>Fund Balance - End of Year</strong></td>
<td>$14,180,109</td>
<td>$13,277,565</td>
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</table>
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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011  

<table>
<thead>
<tr>
<th></th>
<th>2012 Budget</th>
<th>2012 Actual</th>
<th>Variance Favorable (Unfavorable)</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permits and Fees:</td>
<td>$400,000</td>
<td>$141,607</td>
<td>(258,393)</td>
<td>$261,860</td>
</tr>
<tr>
<td>Fees Charged</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$669</td>
<td>$669</td>
<td>1,489</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$400,000</td>
<td>$142,276</td>
<td>(257,724)</td>
<td>$263,349</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2012 Budget</th>
<th>2012 Actual</th>
<th>Variance Favorable (Unfavorable)</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$69,369</td>
<td>$60,378</td>
<td>60,378</td>
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</tr>
<tr>
<td>Operating Expenditures</td>
<td>$69,577</td>
<td>$121,804</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$265,894</td>
<td>$86,805</td>
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<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$400,000</td>
<td>$404,840</td>
<td>(4,840)</td>
<td>$268,987</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Variance Favorable (Unfavorable)</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues Over (Under) Expenditures</strong></td>
<td>$262,564</td>
<td>$262,564</td>
<td>(5,638)</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Variance Favorable (Unfavorable)</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance - Beginning of Year</td>
<td>$75,504</td>
<td>$81,142</td>
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</tr>
<tr>
<td>Prior Period Adjustment</td>
<td>$242,243</td>
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<td></td>
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<tr>
<td>Fund Balance - End of Year</td>
<td>$55,183</td>
<td>$75,504</td>
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SWAIN COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

<table>
<thead>
<tr>
<th>Family</th>
<th>Capital Projects</th>
<th>Combining Totals</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Preservation</td>
<td>CDBG</td>
</tr>
<tr>
<td></td>
<td>Cash and Cash Equivalents</td>
<td>$28,282</td>
</tr>
<tr>
<td></td>
<td>Receivables, Net</td>
<td>$8,212</td>
</tr>
<tr>
<td></td>
<td>Total Assets</td>
<td>$28,282</td>
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</table>

<table>
<thead>
<tr>
<th>Liabilities and Fund Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to Other Funds:</td>
</tr>
<tr>
<td>Fund Balance:</td>
</tr>
<tr>
<td>Total Liabilities</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>InterGovernmental</td>
</tr>
<tr>
<td>Investment Earnings</td>
</tr>
<tr>
<td>Total Revenues</td>
</tr>
<tr>
<td>Expenditures</td>
</tr>
<tr>
<td>Economic Development</td>
</tr>
<tr>
<td>Human Services</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Total Expenditures</td>
</tr>
<tr>
<td>Excess (Deficiency) of</td>
</tr>
<tr>
<td>Revenues Over</td>
</tr>
<tr>
<td>Expenditures</td>
</tr>
<tr>
<td>Other Financing Sources (Use)</td>
</tr>
<tr>
<td>Transfers In (Out)</td>
</tr>
<tr>
<td>Net Change in Fund</td>
</tr>
<tr>
<td>Balance</td>
</tr>
<tr>
<td>Fund Balance - Beginning</td>
</tr>
<tr>
<td>Fund Balance - Ending</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
</tr>
<tr>
<td>Restricted Intergovernmental:</td>
</tr>
<tr>
<td>Family Preservation Grant</td>
</tr>
<tr>
<td>Investment Earnings:</td>
</tr>
<tr>
<td>Interest Earned</td>
</tr>
<tr>
<td>Total Revenues</td>
</tr>
<tr>
<td>Expenditures:</td>
</tr>
<tr>
<td>Contract Labor</td>
</tr>
<tr>
<td>Travel</td>
</tr>
<tr>
<td>Communications and Telephone</td>
</tr>
<tr>
<td>Supplies</td>
</tr>
<tr>
<td>Flex Funds</td>
</tr>
<tr>
<td>Repairs</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total Expenditures</td>
</tr>
<tr>
<td>Revenues Over (Under) Expenditures</td>
</tr>
<tr>
<td>Fund Balance - Beginning of Year</td>
</tr>
<tr>
<td>Fund Balance - End of Year</td>
</tr>
</tbody>
</table>
## 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, 2012**

<table>
<thead>
<tr>
<th>Project</th>
<th>Prior</th>
<th>Current</th>
<th>Total</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>Authorization</td>
<td>Years</td>
<td>Year</td>
<td>to Date</td>
</tr>
<tr>
<td>Revenue: Restricted Intergovernmental</td>
<td>$407,000</td>
<td>$25,912</td>
<td>$107,947</td>
<td>$133,859</td>
</tr>
<tr>
<td>Revenue: Community Development Block Grant</td>
<td>$407,000</td>
<td>$25,912</td>
<td>$107,947</td>
<td>$133,859</td>
</tr>
<tr>
<td>Expenditures: Clearance</td>
<td>100,000</td>
<td>12,684</td>
<td>12,684</td>
<td>87,316</td>
</tr>
<tr>
<td>Expenditures: Relocation Assistance</td>
<td>260,000</td>
<td>82,604</td>
<td>82,604</td>
<td>177,396</td>
</tr>
<tr>
<td>Expenditures: Administration/Legal</td>
<td>47,000</td>
<td>25,912</td>
<td>38,571</td>
<td>8,429</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>407,000</td>
<td>25,912</td>
<td>107,947</td>
<td>133,859</td>
</tr>
<tr>
<td>Revenues Over (Under) Expenditures</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Fund Balance - Beginning of Year</td>
<td>July 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance - End of Year, June 30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 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, 2012**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Earnings:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$</td>
<td>$ 219</td>
<td>$ 219</td>
</tr>
</tbody>
</table>

| Expenditures: | | | |
| Future Capital Outlay | | | |
| Revenues Over (Under) | | | |
| Expenditures | 219 | 219 | 673 |

| Other Financing Sources (Uses): | | | |
| Appropriated Fund Balance | 100,000 | (100,000) | |
| Transfers (to) From Other Funds | (100,000) | (27,582) | 72,418 | (22,563) |

| Total Other Financing Sources (Uses) | (27,582) | (27,582) | (22,563) |

| Total Revenues and Other Sources Over Expenditures and Other Uses | $ | (27,363) | $ (27,363) | (21,890) |

| Fund Balance - Beginning of Year | 145,562 | 167,452 |
| Fund Balance - End of Year | $ 118,199 | $ 145,562 |
### Exhibit F-6

**SWAIN COUNTY**

**CAPITAL PROJECTS – LEARNING CENTER**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**COMPARISON WITH AUTHORIZATION**

FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Project Authorization</th>
<th>Prior Years</th>
<th>Current Year</th>
<th>Total Year to Date</th>
<th>Variance Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$</td>
<td>$</td>
<td>$ 20,000</td>
<td>$ 20,000</td>
<td>$ 20,000</td>
</tr>
<tr>
<td>Investment Earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td></td>
<td></td>
<td>2,164</td>
<td>1,721</td>
<td>3,885</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,164</td>
<td>3,885</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td></td>
<td></td>
<td>2,164</td>
<td>21,721</td>
<td>23,885</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>200,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>1,200,000</td>
<td>1,135,659</td>
<td>88,873</td>
<td>133,659</td>
<td>111,127</td>
</tr>
<tr>
<td>Administration</td>
<td>100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>31,501</td>
<td>31,501</td>
<td>68,499</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td></td>
<td></td>
<td>1,536,000</td>
<td>1,294,832</td>
<td>241,168</td>
</tr>
<tr>
<td>Revenues Over (Under) Expenditures</td>
<td>(1,500,000)</td>
<td>2,164</td>
<td>(1,232,312)</td>
<td>(1,230,148)</td>
<td>269,852</td>
</tr>
<tr>
<td>Other Financing Sources (Uses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers (To) from Other Funds</td>
<td>1,500,000</td>
<td>1,325,000</td>
<td>61,100</td>
<td>1,386,100</td>
<td>(113,900)</td>
</tr>
<tr>
<td><strong>Total Revenues and Other Sources Over (Under) Expenditures and Other Uses</strong></td>
<td>$</td>
<td>1,327,164</td>
<td>(1,172,212)</td>
<td>(1,156,950)</td>
<td>155,352</td>
</tr>
<tr>
<td>Fund Balance – Beginning Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance – End of Year, June 30</td>
<td>$ 1,327,164</td>
<td>$ 155,952</td>
<td>$ 1,483,164</td>
<td>$ 1,311,002</td>
<td></td>
</tr>
</tbody>
</table>
### 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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

<table>
<thead>
<tr>
<th>2012</th>
<th>Variance Favorable (Unfavorable)</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Taxes and Licenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/2 Cent Sales Tax</td>
<td>$400,000 $530,654 $130,654 $486,786</td>
<td></td>
</tr>
<tr>
<td>Restricted Intergovernmental:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public School Building Capital Grant</td>
<td>$200,000 147,799 (52,201) 237,561</td>
<td></td>
</tr>
<tr>
<td>Investment Earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$1,040 1,040 1,476</td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$600,000 679,493 79,493 725,823</td>
<td></td>
</tr>
<tr>
<td>Other Financing Sources (Uses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers (Out)</td>
<td>(1,000,000) (943,871) 56,129 (733,734)</td>
<td></td>
</tr>
<tr>
<td>Appropriated Fund Balance</td>
<td>$400,000 (400,000)</td>
<td></td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses)</td>
<td>(600,000) (943,871) (343,871) (733,734)</td>
<td></td>
</tr>
<tr>
<td>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</td>
<td>$ (264,378) $264,378 (7,911)</td>
<td></td>
</tr>
<tr>
<td>Fund Balance - Beginning of Year</td>
<td>$1,028,382</td>
<td></td>
</tr>
<tr>
<td>Fund Balance - End of Year</td>
<td>$764,004 $1,028,382</td>
<td></td>
</tr>
</tbody>
</table>
## 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, 2012**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

### 2012

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable (Unfavorable)</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$</td>
<td>$ 960</td>
<td>$ 960</td>
<td>$ 108</td>
</tr>
<tr>
<td>Miscellaneous:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revolving Loan Payback</td>
<td></td>
<td>14 106</td>
<td>14 106</td>
<td>8 838</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td></td>
<td>15 066</td>
<td>15 066</td>
<td>8 946</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers (Out)</td>
<td></td>
<td></td>
<td></td>
<td>(65 000)</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over Expenditures</strong></td>
<td>$</td>
<td>15 066</td>
<td>$ 15 066</td>
<td>(56 054)</td>
</tr>
<tr>
<td><strong>Fund Balance - Beginning of Year</strong></td>
<td></td>
<td>14 892</td>
<td></td>
<td>70 946</td>
</tr>
<tr>
<td><strong>Fund Balance - End of Year</strong></td>
<td>$ 29 958</td>
<td></td>
<td></td>
<td>$ 14 892</td>
</tr>
</tbody>
</table>
## STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

<table>
<thead>
<tr>
<th>Revenue Item</th>
<th>Budget 2012</th>
<th>Actual 2011</th>
<th>Variance 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual 2011</td>
<td>Actual 2011</td>
<td>Favorable</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unfavorable</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Waste Charges</td>
<td>$35,000</td>
<td>$71,933</td>
<td>$36,933</td>
</tr>
<tr>
<td>Landfill Use Fee</td>
<td>670,000</td>
<td>660,942</td>
<td>(9,058)</td>
</tr>
<tr>
<td>Recycling</td>
<td>55,420</td>
<td>7,732</td>
<td>(47,688)</td>
</tr>
<tr>
<td>Scrap Tire Disposal Fees</td>
<td>17,005</td>
<td>17,005</td>
<td>0</td>
</tr>
<tr>
<td>White Goods Tax</td>
<td>30,000</td>
<td>4,275</td>
<td>(25,725)</td>
</tr>
<tr>
<td>Recycling</td>
<td>45,420</td>
<td>46,773</td>
<td>1,352</td>
</tr>
<tr>
<td>Disposal Tax</td>
<td>10,352</td>
<td>10,352</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>3,724</td>
<td>3,724</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td>835,420</td>
<td>822,736</td>
<td>(12,684)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>824,833</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid Waste Disposal:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>273,627</td>
<td>270,567</td>
<td>3,057</td>
</tr>
<tr>
<td>Social Security</td>
<td>20,077</td>
<td>19,869</td>
<td>208</td>
</tr>
<tr>
<td>Group Insurance</td>
<td>43,200</td>
<td>46,200</td>
<td>3,002</td>
</tr>
<tr>
<td>Retirement</td>
<td>17,780</td>
<td>15,514</td>
<td>2,266</td>
</tr>
<tr>
<td>Telephone</td>
<td>1,718</td>
<td>1,707</td>
<td>11</td>
</tr>
<tr>
<td>Utilities</td>
<td>6,150</td>
<td>6,482</td>
<td>332</td>
</tr>
<tr>
<td>Insurance – Worker’s Comp</td>
<td>15,000</td>
<td>5,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Maintenance and Repairs</td>
<td>44,452</td>
<td>19,680</td>
<td>24,772</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>8,010</td>
<td>4,672</td>
<td>3,338</td>
</tr>
<tr>
<td>Fuel</td>
<td>78,488</td>
<td>90,074</td>
<td>11,586</td>
</tr>
<tr>
<td>Contracted Service</td>
<td>2,112</td>
<td>15,277</td>
<td>13,165</td>
</tr>
<tr>
<td>Uniforms</td>
<td>5,109</td>
<td>4,955</td>
<td>154</td>
</tr>
<tr>
<td>Disposal</td>
<td>220,326</td>
<td>221,769</td>
<td>1,443</td>
</tr>
<tr>
<td>Insurance – Vehicles</td>
<td>20,000</td>
<td>20,000</td>
<td>0</td>
</tr>
<tr>
<td>Use Tax</td>
<td>12,732</td>
<td>21,153</td>
<td>8,421</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>142</td>
<td>321</td>
<td>179</td>
</tr>
<tr>
<td><strong>Total Disposal</strong></td>
<td>799,526</td>
<td>768,923</td>
<td>30,603</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>763,690</td>
</tr>
</tbody>
</table>
### 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, 2012**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

### Statement of Revenues and Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>2011 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Favorable</td>
<td>Unfavorable</td>
</tr>
<tr>
<td><strong>Budgetary Appropriations:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Principal and Interest</td>
<td>$ 105,000</td>
<td>$ 52,563</td>
<td>$ 52,437</td>
<td>$ 76,604</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$ 128,500</td>
<td>$ 101,384</td>
<td>$ 27,116</td>
<td></td>
</tr>
<tr>
<td><strong>Total Budgetary Appropriations</strong></td>
<td>$ 233,500</td>
<td>$ 153,947</td>
<td>$ 79,553</td>
<td>$ 76,604</td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td>$ 1,033,026</td>
<td>$ 922,870</td>
<td>$ 110,156</td>
<td>$ 840,294</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$ (197,606)</td>
<td>$ (100,134)</td>
<td>$ 97,472</td>
<td>$ (15,461)</td>
</tr>
</tbody>
</table>

**Other Financing Sources (Uses):**

- **Transfer (To) From Other Funds:** $ 197,606
- **Revenues and Other Sources Over (Under) Expenditures:** $ (100,134)

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

- **Revenues and Other Sources Over (Under) Expenditures and Other Uses:** $ (100,134)

**Add:**

- Payment of Debt Principal: $ 45,010
- Decrease in Vacation Pay: $ 182
- Capital Outlay: $ 101,384

**Less:**

- Depreciation: $ 82,643
- Increase in Post Employment Health Benefits: $ 5,237

**Change in Net Assets (Exhibit 9):** $ (41,438)
<table>
<thead>
<tr>
<th>Fines and Forfeitures:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$92,332</td>
<td>$92,332</td>
<td>$92,332</td>
<td>$92,332</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount Due Swain County Board of Education</td>
<td>$92,332</td>
<td>$92,332</td>
<td>$92,332</td>
<td>$92,332</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Motor Vehicle Taxes:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$16,032</td>
<td>$16,032</td>
<td>$16,032</td>
<td>$16,032</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Vehicle Taxes Payable</td>
<td>$16,032</td>
<td>$16,032</td>
<td>$16,032</td>
<td>$16,032</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3% Interest on Motor Vehicles:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$2,597</td>
<td>$2,597</td>
<td>$2,597</td>
<td>$2,597</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3% Interest on Motor Vehicles Payable</td>
<td>$2,597</td>
<td>$2,597</td>
<td>$2,597</td>
<td>$2,597</td>
</tr>
</tbody>
</table>
SWAIN COUNTY, NORTH CAROLINA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<table>
<thead>
<tr>
<th>Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2011</td>
<td></td>
<td></td>
<td>June 30, 2012</td>
</tr>
<tr>
<td><strong>Totals - All Agency Funds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$110,961</td>
<td>$110,961</td>
<td>$110,961</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>$92,332</td>
<td>$92,332</td>
<td>$92,332</td>
</tr>
<tr>
<td>Motor Vehicle Taxes</td>
<td>$16,032</td>
<td>$16,032</td>
<td>$16,032</td>
</tr>
<tr>
<td>3% Interest on Motor Vehicle Taxes</td>
<td>$2,597</td>
<td>$2,597</td>
<td>$2,597</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$110,961</td>
<td>$110,961</td>
<td>$110,961</td>
</tr>
</tbody>
</table>
## SWAIN COUNTY, NORTH CAROLINA
### SCHEDULE OF AD VALOREM TAXES RECEIVABLE
#### JUNE 30, 2012

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>July 1, 2011</th>
<th>Additions</th>
<th>Credits</th>
<th>June 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-2012</td>
<td>$354,018</td>
<td>$4,724,448</td>
<td>$4,126,165</td>
<td>$398,283</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$138,131</td>
<td>$204,603</td>
<td>$60,649</td>
<td>$77,482</td>
</tr>
<tr>
<td>2009-2010</td>
<td>$68,600</td>
<td>$30,599</td>
<td>$8,973</td>
<td>$23,174</td>
</tr>
<tr>
<td>2008-2009</td>
<td>$32,147</td>
<td>$8,973</td>
<td>$2,142</td>
<td>$19,285</td>
</tr>
<tr>
<td>2007-2008</td>
<td>$21,214</td>
<td>$1,929</td>
<td>$5,577</td>
<td>$15,231</td>
</tr>
<tr>
<td>2006-2007</td>
<td>$15,788</td>
<td>$5,474</td>
<td>$1,216</td>
<td>$19,430</td>
</tr>
<tr>
<td>2005-2006</td>
<td>$20,303</td>
<td>$873</td>
<td>$454</td>
<td>$20,962</td>
</tr>
<tr>
<td>2004-2005</td>
<td>$18,807</td>
<td>$368</td>
<td>$17,846</td>
<td>$18,439</td>
</tr>
<tr>
<td>2003-2004</td>
<td>$17,846</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$708,270</td>
<td>$4,724,448</td>
<td>$4,653,016</td>
<td>$779,702</td>
</tr>
</tbody>
</table>

Less Allowance for Uncollectible Accounts: $443,662

### Reconciliation with Revenues:
- **Ad Valorem Taxes Receivable - Net**: $336,040

Reconciliation with Revenues:
- **Ad Valorem Taxes - Exhibit B**: $4,718,533
- **Less Penalties and Interest**: $4,630,290
- **Releases - Prior Years**: $4,880
- **Amount Written Off Per Statute of Limitations**: $17,846

Total Collections and Credits: $4,653,016
### SWAIN COUNTY, NORTH CAROLINA

#### ANALYSIS OF CURRENT TAX LEVY

**JUNE 30, 2012**

<table>
<thead>
<tr>
<th></th>
<th>Property Valuation</th>
<th>Rate</th>
<th>Levy</th>
<th>Motor Vehicles</th>
<th>Motor Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Original Levy</strong></td>
<td>$ 31,321,822,424</td>
<td>.33%</td>
<td>$ 4,362,014</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vehicle Taxes</strong></td>
<td></td>
<td></td>
<td>$ 4,362,014</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Add Discoveries</strong></td>
<td></td>
<td></td>
<td></td>
<td>$ 12,849</td>
<td></td>
</tr>
<tr>
<td><strong>Less Releases</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(29,749)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 31,321,822,424</td>
<td>.33%</td>
<td>$ 4,362,014</td>
<td>$ 12,849</td>
<td>(29,749)</td>
</tr>
</tbody>
</table>

|                          |                   |      | $ 16,366,061 | $ 384,008 | $ 158,687 | $ 225,321 |
| **Add Discoveries**      |                   |      |              |           |           |           |
| **Less Releases**        |                   |      |              |           |           |           |
| **Total**                | $ 16,366,061      | .33% | $ 384,008    | $ 158,687 | $ 225,321 |

|                          |                   |      | $ 10,431,212 | $ 184,423 | $ 129,749 | (4,674)   |
| **Less Releases**        |                   |      |              |           |           |           |
| **Total**                | $ 10,431,212      | .33% | $ 184,423    | $ 129,749 | (4,674)   |

|                          |                   |      | $ 16,366,061 | $ 384,008 | $ 158,687 | $ 225,321 |
| **Add Discoveries**      |                   |      |              |           |           |           |
| **Less Releases**        |                   |      |              |           |           |           |
| **Total**                | $ 16,366,061      | .33% | $ 384,008    | $ 158,687 | $ 225,321 |

|                          |                   |      | $ 10,431,212 | $ 184,423 | $ 129,749 | (4,674)   |
| **Less Releases**        |                   |      |              |           |           |           |
| **Total**                | $ 10,431,212      | .33% | $ 184,423    | $ 129,749 | (4,674)   |

|                          |                   |      | $ 16,366,061 | $ 384,008 | $ 158,687 | $ 225,321 |
| **Add Discoveries**      |                   |      |              |           |           |           |
| **Less Releases**        |                   |      |              |           |           |           |
| **Total**                | $ 16,366,061      | .33% | $ 384,008    | $ 158,687 | $ 225,321 |

|                          |                   |      | $ 10,431,212 | $ 184,423 | $ 129,749 | (4,674)   |
| **Less Releases**        |                   |      |              |           |           |           |
| **Total**                | $ 10,431,212      | .33% | $ 184,423    | $ 129,749 | (4,674)   |

<p>| <strong>Current Year’s Taxes Collected</strong> |                   |      | $ 4,326,165 | $ 153,338 | $ 127,922 |
|                                | <strong>Uncollected Taxes</strong> |      |              |           |           |
| <strong>Percent of Current Year’s Taxes Collected</strong> |                   |      | 91.57% | 92.48% | 74.08% |</p>
<table>
<thead>
<tr>
<th>Social Services:</th>
<th>2012 Budget</th>
<th>2012 Actual</th>
<th>Variance Favorable</th>
<th>2011 Budget</th>
<th>2011 Actual</th>
<th>Variance Unfavorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration Grant</td>
<td>$1,782,200</td>
<td>$2,286,906</td>
<td>$504,706</td>
<td>$2,259,037</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IVE Foster Care</td>
<td>176,829</td>
<td>320,848</td>
<td>144,019</td>
<td>422,303</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodities</td>
<td>21,943</td>
<td>21,943</td>
<td>46,638</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work First</td>
<td>2,317</td>
<td>7,022</td>
<td>4,705</td>
<td>7,278</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daycare</td>
<td></td>
<td>868,271</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,961,346</td>
<td>3,504,990</td>
<td>552,644</td>
<td>2,735,256</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Health Department:                                   |            |            |                    |             |             |                      |
| State Aid to Counties                                | 102,636    | 102,636    | 115,935            |             |             |                      |
| Environmental Health                                 | 4,000      | 4,000      | 4,000              |             |             |                      |
| Bioterrorism                                         | 37,778     | 35,083     | (2,695)            | 47,261      |             |                      |
| Community Care Block Grant                           | 87,647     | 91,652     | 4,005              | 144,763     |             |                      |
| Food & Lodging                                       | 4,017      | 4,017      | 4,423              |             |             |                      |
| BCCCP                                                | 15,502     | 14,391     | (1,111)            | 16,888      |             |                      |
| Wise Women                                           | 9,188      | 8,138      | (1,050)            | 7,175       |             |                      |
| Smart Start (Region A)                               | 25,495     | 15,145     | (10,350)           | 26,998      |             |                      |
| Communicable Disease                                 | 12,914     | 13,093     | 179                | 10,535      |             |                      |
| Tuberculosis                                         | 3,220      | 3,220      | 2,331              |             |             |                      |
| HIV                                                  | 500        | 500        | 500                |             |             |                      |
| CSC                                                  | 1,419      | 1,419      | 5,841              |             |             |                      |
| Immunization                                         | 8,456      | 3,666      | (4,790)            | 1,886       |             |                      |
| Health Promotion                                     | 8,067      | 8,067      | 23,377             |             |             |                      |
| WIC                                                  | 73,440     | 69,837     | (3,603)            | 71,735      |             |                      |
| Child Health                                         | 21,084     | 21,147     | 63                 | 21,263      |             |                      |
| Maternal Health                                      | 6,250      | 5,950      | (300)              | 5,950       |             |                      |
| Family Planning                                      | 90,119     | 87,239     | (2,880)            | 90,876      |             |                      |
| Family Strengthening                                 |            |            | 47,937             |             |             |                      |
| CSC-Medicaid                                         | 20,946     | 20,946     | 11,803             |             |             |                      |
| MCC-Medicaid                                         | 29,900     | 34,718     | 4,818              | 18,502      |             |                      |
| Adult Health                                         | 16,500     | 7,706      | (8,794)            |             |             |                      |
| H1N1                                                 |            |            | 47,837             |             |             |                      |
| Total                                                | 558,132    | 552,570    | (5,562)            | 727,816     |             |                      |
### SWAIN COUNTY, NORTH CAROLINA
#### GENERAL FUND
#### FEDERAL AND STATE GRANTS
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

<table>
<thead>
<tr>
<th>Other Grants:</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Extension</td>
<td>$180,000</td>
<td>$173,822</td>
<td>$(6,178)</td>
<td>$133,505</td>
</tr>
<tr>
<td>Veterans Services</td>
<td>$2,000</td>
<td>$1,452</td>
<td>$(548)</td>
<td>$2,000</td>
</tr>
<tr>
<td>Emergency Management</td>
<td>$32,500</td>
<td>$35,253</td>
<td>2,753</td>
<td>$27,716</td>
</tr>
<tr>
<td>Forest Funds</td>
<td>$55,000</td>
<td>$35,952</td>
<td>$(19,048)</td>
<td>$43,875</td>
</tr>
<tr>
<td>Soil &amp; Water Conservation</td>
<td>$18,500</td>
<td>$17,359</td>
<td>$(1,141)</td>
<td>$17,419</td>
</tr>
<tr>
<td>Juvenile Justice - CBA</td>
<td>$69,681</td>
<td>$63,702</td>
<td>$(5,979)</td>
<td>$65,395</td>
</tr>
<tr>
<td>Elderly Handicapped</td>
<td>$105,326</td>
<td>$50,769</td>
<td>$(54,557)</td>
<td>$60,773</td>
</tr>
<tr>
<td>RGF</td>
<td>$40,442</td>
<td>$40,442</td>
<td></td>
<td>$55,999</td>
</tr>
<tr>
<td>EOG</td>
<td>$14,380</td>
<td>$14,380</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governor’s Crime Control</td>
<td>$33,000</td>
<td>$33,000</td>
<td></td>
<td>$6,216</td>
</tr>
<tr>
<td>COPS</td>
<td>$30,000</td>
<td>$48,883</td>
<td>18,883</td>
<td>$24,442</td>
</tr>
<tr>
<td>USAR</td>
<td>$40,000</td>
<td>$15,798</td>
<td>$(24,202)</td>
<td>$17,440</td>
</tr>
<tr>
<td>Appalachian Community</td>
<td>$65,000</td>
<td>$65,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bullet Proof Vests</td>
<td>$16,000</td>
<td>$7,700</td>
<td>$(8,300)</td>
<td></td>
</tr>
<tr>
<td>Senior Center</td>
<td>$45,000</td>
<td>$45,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$692,007</td>
<td>$505,512</td>
<td>$(186,495)</td>
<td>$454,780</td>
</tr>
</tbody>
</table>

**Total Federal and State Grants**
(Exhibit B)

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Favorable</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,211,485</td>
<td>$4,563,072</td>
<td>$(1,351,587)</td>
<td>$3,917,852</td>
</tr>
</tbody>
</table>


SWAIN COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM UNSPENT BALANCE
PSAP RECONCILIATION
JUNE 30, 2012

Amounts reported on the Emergency Telephone System Fund budget to actual (Exhibit E-3):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Change in Fund Balance, reported on Budget to Actual</td>
<td>$(262,564)</td>
</tr>
<tr>
<td>Beginning Balance, PSAP Revenue-Expenditure Report</td>
<td>$317,747</td>
</tr>
<tr>
<td>Ending Balance, PSAP Revenue-Expenditure Report</td>
<td>$55,183</td>
</tr>
</tbody>
</table>
COMPLIANCE SECTION
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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, 2012, which collectively comprises Swain County’s basic financial statements and have issued our report thereon dated September 5, 2012. 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

Management of Swain County, North Carolina is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.
To the Board of Commissioners  
Swain County  
North Carolina

We consider the deficiencies described in the accompanying schedule of findings and responses as 2012-6 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as 2012-1 through 2012-6 to be significant deficiencies.

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 responses as 2012-7.

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

We noted certain matters that we reported to management of Swain County in a separate letter dated September 5, 2012.

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  
September 5, 2012
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 could have a direct and material effect on each of Swain County's major federal programs for the year ended June 30, 2012. 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, 2012. 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 2012-8 through 2012-11.
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 was not designed to identify all deficiencies in internal control over compliance 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as 2012-8. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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
September 5, 2012
Report On Compliance With Requirements Applicable To Its Major State Program 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’s compliance, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2012. Swain County’s major State program is 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 its major State program 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; 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 could have a direct and material effect on its major State program for the year ended June 30, 2012. 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 2012-08 through 2012-11.
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 was not designed to 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as 2012-8. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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
September 5, 2012
Section I. Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal Control over financial reporting:

<table>
<thead>
<tr>
<th>Significant deficiency identified?</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Significant deficiency identified that is considered to be material weaknesses reported</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncompliance material to financial statements noted</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Federal Awards

Internal control over major federal programs:

<table>
<thead>
<tr>
<th>Material weakness(es) identified?</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>_</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Significant deficiencies identified that are not considered to be material weaknesses</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>_</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Identification of major federal programs:

<table>
<thead>
<tr>
<th>CFDA Numbers</th>
<th>Names of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.558</td>
<td>TANF</td>
</tr>
<tr>
<td>93.596</td>
<td>Child Care Administration</td>
</tr>
<tr>
<td>93.575</td>
<td>Child Care</td>
</tr>
<tr>
<td>93.778</td>
<td>Title XIX Medicaid</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between Type A and Type B Programs: $621,266

Auditee qualified as low-risk auditee? | yes | no |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>_</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

State Awards

Internal control over major state programs:

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

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

| __ no | __ yes |

Identification of major state programs:

| Program Name | Title XIX Medicaid - State Portion |
Section II. Findings Related to the Audit of the General Purpose Financial Statements of Swain County:

2012-1 Internal Controls Over Financial Reporting – Significant Deficiency

Condition: The County does not incorporate an internal audit function (person).

Criteria: Due to the complexity and diverse type of financial transactions an internal audit function is needed.

Effect: Internal controls are less effective without an internal audit function.

Cause: Due to the size of the County it has not been considered cost effective.

Recommendation: Hire an additional employee familiar with experience in governmental accounting transactions to provide this service.

Management Response: It is not economically feasible to hire additional staff at this time.

2012-2 Internal Controls Over Financial Reporting – Significant Deficiency

Condition: The Tax department is not properly monitoring value changes.

Criteria: The current software does not properly handle commercial property transfers.

Effect: It is possible for properties to be dropped from the system and not receive tax billing.

Cause: The County has not implemented proper monitoring reports.

Recommendation: We recommend the software provider make available custom reporting to enable the tax department to monitor value changes.

Management Response: The County agrees with this finding.

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:

2012-3  Internal Controls Over Financial Reporting - Significant Deficiency

Condition: The tax department is not monitoring voided transactions.

Criteria: Management is responsible for implementing proper internal controls over tax transactions.

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

Cause: The County has not implemented proper controls over voided transactions.

Recommendation: We recommend the tax collector approve all voided transactions.

Management Response: The County agrees with this finding.

2012-4  Internal Control Over Financial Reporting - Significant Deficiency

Condition: The tax department is not providing detail information to the Board relative to releases.

Criteria: Management is responsible for supplying the Board with detail information so they can make informed decisions.

Effect: Without detailed information the Board cannot know if releases are proper.

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

Recommendation: The tax department should list the name, amount, year of release and reason for the release.

Management Response: The County agrees with this finding.
Findings Related to the Audit of the General Purpose
Financial Statements of Swain County: Continued:

2012-5  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 implementing
proper internal controls over cash
collections.
Effect: Misappropriation of funds, if any,
cannot 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.

2012-6  Internal Controls Over Financial Reporting –
Material Weakness
Condition: Currently, the finance officer reconciles
the bank account receipts funds.
Criteria: Bank reconciliations should be prepared
by someone independent of the finance
officer.
Effect: Any improper activity cannot 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 reconciliation.
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:

2012-7 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 $2,499,962. Overexpenditures of $4,840 was noted in the Emergency Telephone Special Revenue Fund. Also, no budget was prepared for the Economic Development 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:

Finding 2012-8 Significant Deficiency

Allowable Costs

Criteria: In accordance with allowable cost principles only certain costs can be charged to DSS programs.

Condition: It was determined there was an error in the County's filing of their form 1571 reports.
Findings and Questioned Costs Related to Federal Awards:  Continued:

Questioned Costs: Payroll tax expense of $20,303 was claimed in error. The allocation of this error to the various programs was as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplemental Nutrition</td>
<td>$1,624</td>
</tr>
<tr>
<td>TANF</td>
<td>$4,467</td>
</tr>
<tr>
<td>Foster Care</td>
<td>$2,640</td>
</tr>
<tr>
<td>Block Grant</td>
<td>$2,233</td>
</tr>
<tr>
<td>Health Choice</td>
<td>$203</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$6,700</td>
</tr>
<tr>
<td>Child Support Enforcement</td>
<td>$2,436</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,303</strong></td>
</tr>
</tbody>
</table>

Context: We performed tests of transactions throughout the twelve month period.

Effect: Certain costs were determined to be unallowable.

Cause: Error in payroll tax computation.

Recommendation: Better training in the area of filing form 1571 reports.

Management Response: The County agrees with this finding.

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 2012-9 Significant Deficiency

Eligibility

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

Condition: Four applicant files did not contain real property verification. The case numbers are as follows:
59296538
014481
014071
013189

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 2,555 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.
Findings and Questioned Costs Related to Federal Awards: Continued:

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Finding 2012-10 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. The case number was 002738.

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 2555 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 2012-11 Significant Deficiency

Eligibility

Criteria: In accordance with eligibility review documents, files should contain income and resource match verification.

Condition: One applicant file did not contain income and resource verification match. The case number was 20063058.

Questioned Costs: Not applicable. Online verification did not provide evidence of any change in eligibility.

Context: We examined 60 case files out of a population of 2555 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.
<table>
<thead>
<tr>
<th>Section I</th>
<th>Financial Statement Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finding: 2012-1</strong></td>
<td></td>
</tr>
<tr>
<td>A. Name of Contact Person:</td>
<td>Kevin King, County Manager</td>
</tr>
<tr>
<td>B. Corrective Action:</td>
<td>The County believes it is cost prohibitive to correct at the present time.</td>
</tr>
<tr>
<td>C. Proposed Completion Date:</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Finding: 2012-2</strong></td>
<td></td>
</tr>
<tr>
<td>A. Name of Contact Person:</td>
<td>Kevin King, County Manager</td>
</tr>
<tr>
<td>B. Corrective Action:</td>
<td>The County is in the process of obtaining new software.</td>
</tr>
<tr>
<td>C. Proposed Completion Date:</td>
<td>The Board is to implement the above before the revaluation takes place.</td>
</tr>
<tr>
<td><strong>Finding: 2012-3</strong></td>
<td></td>
</tr>
<tr>
<td>A. Name of Contact Person:</td>
<td>Kevin King, County Manager</td>
</tr>
<tr>
<td>B. Corrective Action:</td>
<td>The County will require supervisory review of voided transactions.</td>
</tr>
<tr>
<td>C. Proposed Completion Date:</td>
<td>The Board will implement as soon as possible.</td>
</tr>
<tr>
<td><strong>Finding: 2012-4</strong></td>
<td></td>
</tr>
<tr>
<td>A. Name of Contact Person:</td>
<td>Kevin King, County Manager</td>
</tr>
<tr>
<td>B. Corrective Action:</td>
<td>The County will require the tax supervisor to provide detail on releases.</td>
</tr>
<tr>
<td>C. Proposed Completion Date:</td>
<td>The Board will implement as soon as possible.</td>
</tr>
</tbody>
</table>
Section I  Financial Statement Findings:  Continued:

Finding:  2012-5

A. Name of Contact Person:  Kevin King, County Manager

B. Corrective Action:  The County will hire additional staffing for recreation when it is able to do so.

C. Proposed Completion Date:  N/A

Finding:  2012-6

A. Name of Contact Person:  Kevin King, County Manager

B. Corrective Action:  The County does not have adequate staffing to correct at this time.

C. Proposed Completion Date:  N/A

Finding:  2012-7

A. Name of Contact Person:  Kevin King, County Manager

B. Corrective Action:  Budget amendments will be approved by the Board before expenditures are made out of departments which have exceeded the original budget.

C. Proposed Completion Date:  The Board will implement the above as soon as possible.

Section II  Federal Award Findings:

Finding:  2012-8 through 2012-11

A. Name of Contact Person:  Jerry Smith DSS Interim Director

B. Corrective Action:  DSS case workers will receive additional training relative to documentation and form 1571 preparation.

C. Proposed Completion Date:  The DSS Board will implement the above as soon as possible.
Section III  State Award Findings:

Finding: 2012-8 through 2012-11

A. Name of Contact Person: Jerry Smith
   DSS Interim Director

B. Corrective Action:
   DSS case workers will receive additional training relative to documentation and form 1571 preparation.

C. Proposed Completion Date:
   The DSS Board will implement the above as soon as possible.
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 internal control weakness over tax department value changes. This finding was not 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 concerning segregation of duties over bank reconciliations. The County feels it is not economically feasible to change this procedure.

5) There was one audit finding for the year ended June 30, 2011 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.

6) There were five findings relative to documentation problems with certain federal and state grant programs. Four of these five findings were corrected.
<table>
<thead>
<tr>
<th>Program Title / Cluster</th>
<th>CFDA Number</th>
<th>Grantor's Number</th>
<th>Federal Expenditures</th>
<th>State Expenditures</th>
<th>Local Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FEDERAL AWARDS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Agriculture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through N.C. Department of Health and Human Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Division of Social Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplemental Nutrition Assistance Program Cluster:</td>
<td>10.561</td>
<td>$136,883</td>
<td>$33,384</td>
<td>$104,055</td>
<td></td>
</tr>
<tr>
<td>Commodity - Food Distribution</td>
<td>10.568</td>
<td>1,050</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Supplemental Nutrition Assistance Program Cluster</td>
<td></td>
<td>137,933</td>
<td>33,384</td>
<td>104,055</td>
<td></td>
</tr>
<tr>
<td>Division of Public Health:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Supplemental Nutrition Food Program for Women, Infants and Children:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>10.557</td>
<td>5,269</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Direct Benefit Payments</td>
<td>10.557</td>
<td>64,508</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Commodity - Food Distribution</td>
<td>10.557</td>
<td>264,500</td>
<td>20,893</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Special Supplemental Nutrition Food Program for Women, Infants and Children</td>
<td></td>
<td>334,337</td>
<td>20,893</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest Funds</td>
<td>10.665</td>
<td>35,952</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total U.S. Department of Agriculture</td>
<td></td>
<td>508,222</td>
<td>54,277</td>
<td>104,055</td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of Justice</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program</td>
<td></td>
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U.S. Department of Homeland Security
Passed through N.C. Department of Crime Control and Public Safety:

| Emergency Management Assistance                               | 97.029  |      | 65 431  |
| Total Federal Awards                                          | 20 708 856 | 8 125 033 | 497 562 |

STATE AWARDS:

N.C. Department of Public Instruction:

| Public School Building Capital Fund                          | 147 799  |      |

N.C. Department of Health and Human Services:

<p>| Division of Public Health:                                    |        |     |       |
| Smart Start (Region A)                                        |         | 15 | 145   |
| Health Aid to Counties                                        | 102 636 |     |       |
| Tuberculosis                                                 | 3 220   |     |       |
| Environmental Health Services                                | 4 000   |     |       |
| Communicable Disease                                          | 13 093  |     |       |
| Food and Lodging                                             | 4 017   |     |       |
| HIV                                                           | 500     |     |       |
| SC/SA Domiciliary Care                                        | 79 912  |     |       |
| CPS Expansion                                                | 43 357  |     |       |
| SFH Maximization                                             | 239 177 |     |       |
| Division of Social Services:                                  |         |     |       |
| State Foster Home                                             | 52 847  |     |       |
| Total N.C. Department of Health and Human Services            | 357 904 |     |       |</p>
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<tr>
<th>Grantor/Program Title</th>
<th>Federal Grantor Number</th>
<th>Federal Grantor/Program Title</th>
<th>Federal CFDA Grantor Number</th>
<th>Federal Pass Through</th>
<th>State Pass Through (Direct and Pass Through)</th>
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<th>Local Expenditures</th>
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<td>Veterans Service</td>
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<td>N.C. Department of Agriculture</td>
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<td><strong>$20,708,856</strong></td>
<td><strong>$8,121,662</strong></td>
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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:

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