SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2008

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

SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

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Phil Carson

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David Monteith

Steve Moon

OFFICIALS

Kevin King	County Manager
Vida Cody	Finance Officer
Diana Kirkland	Register of Deeds
Peggy Hyde	Tax Administrator

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Board of County Commissioners
Swain County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2008, 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, based on our audit, 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, 2008, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and schools capital reserve fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2008 on our consideration of Swain County's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed 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 non-major fund schedules, as well as the accompanying schedule of expenditures of federal and State awards 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Morganton, North Carolina
August 27, 2008

SWAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Swain County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2008. 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 $6 588 415 (*net assets*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $2 635 752, or 17.34 percent of total general fund expenditures for the fiscal year.
- Swain County's total debt increased by $5 464 892 or 41.47 percent during the current fiscal year. The key factors in this increase was increased borrowings for capital outlay, particularly on the new jail facility.
- The County's bond rating is Baa.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long term* and *short-term* information about the County's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the County's government, reporting the County's operations in *more detail* than the government-wide statements.

  - The *government funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.

  - *Proprietary fund* statements offer *short* and *long term* financial information about the activities the government operates *like businesses,* such as the solid waste operation.

  - *Fiduciary fund* statements provide information about financial relationships which the County acts solely as *agent* for the benefit of others, to whom the resources in question belong.

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

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

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County's component unit	The activities of the County that are not proprietary or fiduciary, such as police, administration and human services	Activities the County operates similar to private businesses: the solid waste operations	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets, if applicable
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	

Government-wide Statements

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

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

- Over time, increases or decreases in the County's *net assets* are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the County you need to consider additional nonfinancial 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 $6 588 415 at the close of the most recent fiscal year (Table 1).

TABLE 1
NET ASSETS

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	$ 8 401 392	$ 7 832 647	$ (289 330)	$ (256 684)	$ 8 112 062	$ 7 575 963
Capital Assets	18 229 101	14 012 868	591 301	723 347	18 820 402	14 736 215
Total Assets	26 630 493	21 845 515	301 971	466 663	26 932 464	22 312 178
Long-Term Debt Outstanding	18 159 587	12 545 358	260 118	384 812	18 419 705	12 930 170
Other Liabilities	1 882 491	2 076 828	56 061	53 727	1 938 552	2 130 555
Total Liabilities	20 042 078	14 622 186	316 179	438 539	20 358 257	15 060 725
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7 221 181	5 331 082	331 183	338 535	7 552 364	5 669 617
Unrestricted (Deficit)	(632 766)	1 892 247	(345 391)	(310 411)	(978 157)	1 581 836
Total Net Assets	$ 6 588 415	$ 7 223 329	$ (14 208)	$ 28 124	$ 6 574 207	$ 7 251 453

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 $7 151 667, 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 $6 518 901.

Change in Net Assets

The County's total revenues were $17 097 789 at June 30, 2008 (see Table 2). Charges for services made up 22% of revenues. Property taxes and other taxes made up 25% and 23% of revenues respectively. The County's expenses cover a range of services with 37% of those expenses being related to human services.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services	$ 2 956 115	$ 2 618 306	$ 857 756	$ 825 592	$ 3 813 871	$ 3 443 898
Operating Grants and Contributions	2 971 431	2 345 226		32 721	2 971 431	2 377 947
Capital Grants and Contributions	620 951	328 767			620 951	328 767
General Revenues:						
Property Taxes	4 347 687	4 169 196			4 347 687	4 169 196
Other Taxes	3 917 845	3 392 327			3 917 845	3 392 327
Unrestricted Intergovernmental	884 714	787 759			884 714	787 759
Other	541 290	732 995			541 290	732 995
Total Revenues	16 240 033	14 374 576	857 756	858 313	17 097 789	$15 232 889
Expenses						
General Government	2 629 854	2 314 516			2 629 854	2 314 516
Public Safety	2 397 956	1 965 956			2 397 956	1 965 956
Environmental Protection	85 199	38 625			85 199	38 625
Economic and Physical Development	1 469 600	774 202			1 469 600	774 202
Human Services	6 657 440	6 108 700			6 657 440	6 108 700
Recreational	739 616	778 189			739 616	778 189
Education	2 506 408	822 954			2 506 408	822 954
Interest on Long-Term Debt	279 874	205 395			279 874	205 395
Solid Waste			1 009 088	1 000 449	1 009 088	1 000 449
Total Expenses	16 765 947	13 008 537	1 009 088	1 000 449	17 775 035	14 008 986
Excess (Deficiency) of Revenues Over Expenses Before Transfers	(525 914)	1 366 039	(151 332)	(142 136)	(677 246)	1 223 903
Transfers	(109 000)	(96 516)	109 000	96 516		
Increase (Decrease) in Net Assets	(634 914)	1 269 523	(42 332)	(45 620)	(677 246)	1 223 903
Net Assets, July 1	7 223 329	5 953 806	28 124	73 744	7 251 453	6 027 550
Net Assets, June 30	$ 6 588 415	$ 7 223 329	$ (14 208)	$ 28 124	$ 6 574 207	$ 7 251 453

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

- The cost of all *governmental* activities this year was $16.8 million.

- However, the amount that our taxpayers paid for these activities through County taxes was $10.2 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 (3.6 million).

- The County paid for the $10.2 million "public benefit" portion with $8.3 million in taxes, and with other revenues such as interest and unrestricted intergovernmental revenues.

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

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
General Government	$ 2.6	$ 2.3	$ 2.0	$ 1.6
Public Safety	2.4	2.0	1.8	1.4
Human Services	6.7	6.1	2.5	2.7
Education	2.5	.8	2.2	.6
Recreation	.7	.8	.5	.6
Other	1.9	1.0	1.2	.8
Total	$ 16.8	$ 13.0	$ 10.2	$ 7.7

Business-type Activities

Revenues of the County's business-type activities totaled $857 756 with expenses totaling $1 009 088 (see Table 2). This produced a deficit before transfers of $151 332. The deficit was caused by the County not funding 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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Swain County. At the end of the current fiscal year, unreserved fund balance of the General Fund was $2 635 752, while total fund balance was $4 260 302. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17.34 percent of total General Fund expenditures, while total fund balance represents 28.03 percent of that same amount.

At June 30, 2008, the governmental funds of Swain County reported a combined fund balance of $6 698 021.

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 $2 887 465.

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 $(345 391). 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, 2008 totals $18 820 402 (net of accumulated depreciation). These assets include land, buildings, equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchased Tourist Authority Building
- Completed Renovations to Swain County High School
- Construction in Progress - Jail Building
- Purchased 8 Vehicles

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 4 472 209	$ 4 472 209	$	$	$ 4 472 209	$ 4 472 209
Construction In Progress	8 271 645	4 453 563			8 271 645	4 453 563
Buildings	4 567 112	4 138 702	408 538	426 711	4 975 650	4 619 948
Equipment	605 981	673 518	47 123	57 327	653 104	840 810
Vehicles	312 154	274 876	135 640	239 309	447 794	349 685
Total	$18 229 101	$14 012 868	$ 591 301	$ 723 347	$18 820 402	$14 736 215

Long-term Debt. As of June 30, 2008, Swain County had total debt outstanding of $18 641 490, of which General Obligation Bonds are backed by the full faith and credit of the County and all other debt is covered by pledged collateral and is subject to appropriation.

Swain County's Outstanding Debt
All Debt funding Sources

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	$ 3 785 000	$ 4 110 000	$	$	$ 3 785 000	$ 4 110 000
Capital Lease Obligations	3 579 897	3 784 357	260 118	384 812	3 840 015	4 169 169
Mortgages and Loans	11 016 475	4 897 429			11 016 475	4 897 429
Total	$18 381 372	$12 791 786	$ 260 118	$ 384 812	$18 641 490	$13 176 598

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Swain County is $86 217 177.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: Swain County is in the process of completing a 100 bed jail facility. The cost to complete the project is estimated to be $250 000 and will be funded by transfers from the general fund.

Budgeted expenditures in the General Fund are expected to rise approximately $500 000 over the prior year budget due to renovations to the administration building.

Business-type Activities: Solid waste expenditures will increase slightly due to expected fuel cost increases.

Request for Information

This report is designed to provide an overview of the Count'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.

Exhibit 1

SWAIN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			
	Governmental Activities	Business - Type Activities	Total	Component Unit
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 6 320 530	$	$ 6 320 530	$ 192 468
Receivables (Net of Allowance for Uncollectibles)	1 673 424	39 253	1 712 677	
Due from Primary Government				26 523
Internal Balance	328 583	(328 583)		
Restricted Cash and Cash Equivalents	78 855		78 855	
Total Current Assets	8 401 392	(289 330)	8 112 062	218 991
Non Current Assets:				
Capital Assets:				
Land	4 472 209		4 472 209	
Construction in Progress	8 271 645		8 271 645	
Other Capital Assets, Net of Deprecation	5 485 247	591 301	6 076 548	2 356
Total Non Current Assets	18 229 101	591 301	18 820 402	2 356
Total Assets	26 630 493	301 971	26 932 464	221 347
Liabilities:				
Current Liabilities:				
Accounts Payable	1 070 575	28 960	1 099 535	
Compensated Absences	320 924	25 376	346 300	
Unfunded Pension Cost	59 589		59 589	
Unearned Revenue	404 880	1 725	406 605	
Due to Component Unit	26 523		26 523	
Current Portion of Long Term Obligations	9 181 247	74 729	9 255 976	
Total Current Liabilities	11 063 738	130 790	11 194 528	
Non Current Liabilities:				
Non Current Portion of Long Term Obligations	8 978 340	185 389	9 163 729	
Total Liabilities	20 042 078	316 179	20 358 257	
Net Assets				
Invested in Capital, Net of Related Debt	7 221 181	331 183	7 552 364	2 356
Unrestricted (Deficit)	(632 766)	(345 391)	(978 157)	218 991
Total Net Assets	$ 6 588 415	$ (14 208)	$ 6 574 207	$ 221 347

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

Exhibit 2

SWAIN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	(Net Expense) Revenues and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business - Type Activities	Primary Government: Total	Component Unit
Primary Government:								
Governmental Activities:								
General Government	$ 2 629 019	$ 597 515	$ 51 009	$	$ (1 980 495)	$	$(1 980 495)	$
Public Safety	2 397 956	374 110	205 528	6 300	(1 812 018)		(1 812 018)	
Environmental Protection	85 199		21 421		(63 778)		(63 778)	
Economic and Physical Development	1 469 600		138 988	538 041	(792 571)		(792 571)	
Human Services	6 657 440	1 854 399	2 294 155		(2 508 886)		(2 508 886)	
Recreational	739 616	130 091		76 610	(532 915)		(532 915)	
Education	2 506 408		260 330		(2 246 078)		(2 246 078)	
Interest on Long Term Debt	279 874				(279 874)		(279 874)	
Total Governmental Activities	16 765 112	2 956 115	2 971 431	620 951	(10 216 615)		(10 216 615)	
Business-Type Activities:								
Solid Waste	1 009 088	857 756				(151 332)	(151 332)	
Total Primary Government	$17 774 200	$3 813 871	$ 2 971 431	620 951	(10 216 615)	(151 332)	(10 367 947)	
Component Unit:								
Economic Development - Tourism	$ 324 624	$	$					(324 624)
General Revenues:								
Taxes:								
Property Taxes					4 347 687		4 347 687	
Local Option Sales					3 561 699		3 561 699	
Occupancy Tax					347 146		347 146	
Public Service Taxes					9 000		9 000	
Payment from Swain County								336 732
Unrestricted Intergovernmental					884 714		884 714	
Investment Earnings					244 370		244 370	352
Miscellaneous					296 920		296 920	
Gain (Loss) on Disposal of Capital Assets					(835)		(835)	
Transfers - Internal					(109 000)	109 000		
Total General Revenues and Transfers					9 581 701	109 000	9 690 701	337 084
Change in Net Assets					(634 914)	(42 332)	(677 246)	12 460
Net Assets - Beginning					7 223 329	28 124	7 251 453	208 887
Net Assets - Ending					$ 6 588 415	$ (14 208)	$ 6 574 207	$ 221 347

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

Exhibit 3

SWAIN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Schools Capital Reserve Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$3 996 654	$1 278 319	$ 148 862	$ 896 695	$ 6 320 530
Receivables, Net	1 213 277	122 309	100 029	36 416	1 472 031
Property Tax Receivable, Net	186 579				186 579
Due From Other Funds	411 273	6 554			417 827
Restricted Cash	78 855				78 855
Total Assets	$5 886 638	$1 407 182	$ 248 891	$ 933 111	$ 8 475 822
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Accrued Liabilities	$1 064 450	$	$	$ 6 125	$ 1 070 575
Deferred Revenue	535 363			56 096	591 459
Due to Component Unit	26 523				26 523
Due to Other Funds			56 864	32 380	89 244
Total Liabilities	1 626 336		56 864	94 601	1 777 801
Fund Balances:					
Reserved by State Statute	1 624 550	128 863			1 753 413
Unreserved:					
Designated for Capital Improvements	1 054 267		192 027		1 246 294
Undesignated	1 581 485	1 278 319			2 859 804
Undesignated, Reported on Non Major:					
Special Revenue Funds				838 510	838 510
Total Fund Balances	4 260 302	1 407 182	192 027	838 510	6 698 021
Total Liabilities and Fund Balances	$5 886 638	$1 407 182	$ 248 891	$ 933 111	$ 8 475 822

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

Exhibit 3-1

SWAIN COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds		$18 229 101
Other assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
Deferred Revenue-Ad Valorem Taxes	$ 186 579	
Accrued Interest-Ad Valorem Taxes	14 814	201 393
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds and Leases Payable	7 143 112	
Mortgages and Loans	11 016 475	
Compensated Absences	320 924	
LEO Pension Obligation	59 589	(18 540 100)
Fund Balance - Governmental Funds (Exhibit 3)		6 698 021
Net Assets of Governmental Activities (Exhibit 1)		$ 6 588 415

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

Exhibit 4

SWAIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Schools Capital Reserve Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	$ 4 348 828	$	$	$	$ 4 348 828
Local Option Sales	2 836 660	725 039			3 561 699
Occupancy	347 146				347 146
Public Service	9 000				9 000
Intergovernmental	3 730 769	242 413	201 311	594 679	4 769 172
Charges for Services	2 719 818			236 297	2 956 115
Investment Earnings	147 198	39 870	8 912	48 390	244 370
Miscellaneous	7 967				7 967
Total Revenues	14 147 386	1 007 322	210 223	879 366	16 244 297
Expenditures					
Current:					
General Government	2 757 379				2 757 379
Public Safety	2 410 428				2 410 428
Environmental Protection	84 034				84 034
Economic and Physical Development	1 317 304			458 807	1 776 111
Human Services	6 109 996			506 763	6 616 759
Recreational	683 858				683 858
Education	987 917				987 917
Debt Service:					
Principal	592 013				592 013
Interest	255 232				255 232
Capital Projects			5 321 205		5 321 205
Total Expenditures	15 198 161		5 321 205	965 570	21 484 936
Excess (Deficiency) of Revenue Over Expenditures	(1 050 775)	1 007 322	(5 110 982)	(86 204)	(5 240 639)
Other Financing Sources (Uses)					
Transfers In (Out)	216 377	(722 669)	358 024	39 268	(109 000)
Financing Proceeds	1 780 000				1 780 000
USDA Loan Proceeds			4 401 600		4 401 600
Total Other Financing Sources (Uses)	1 996 377	(722 669)	4 759 624	39 268	6 072 600
Net Change in Fund Balances	945 602	284 653	(351 358)	(46 936)	831 961
Fund Balances:					
Beginning of Year	3 314 700	1 122 529	543 385	885 446	5 866 060
End of Year	$ 4 260 302	$1 407 182	$ 192 027	$ 838 510	$ 6 698 021

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, 2008

Net change in fund balances - total Governmental Funds (Exhibit 4)	$ 831 961
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 $6 130 706 was greater than Depreciation of $392 024 in the current period.	5 738 682
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(4 264)
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.	(5 589 586)
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.	(1 611 707)
Change in Net Assets of Governmental Activities (Exhibit 2)	$ (634 914)

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

Exhibit 5

SWAIN COUNTY
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variances With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Ad Valorem Taxes	$ 4 314 384	$ 4 314 384	$ 4 348 828	$ 34 444
Local Option Sales Tax	2 225 960	2 225 960	2 836 660	610 700
Other Taxes and Licenses	12 500	12 500	356 146	343 646
Unrestricted Intergovernmental	784 000	784 000	884 714	100 714
Restricted Intergovernmental	2 522 903	2 718 999	2 846 055	127 056
Permits and Fees	532 500	532 500	333 519	(198 981)
Sales and Services	2 337 990	2 554 667	2 386 299	(168 368)
Investment Earnings	150 000	150 000	147 198	(2 802)
Miscellaneous	20 789	64 684	7 967	(56 717)
Total Revenues	12 901 026	13 357 694	14 147 386	789 692
Expenditures:				
Current:				
General Government	2 092 611	3 534 158	2 757 379	776 779
Public Safety	2 523 762	2 798 762	2 410 428	388 334
Environmental Protection	84 302	90 900	84 034	6 866
Economic and Physical Development	370 939	1 232 613	1 317 304	(84 691)
Human Services	5 699 845	5 936 010	6 109 996	(173 986)
Cultural and Recreational	628 958	695 458	683 858	11 600
Intergovernmental:				
Education	989 000	989 000	987 917	1 083
Debt Service:				
Principal Retirement	774 553	774 553	592 014	182 539
Interest and Other Charges	213 085	213 066	255 231	(42 165)
Total Expenditures	13 377 055	16 264 520	15 198 161	1 066 359
Revenues Over (Under) Expenditures	(476 029)	(2 906 826)	(1 050 775)	1 856 051
Other Financing Sources (Uses):				
Transfers In (Out)	351 408	(762 592)	216 377	978 969
Financing Proceeds		1 599 000	1 780 000	181 000
Fund Balance Appropriated	124 621	2 070 418		(2 070 418)
Total Other Financing Sources (Uses)	476 029	2 906 826	1 996 377	(910 449)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$	$	$ 945 602	$ 945 602
Fund Balance:				
Beginning of Year, July 1			3 314 700	
End of Year, June 30			$ 4 260 302	

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

SWAIN COUNTY
SCHOOLS CAPITAL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Local Option Sales Tax	$	$1 440 000	$ 725 039	$(714 961)
Restricted Intergovernmental		176 000	242 413	66 413
Investment Earnings		20 000	39 870	19 870
Total Revenues		1 636 000	1 007 322	(628 678)
Other Financing Sources (Uses):				
Transfers (to) Other Funds		1 636 000	(722 669)	913 331
Revenues Over (Under) Other Financing Uses	$	$	284 653	$ 284 653
Fund Balance - Beginning of Year			1 122 529	
Fund Balance - Ending of Year			$1 407 182	

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

Exhibit 7

SWAIN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Enterprise Fund Solid Waste
Assets	
Current Assets:	
Receivables (Net of Allowance for Uncollectibles)	$ 39 253
Non Current Assets:	
Capital Assets:	
Other Capital Assets, Net of Depreciation	591 301
Total Assets	630 554
Liabilities	
Current Liabilities:	
Accounts Payable and Accruals	28 960
Due to Other Funds	328 583
Compensated Absences	25 376
Current Portion of Long Term Obligations	74 729
Deferred Revenue	1 725
Total Liabilities	459 373
Non Current Liabilities:	
Non Current Portion of Long Term Obligations	185 389
Total Liabilities	644 762
Net Assets	
Invested in Capital, Net of Related Debt	331 183
Unrestricted (Deficit)	(345 391)
Total Net Assets	$ (14 208)

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

Exhibit 8

SWAIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Enterprise Fund Solid Waste
Operating Revenues	
Charges for Services	$ 857 756
Operating Expenses	
Waste Management Operations	865 742
Depreciation	132 046
Total Operating Expenses	997 788
Operating Income (Loss)	(140 032)
Non-Operating Revenues (Expenses):	
Interest Expense	(11 300)
Income (Loss) Before Transfers	(151 332)
Transfers In	109 000
Change in Net Assets	(42 332)
Total Net Assets - Beginning	28 124
Total Net Assets - Ending	$ (14 208)

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, 2008

	Enterprise Fund Solid Waste
Cash Flows From Operating Activities:	
Cash Received From Customers	$ 856 047
Cash Paid to Employees	(374 178)
Cash Paid for Goods and Services	(490 154)
Prepaid Waste Fees	925
Net Cash Provided (Used) by Operating Activities	(7 360)
Cash Flows From Noncapital Financing Activities:	
Operating Transfers In (Out)	109 000
Increase (Decrease) in Due to Other Funds	34 354
Net Cash Provided (Used)by Noncapital Financing Activities	143 354
Cash Flows From Capital and Related Financing Activities:	
Debt Principal and Interest Paid	(135 994)
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)	$ (140 032)
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	132 047
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Customers and Waste Fees	(1 709)
Increase (Decrease) in Accounts Payable and Accruals - Customer's	(2 214)
Increase (Decrease) in Compensated Absences	3 623
Increase (Decrease) in Deferred Revenue	925

SWAIN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 **Schools Capital Reserve Special Revenue Fund** accounts for the accumulation of resources to be used specifically for designated school projects.

The **Capital Project 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 three projects within the Capital Project Fund: the Jail Project, the Redevelopment Project and School Renovations Project.

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 sent 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 judgements, 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-tem 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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

The County has implemented GASB Statement No. 33 Accounting and Financial Reporting for Nonexhange Transactions, GASB Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement 37, GASB Statement No. 36 Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33 and GASB Statement No. 40 Deposit and Investment Risk Disclosures. These standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

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, Governor's Island and Franklin Grove Funds) and the enterprise fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the CDBG, Governor's Island, and Franklin Grove Special Revenue funds 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 balances in the capital reserve funds will be appropriated when transferred to their respective capital projects. 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, 2008 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, 2008, the County did not have any purchase orders outstanding.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments:

Deposits - All deposits of the County and Swain County Tourist Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31.

Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the County and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. State law [G.S. 159-30(c)] authorizes the County and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC-registered mutual fund. The County and the Tourist Authority's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

2. Cash and Cash Equivalents:
The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The County and the Authority considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets:
The County is depositing $77 930 annually into a sinking fund held with the Bank of Granite for the future pay off of $1 500 000 of N.C. Qualified Zone Academy Bonds. The amount of restricted assets of $78 855 is the balance in the sinking fund at June 30, 2008.

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, 2007. 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:

Assets	Years
Buildings	40
Building improvements	40
Furniture and Equipment	5-7
Vehicles and motorized equipment	5

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

Assets	Years
Office Equipment	5

7. Long-Term Obligations:
In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In fund financial statements for governmental fund types, the face of debt issued is reported as an other 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, 2008 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 neither entity has any 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 in government-wide and proprietary 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 externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law G.S. 159-13(b)(16) restricts appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by state statue - portion of fund balance not available for appropriation after remaining reserves not available for appropriation have been segregated under State law G.S. 159-8(a). This amount is usually comprised of receivables and due from's, which are not offset by deferred revenues.

Unreserved

Designated for capital improvements - portion of total fund balance available for appropriation, which has been designated, for future capital improvements.

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the next fiscal year's adopted budget ordinance.

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.

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 $109 606 consists of several elements as follows:

Description	Amount
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)	$22 979 594
Less Accumulated Depreciation	4 750 493
Net Capital Assets	18 229 101
Accrued interest receivable less the amount claimed as unearned revenue on ad valorem taxes in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	14 814
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide - net ad valorem taxes.	186 579
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	(7 143 112)
Mortgages and Loans	(11 016 475)
Compensated Absences	(320 924)
Pension Obligation	(59 589)
Total adjustment	$ (109 606)

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 $1 466 875 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 6 130 706

Description	Amount
Transfer of Fixed Assets to Swain County Board of Education is recorded as an expense in the government-wide statements.	(1 518 491)
Loss on Disposal of Fixed Assets is recorded in the government wide statements only.	(835)
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities but not in the fund statements.	(392 024)
New debt issued during the year is recorded as a source of funds in the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets.	(6 181 600)
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.	592 014
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.	(8 311)
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.	(59 427)
Revenues recognized in the funds statements but not in the statement of activities-Sale of Fixed Assets.	(3 123)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Recording of tax receipts deferred in the fund statements.	(1 186)
Decrease in accrued interest on taxes	45
Total Adjustment	$(1 466 875)

III. Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

Expenditures over budgeted amounts were noted in the following Departments:

General Fund	Over Budget
Economic Development	$ 133 778
EMS	12 539
Special Appropriations - Public Safety	71 099
Special Appropriations - Human Services	19 224
Social Services	328 456
Cultural	4 581
Total	$ 569 677

Special Revenue Fund	
Capital Reserve Fund - Transfers	$ 949 152

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 $345 391 at June 30, 2008. 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 undercolleralization, 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, 2008, the County's deposits had a carrying amount of $3 350 279 and a bank balance of $3 529 134. Of the bank balance $178 855 was covered by federal depository insurance and $3 350 279 was covered by collateral held under the Pooling Method.

At June 30, 2008 the carrying amount of deposits for Swain County Tourist Development Authority was $192 468 and the bank balance was $204 468. Of the bank balance $100 000 was covered by federal depository insurance and $104 468 was covered by collateral held under the Pooling Method.

2. Investments:

At June 30, 2008, Swain County had $3 049 106 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poors. The County has no policy regarding credit risk.

3. Receivables - Net of Allowances for Doubtful Accounts:
Receivables at June 30, 2008, were as follows at the government-wide level:

	Accounts	Customers	Taxes	Interest	Total
Governmental Activities:					
General, Schools Capital Reserve and Capital Projects	$1 435 615	$	$ 502 348	$ 46 295	$1 984 258
Other Governmental	36 416				36 416
Total Receivables	1 472 031		502 348	46 295	2 020 674
Allowance for doubtful accounts			(315 769)	(31 481)	(347 250)
Total-governmental activities	$1 472 031	$	$ 186 579	$ 14 814	$1 673 424
Business-type Activities:					
Solid Waste	$ 4 406	$ 102 490	$	$	$ 106 896
Allowance for doubtful accounts		67 643			67 643
Total business-type activities	$ 4 406	$ 34 847		$	$ 39 253

4. Property Tax - Use Value Assessment on Certain Lands:
In accordance with the general statutes, agriculture, horticulture, and forest land may be taxed at present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years along with accrued interest from the original due date. This tax is immediately due and payable.

The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2005	$61 907	$2 890	$64 797
2006	60 791	1 560	62 351
2007	57 662	1 420	59 082

5. Capital Assets:
Capital asset activity for the year ended June 30, 2008 was as follows:

1. Primary Government:	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets not being depreciated:				
Land	$ 4 472 209	$	$1 518 491	$ 4 472 209
Construction in Progress	4 453 563	5 336 573		8 271 645
Total Capital Assets, not being Depreciated:	8 925 772	5 336 573	1 518 491	12 743 854
Capital Assets being depreciated:				
Buildings	6 468 470	597 959		7 066 429
Equipment	1 660 375	46 474		1 706 849
Vehicles	1 364 390	149 700	51 628	1 462 462
Total capital assets being depreciated	9 493 235	794 133	51 628	10 235 740
Less accumulated depreciation for:				
Buildings	2 329 768	169 549		2 499 317
Equipment	986 857	114 011		1 100 868
Vehicles	1 089 514	108 464	47 670	1 150 308
Total accumulated depreciation	4 406 139	392 024	47 670	4 750 493
Total Capital Assets, being Depreciated, net	5 087 096	402 109	3 958	5 485 247
Governmental Capital Assets, net	$14 012 868	$5 738 682	$ 1 522 449	$18 229 101

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

Governmental activities:	
General government	$112 629
Public safety	59 707
Economic and physical development	54 768
Environmental protection	1 165
Human services	95 064
Culture and recreation	68 691
Total depreciation expense - government activities	$392 024
Business-type activities:	
Solid Waste	$132 046

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Vehicles	$ 735 662	$	$	$ 735 662
Equipment	396 874			396 874
Buildings	607 030			607 030
Total capital assets, being depreciated	$1 739 566	$	$	$1 739 566
Less accumulated depreciation for:				
Vehicles	496 353	103 669		600 022
Equipment	339 547	10 204		349 751
Buildings	180 319	18 173		198 492
Total Accumulation Depreciation	1 016 219	132 046		1 148 265
Total capital assets, being depreciated, net	723 347	(132 046)		591 301
Proprietary Capital Assets, net	$ 723 347	$ (132 046)	$	$ 591 301

Discretely presented component unit:
Capital asset activity for Swain County Tourist Development Authority for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Office Equipment	$ 5 785	$	$	$ 5 785
Total capital assets being depreciated	5 785			5 785
Less accumulated depreciation:				
Office Equipment	2 458	971		3 429
Total accumulated depreciation	2 458	971		3 429
Total capital assets being depreciated (net)	3 327	(971)		2 356
Governmental activities Capital Assets, net	$ 3 327	$ (971)	$	$ 2 356

B. Liabilities

1. Payables

Payables at June 30, 2008 were as follows at the government-wide level:

	Vendors	Salaries and Benefits	Insurance	Other	Total
Governmental Activities:					
General and Capital Projects	$120 085	$133 563	$ 645 779	$ 165 023	$1 064 450
Other Governmental	1 344	4 781			6 125
Total-governmental activities	$121 429	$138 344	$ 645 779	$ 165 023	$1 070 575
Business-type activities:					
Solid Waste	$ 12 762	$ 16 198	$	$	$ 28 960

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, 2008 is composed of the following elements:

Governmental Activities:	Deferred	Unearned
Prepaid taxes not yet earned	$ 6 508	$ 6 508
Taxes receivable (Net)	186 579	
Payment in Lieu of Taxes Paid in Advance	342 276	342 276
Unexpended Grant Funds	56 096	56 096
Total	$ 591 459	$ 404 880

Business Type Activities:	Deferred	Unearned
Prepaid Taxes not yet earned	$ 1 725	$ 1 725

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 4.94% and 4.86%, 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, 2008 and 2007 were $284 057 and $205 511, 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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-0-
Terminated plan members entitled to but not yet receiving benefits	-0-
Active plan members	12
Total	12

(2) Summary of Significant Accounting Policies

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

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

The annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% - 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	$ 7 744
Interest on net pension obligation	3 718
Adjustment to annual required contribution	(3 151)
Annual pension cost	$ 8 311
Contributions made for fiscal year ended 6-30-08	
Increase (decrease) in net pension obligation	8 311
Net pension obligation beginning of year	51 278
Net pension obligation end of year	$59 589

3 YEAR TREND INFORMATION

Fiscal Year Ended	Annual Pension Cost (APOC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	$ 8 311	0%	$59 589
6/30/07	7 916	0%	51 278
6/30/06	7 511	0%	43 362

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, 2008 were $23 478, which consisted of $23 478 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.

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, 2008, the County's required and actual contributions were $2 046.

f. Other Post-Employment Benefits - In addition to providing pension benefits, the County has elected to provide health care benefits to retirees of the County who participate in the North Carolina Local Government Employee's Retirement System (System) and have at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2008, the County made payments for postretirement health benefit premiums of $10 880. The County obtains health care coverage through private insurers.

g. 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 postemployment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

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 $20 000 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%	$3 785 000

b. Loan - United States Department of Agriculture - The County has received approval for a $9 000 000 loan to construct a new 100 bed jail facility. To date the County has borrowed $8 482 656 as a construction loan. Interest is payable at the rate of 4.13%. No principal payments are due until the completion of the project.

d. 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, 2008:

Description	Cost	Date	Term	Rate	Amount
Ambulance	$ 82 500	6-05-06	5 Yrs.	4.17%	$ 22 819/Annual
3 Vehicles	60 000	5-15-06	5 Yrs.	4.54%	$ 13 683/Annual
Sanitation Truck	164 500	2-23-06	8 Yrs.	3.89%	$ 24 322/Annual
3 Police Cars	79 600	6-03-06	3 Yrs.	4.34%	$ 2 504/Mo.
Transfer Station	260 000	8-01-03	5 Yrs.	4.25%	$ 4 827/Mo.
Tractors - Trailers	308 770	6-30-04	7 Yrs.	3.20%	$ 53 675/Annual
Fibre Optic Cable	120 000	6-30-06	8 Yrs.	4.23%	$ 17 993/Annual
Land-Middle School	2 000 000	10-18-06	15 Yrs.	4.25%	$218 333/Annual
Total	$3 075 370				

e. Qualified Zone Academy Bond - As authorized by State law (G.S.160A-20), the County financed the renovation of Swain County High School for use by Swain County Board of Education during the fiscal year ended June 30, 2007 by installment purchase designated as a Qualified Zone Academy Bond. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Swain County Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation. The transaction requires 16 annual payments of $77 930 to a sinking fund with Bank of America. The sinking fund yields a projected investment return of 5.36%. The principal amount of the installment purchase is $1 500 000 at zero interest. The payments begin July, 2007. If investment earnings do not result as projected the County will pay the required amount for the total funds to equal $1 500 000 on July 15, 2023.

f. Mortgages - Health Department Building - The mortgage is for 15 years at an interest rate of 4.83% with monthly payments of $1 241.
Social Services Building - The mortgage is for 15 years at an interest rate of 3.81% with annual principal payments of $51 816 plus interest.
Social Services Building Addition - The mortgage is for 15 years at an interest rate of 3.53% with annual principal payment of $73 333 plus interest.
Tourist Development Authority Building - The mortgage is for 15 years at an interest rate of 4.20% with annual principal payment of $41 333 plus interest.

g. Changes in Long-Term Obligations - The following is a summary of changes in long-term obligations for the year ended June 30, 2008:

Governmental Activity:	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
General Obligation Bonds: Refunding Bonds-Schools	$ 4 110 000	$	$ 325 000	$ 3 785 000	$ 335 000
Installment Purchase	3 784 357		204 460	3 579 897	181 841
Mortgages and Loans	4 897 429	6 181 600	62 554	11 016 475	8 664 406
Compensated Absences	261 497	59 427		320 924	
Unfunded Pension Cost	51 278	8 311		59 589	
Subtotal	13 104 561	6 249 338	592 014	18 761 885	9 181 247
Less Deferred Amount on Refunding Bonds	246 428		24 643	221 785	
Totals	$12 858 133	$6 249 338	$ 567 371	$ 18 540 100	$ 9 181 247
Business Type Activity:					
Capitalized Leases	$ 384 812	$	$ 124 694	$ 260 118	$ 74 729
Compensated Absences	21 753	25 420	21 796	25 377	
Totals	$ 406 565	$ 25 420	$ 146 490	$ 285 495	$ 74 729

The annual debt service payments to maturity for all long-term obligations excluding compensated absences and unfunded pension cost is as follows:

	Governmental Activity						Business Type Activity		Total Debt Due	
	School Bonds		Installment Obligations		Mortgage and Loans		Installment Obligation			
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 335 000	$ 117 873	$ 181 841	$ 79 653	$ 8 664 406	$ 79 672	$ 74 730	$ 7 474	$ 9 255 977	$ 284 672
2010	345 000	109 497	161 098	71 911	182 306	89 283	72 894	5 102	761 298	275 793
2011	350 000	100 010	162 312	65 030	182 890	82 259	44 857	3 506	740 059	250 805
2012	360 000	89 510	149 895	58 098	184 146	74 563	21 691	2 631	715 832	224 802
2013	375 000	78 710	1 707 486	88 473	184 821	67 449	22 535	1 787	2 289 842	236 419
2014-2018	2 020 000	205 925	683 958	199 063	869 126	239 754	23 411	911	3 596 495	645 653
2019-2023			533 307	56 667	748 780	77 933			1 282 087	134 600
	$3 785 000	$ 701 525	$3 579 897	$618 895	$11 016 475	$ 710 913	$ 260 118	$ 21 411	$18 641 490	$2 052 744

At June 30, 2008 Swain County had a legal debt margin of $86 217 177.

g. Interfund Balances and Activity:

1. Interfund receivables and payables at June 30, 2008 are composed as follows:

	Receivables	Payables
General Fund	$ 411 273	
School Capital Reserve	6 554	
Special Revenue Funds		32 380
Capital Projects		56 864
Enterprise Fund		328 583
Total Interfund receivables and payables	$ 417 827	$ 417 827

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, 2008 for primary government and component unit are composed as follows:

Component Unit - Receivable From Primary Government	$26 523	$
Primary Government - Payable to Component Unit		26 523
Total Interfund receivables and payables	$26 523	$26 523

3. Interfund transfers at June 30, 2008 are as follows:

Transfers From		Transfers To	
		General	$ 216 377
School Capital Reserve	$ 722 669	Enterprise	109 000
		Capital Projects	358 024
		Special Revenue	39 268
			$ 722 669

Transfers are used for various reasons. In the year ended June 30, 2008 transfers were used to:

- Move funds into capital projects from the general fund for matching purposes
- Reimburse inter-departmental costs shared by more than one fund including school debt paid by the general fund

h. Commitments:

The County had the following commitments on construction projects as of June 30, 2008:

Jail Construction $55 000

V. Related Organization

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

VI. Joint Ventures

The County participants in a joint venture to operate Marianna Black Regional Library with two other local governments. Each participating government appoints two board members to the six member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated $185 000 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, 2008. 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, 2008. 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, 2008. Swain County contributed $46 801 to the Board during the fiscal year ended June 30, 2008. 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, 2008.

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 $75 855 to the Commission during the fiscal year ended June 30, 2008.

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, 2008, 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 and for additional school capital outlay.

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.

	Federal	State
IV-E Foster Care	$ 49 942	$ 21 830
SC/SA Domiciliary Care		97 077
TANF	106 599	(67)
Food Stamps	1 809 156	
Medicaid	12 559 316	5 624 963
Foster Care		12 149
Low Income Energy Assistance	54 316	
WIC	246 768	
IV-E Adopt Subsidy		17 548
Total	$14 826 097	$5 773 500

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.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a : b)	Covered Payroll	UAAL as a % of Covered Payroll (b - a : c)
12/31/02	-0-	32 145	32 145	0%	316 592	10.15%
12/31/03	-0-	38 058	38 058	0%	374 716	10.16%
12/31/04	-0-	37 736	37 736	0%	343 847	10.97%
12/31/05	-0-	38 471	38 471	0%	423 754	9.08%
12/31/06	-0-	43 692	43 692	0%	411 000	10.63%
12/31/07	-0-	44 005	44 005	0%	327 352	13.44%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$ 7 744	0%
2007	7 916	0%
2006	7 367	0%

Notes to the Required Schedules:

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

Valuation Date	12/31/06
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increase	4.5% - 12.3%
Includes Inflation at	3.75%
Cost of Living Adjustments	None

SWAIN COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
Revenues:	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Ad Valorem Taxes:				
Current Year	$4 115 784	$4 093 943	$ (21 841)	$3 924 176
Prior Year	123 600	180 335	56 735	185 531
Penalties and Interest	75 000	74 550	(450)	55 327
Total	4 314 384	4 348 828	34 444	4 165 034
Local Option Sales Taxes:				
1 Cent Sales Tax	750 000	1 008 459	258 459	965 402
½ Cent Sales Tax	1 475 960	1 457 828	(18 132)	1 419 213
Medicaid Hold Harmless		370 373	370 373	
Total	2 225 960	2 836 660	610 700	2 384 615
Other Taxes and Licenses:				
Room Occupancy Tax	3 000	347 146	344 146	290 573
Marriage Licenses	9 500	9 000	(500)	9 750
Total	12 500	356 146	343 646	300 323
Unrestricted Intergovernmental Revenues:				
ABC Revenue	4 000	5 601	1 601	4 451
Payments in Lieu of Taxes	780 000	841 690	61 690	783 308
Satellite Video Tax		37 423	37 423	
Total	784 000	884 714	100 714	787 759
Restricted Intergovernmental Revenues:				
State and Federal Grants (Exhibit H)	2 688 599	2 553 979	(134 620)	2 251 001
Court Facility Fees	30 400	42 017	11 617	32 510
Indirect Cost		250 059	250 059	216 917
Total	2 718 999	2 846 055	127 056	2 500 428
Permits and Fees:				
Inspection Fees	190 000	109 753	(80 247)	125 899
Register of Deeds	340 000	221 088	(118 912)	293 648
Safe Driving	2 500	2 678	178	2 204
Total	532 500	333 519	(198 981)	421 751

Revenues - Continued:	2008 Budget	2008 Actual	2008 Variance Favorable (Unfavorable)	2007 Actual
Sales and Service:				
Tag Office	$ 38 000	$ 45 641	$ 7 641	$
Officers Fees	15 400	21 744	6 344	17 602
Jail Fees	465 000	252 584	(212 416)	238 609
Ambulance Fees	412 000	450 049	38 049	408 799
Recreation Department	116 000	109 091	(6 909)	95 443
Town Contribution - Recreation	21 000	21 000		21 000
Town Contribution - Fire Marshall	17 000	2 833	(14 167)	14 418
Town Dispatcher & PIN	28 700	28 700		26 721
Building Lease	234 400	218 355	(16 045)	99 900
Social Services Fees		34 928	34 928	
Cable T.V.	18 000		(18 000)	17 360
Sheriff Revenues	84 590	68 249	(16 341)	105 343
Health Dept. Fees and Reimbursements	1 104 577	1 133 125	28 548	894 385
Total	2 554 667	2 386 299	(168 368)	1 939 580
Investment Earnings:				
Interest Earned	150 000	147 198	(2 802)	199 207
Miscellaneous:				
Sales of Fixed Assets	5 000	3 123	(1 877)	2 969
Insurance Reimbursement				5 790
Contributions				117 171
Other	59 684	4 844	(54 840)	28 695
Total	64 684	7 967	(56 717)	154 625
Total Revenues	13 357 694	14 147 386	789 692	12 853 322
Expenditures:				
General Government:				
Governing Body:				
Salaries and Employees Benefits		57 321		48 806
Operating Expenditures		10 787		11 553
288 Project				872
Travel		17 704		17 188
Total	91 261	85 812	5 449	78 419
Administration:				
Salaries and Employees Benefits		187 079		193 204
Operating Expenditures		219 182		61 467
Workers' Comp. Insurance		21 340		60 289
Capital Outlay		216 401		
Legal Services		43 468		22 200
Total	1 279 869	687 470	592 399	337 160

Expenditures - Continued:	2008 Budget	2008 Actual	Variance Favorable Unfavorable)	2007 Actual
Elections:				
Salaries and Employee Benefits	$	$ 80 099	$	$ 80 599
Operating Expenditures		55 558		30 258
Capital Outlay		18 538		5 825
Total	159 543	154 195	5 348	116 682
Finance:				
Salaries and Employee Benefits		108 086		75 971
Operating Expenditures		31 419		28 152
Professional Services		51 450		46 050
Capital Outlay				5 201
Total	201 047	190 955	10 092	155 374
Tax:				
Salaries and Employee Benefits		339 163		284 186
Operating Expenditures		157 749		143 235
Capital Outlay				3 234
Total	531 849	496 912	34 937	430 655
Register of Deeds:				
Salaries and Employee Benefits		110 414		105 416
Operating Expenditures		91 622		82 864
Recording Fees		63 165		91 140
Capital Outlay				5 490
Total	307 780	265 201	42 579	284 910
Public Buildings:				
Salaries and Employee Benefits		275 171		265 059
Maintenance & Repairs		120 333		53 562
Utilities & Fuel		52 259		36 023
Other Operating Expenditures		51 558		43 620
Insurance		19 000		26 459
Capital Outlay		28 290		4 280
Total	581 637	546 611	35 026	429 003
Court Facilities:				
Operating Expenditures	30 000	24 071	5 929	18 878
Data Processing:				
Salaries and Employee Benefits		54 868		44 779
Operating Expenditures		46 384		48 111
Capital Outlay		21 129		65 591
Total	133 172	122 381	10 791	158 481
Special Appropriations:				
Various Grant Expenditures	218 000	183 771	34 229	301 255
Total General Government	3 534 158	2 757 379	776 779	2 310 817

	2008			
Expenditures - Continued:	Budget	Actual	Variance Favorable Unfavorable)	2007 Actual
Public Safety:				
Sheriff				
Salaries and Employee Benefits	$	$ 701 779	$	$ 596 661
Operating Expenditures		342 151		235 599
Capital Outlay		60 769		
Total	1 482 469	1 104 699	377 770	832 260
Jail:				
Salaries and Employee Benefits		489 463		451 251
Operating Expenditures		87 751		60 264
Food		85 001		146 336
Medical Expenditures		79 996		100 166
Total	792 191	742 211	49 980	758 017
Criminal Justice:				
Salaries and Employee Benefits		25 513		25 425
Operating Expenditures		30 897		11 842
Total	58 217	56 410	1 807	37 267
Emergency Management:				
Salaries and Employee Benefits		48 642		40 469
Operating Expenditures		9 929		11 352
Grant Expenditures		47 607		41 160
Total	119 152	106 178	12 974	92 981
Inspections:				
Salaries and Employee Benefits		178 387		142 265
Operating Expenditures		52 923		37 527
Capital Outlay		19 721		32 405
Total	266 733	251 031	15 702	212 197
Medical Examiner:				
Professional Services	12 000	10 800	1 200	13 100
Special Appropriations:				
Fire Departments		106 106		78 338
Rescue Squad		32 008		10 282
Task Force		985		5 049
Total	68 000	139 099	(71 099)	93 669
Total Public Safety	2 798 762	2 410 428	388 334	2 039 491

	2008			
Expenditures - Continued:	Budget	Actual	Variance Favorable Unfavorable)	2007 Actual
Environmental Protection:				
Soil and Water:				
Salaries and Employee Benefits	$	$ 68 129	$	$ 31 122
Operating Expenditures		15 905		6 338
Total Environmental Protection	90 900	84 034	6 866	37 460
Economic and Physical Development:				
Agriculture Extension:				
Salaries and Employee Benefits		161 782		102 467
Operating Expenditures		46 289		32 539
Total	230 269	208 071	22 198	135 006
Community Development:				
SW Commission - CBA		64 932		67 753
SW Commission - CBA Match		6 300		5 881
JCPC		1 154		1 255
Total	99 275	72 386	26 889	74 889
Economic Development:				
Salaries and Employee Benefits		35 310		32 617
Operating Expenditures		12 911		12 715
Contract Services		89 304		22 725
Swain Tourist Authority		336 732		281 856
Capital Outlay		562 590		
Total	903 069	1 036 847	(133 778)	349 913
Total Economic and Physical Development	1 232 613	1 317 304	(84 691)	559 808
Human Services:				
Social Services:				
Administration:				
Salaries and Employee Benefits		1 612 343		1 316 251
Operating Expenditures		544 058		468 699
Travel		7 585		8 785
Capital Outlay		20 000		
Total	1 804 629	2 183 986	(379 357)	1 793 735

	2008			
Expenditures - Continued:	Budget	Actual	Variance Favorable Unfavorable)	2007 Actual
Programs:				
TANF	$	$ 68 192	$	$ 86 389
Foster Care		50 407		41 772
Special Assistance		88 957		90 022
Medicaid - County		672 388		768 814
Crisis Intervention		29 261		33 030
Commodities Food		11 618		16 325
Total	971 724	920 823	50 901	1 036 352
Total Social Services	2 776 353	3 104 809	(328 456)	2 830 087
Emergency Medical Services				
Salaries and Employee Benefits		658 475		550 050
Operating Expenditures		152 614		130 570
Total Emergency Medical Services	798 550	811 089	(12 539)	680 620
Veterans Service Officer:				
Salaries and Employee Benefits	8 840	6 950	1 890	4 869
Health Department:				
General:				
Salaries and Employee Benefits		48 320		50 630
Other Operating Expenditures		119 183		122 302
Capital Outlay				8 500
Total	164 230	167 503	(3 273)	181 432
Breast and Cervical Cancer:				
Salaries and Employee Benefits		25 519		25 165
Other Operating Expenditures		10 805		11 062
Total	40 275	36 324	3 951	36 227
Wisewomen:				
Salaries and Employee Benefits		9 758		11 789
Other Operating Expenditures		1 648		364
Total	20 700	11 406	9 294	12 153
Accreditation:				
Salaries and Employee Benefits				23 816
Other Operating Expenditures				692
Total				24 508

Expenditures - Continued:	2008 Budget	2008 Actual	Variance Favorable Unfavorable)	2007 Actual
Child Services Coordination:				
Salaries and Employee Benefits	$	$ 15 280	$	$ 12 765
Other Operating Expenditures		361		83
Total	27 918	15 641	12 277	12 848
Adult Health:				
Salaries and Employee Benefits		124 589		114 578
Other Operating Expenditures		57 986		56 639
Total	180 500	182 575	(2 075)	171 217
IAP:				
Salaries and Employee Benefits		2 488		
Other Operating Expenditures		391		
Total		2 879	(2 879)	
School Health:				
Salaries and Employee Benefits		37 489		44 796
Other Operating Expenditures		1 881		2 104
Total	53 500	39 370	14 130	46 900
Health Promotion:				
Salaries and Employee Benefits		45 201		29 400
Other Operating Expenditures		21 112		9 806
Total	77 351	66 313	11 038	39 206
Environmental Health:				
Salaries and Employee Benefits		125 999		125 918
Other Operating Expenditures		46 906		26 080
Total	179 000	172 905	6 095	151 998
Maternal Health:				
Salaries and Employee Benefits	8 750	7 102	1 648	3 417
Child Health:				
Salaries and Employee Benefits		15 669		18 304
Other Operating Expenditures		2 576		1 400
Total	37 554	18 245	19 309	19 704
Well Program:				
Salaries and Employee Benefits		47 070		
Other Operating Expenditures		3 419		
Total	65 000	50 489	14 511	

Expenditures - Continued:	2008 Budget	2008 Actual	2008 Variance Favorable Unfavorable)	2007 Actual
HIPAA:				
Salaries and Employee Benefits	$ 6 500	$ 5 792	$ 708	$ 3 760
MH PPHV:				
Salaries and Employee Benefits	2 300	372	1 928	685
CH NBHV:				
Salaries and Employee Benefits	2 300	599	1 701	794
WIC/Client Services and Administration:				
Salaries and Employee Benefits		33 610		36 270
Other Operating Expenditures		4 525		2 052
Total	37 184	38 135	(951)	38 322
WIC/Nutritional Education:				
Salaries and Employee Benefits	18 500	15 620	2 880	2 588
WIC/Breast Feeding Promotion:				
Salaries and Employee Benefits		8 695		
Other Operating Expenditures				1 481
Total	7 500	8 695	(1 195)	1 481
WIC/General Administration:				
Salaries and Employee Benefits	5 000	3 906	1 094	1 740
MCC:				
Salaries and Employee Benefits	30 500	21 288	9 212	22 765
Immunization:				
Salaries and Employee Benefits	10 938		10 938	8 082

Expenditures - Continued:	2008 Budget	2008 Actual	Variance Favorable Unfavorable)	2007 Actual
Health Check:				
Salaries and Employee Benefits	$	$ 20 492	$	$ 18 367
Other Operating Expenditures		737		429
Total	21 036	21 229	(193)	18 796
Food and Lodging:				
Salaries and Employee Benefits		29 516		25 988
Other Operating Expenditures		150		168
Total	30 750	29 666	1 084	26 156
Smart Start:				
Salaries and Employee Benefits		17 672		14 620
Other Operating Expenditures		7 279		7 369
Total	23 495	24 951	(1 456)	21 989
Family Planning:				
Salaries and Employee Benefits		88 622		83 542
Other Operating Expenditures		20 748		23 484
Total	117 948	109 370	8 578	107 026
Healthy Carolinians:				
Salaries and Employee Benefits				10 480
Other Operating Expenditures		12 001		12 477
Total	12 048	12 001	47	22 957
Communicable Diseases:				
Salaries and Employee Benefits		29 588		16 786
Other Operating Expenditures		5 143		1 938
Total	31 795	34 731	(2 936)	18 724
CAP Program:				
Salaries and Employee Benefits		653 070		576 392
Other Operating Expenditures		82 618		43 436
Total	798 500	735 688	62 812	619 828
Chore:				
Salaries and Employee Benefits		84 517		81 348
Other Operating Expenditures		6 999		6 581
Total	97 582	91 516	6 066	87 929
Total Health Department	2 108 654	1 924 311	184 343	1 703 232

Expenditures - Continued:	2008 Budget	2008 Actual	2008 Variance Favorable Unfavorable)	2007 Actual
Special Appropriations:				
Safe Program	$	$ 17 492	$	$ 16 856
Elderly Transportation		155 627		154 137
Smokey Mountain Mental Health		46 801		25 357
Soil and Water Conservation		6 746		44 665
Humane Society		18 571		15 336
Other		17 600		17 600
Total	243 613	262 837	(19 224)	273 951
Total Human Services	5 936 010	6 109 996	(173 986)	5 492 759
Recreational:				
Recreation:				
Salaries and Employee Benefits		195 965		205 649
Operating Expenditures		130 274		120 218
Repairs & Maintenance		118 606		161 440
Capital Outlay		12 932		49 757
Total	473 958	457 777	16 181	537 064
Cultural:				
N.C. Forestry		41 081		36 147
Marianna Black Library		185 000		179 000
Fontana Regional Library				11 896
Total	221 500	226 081	(4 581)	227 043
Total Recreational and Cultural	695 458	683 858	11 600	764 107
Education:				
Swain County Board of Education:				
Current Expense		750 000		600 000
Capital Outlay		95 000		80 000
Forest Funds		17 917		17 954
Southwestern Community College		125 000		125 000
Capital Outlay				2 000 000
Total Education	989 000	987 917	1 083	2 822 954
Debt Service:				
Principal Retirement		592 014		555 103
Interest Expense		255 231		180 751
Total Debt Service	987 619	847 245	104 374	735 854
Total Expenditures	16 264 520	15 198 161	1 066 359	14 763 250
Revenues Over (Under) Expenditures	(2 906 826)	(1 050 775)	1 856 051	(1 909 928)

	2008			
	Budget	Actual	Variance Favorable Unfavorable)	2007 Actual
Other Financing Sources (Uses):				
Transfers In (Out)	$ (762 592)	$ 216 377	$ 978 969	$ (148 080)
Fund Balance Appropriated	2 070 418		(2 070 418)	
Financing Proceeds	1 599 000	1 780 000	181 000	2 060 000
Total Other Financing Sources (Uses)	2 906 826	1 996 377	(910 449)	1 911 920
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$	945 602	$ 945 602	1 992
Fund Balances:				
Beginning of Year		3 314 700		3 312 708
End of Year		$4 260 302		$3 314 700

Exhibit C

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Revenues:				
Other Taxes and Licenses:				
1/2 Cent Sales Tax	$1 440 000	$ 725 039	$(714 961)	$ 707 389
Restricted Intergovernmental:				
Public School Building Capital Grant	176 000	242 413	66 413	176 819
Investment Earnings:				
Interest Earned	20 000	39 870	19 870	36 851
Total Revenues	1 636 000	1 007 322	(628 678)	921 059
Other Financing Sources (Uses):				
Transfer (To) From General Fund	(1 636 000)	(722 669)	913 331	(538 285)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$	284 653	$ 284 653	382 774
Fund Balance - Beginning of Year		1 122 529		739 755
Fund Balance - End of Year		$1 407 182		$1 122 529

SWAIN COUNTY
CAPITAL PROJECTS FUND
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPARED WITH AUTHORIZATIONS FROM INCEPTION AND FOR THE YEAR
ENDED JUNE 30, 2008

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Jail Project:					
Revenues:					
Interest Earned	$	$	$ 1 421	$ 1 421	$ 1 421
Expenditures:					
Land Acquisition	725 000	718 000		718 000	7 000
Construction	7 024 779	2 673 734	4 295 836	6 969 570	55 209
Engineering	701 391	603 200	61 480	664 680	36 711
Equipment and Furnishings	135 000	12 282		12 282	122 718
Administration	5 000	2 140		2 140	2 860
Interest and Closing Costs	408 830	127 644	278 650	406 294	2 536
Total Expenditures	9 000 000	4 137 000	4 635 966	8 772 966	227 034
Revenues Over (Under) Expenditures	(9 000 000)	(4 137 000)	(4 634 545)	(8 771 545)	228 455
Other Financing Sources:					
USDA Loan Proceeds	9 000 000	4 081 056	4 401 600	8 482 656	(517 344)
Transfer from Other Funds		99 209	381 568	480 777	480 777
Total Other Financing Sources	9 000 000	4 180 265	4 783 168	8 963 433	(36 567)
Revenues and Other Financing Sources Over (Under) Expenditures		43 265	148 623	191 888	191 888
Redevelopment Project:					
Revenues:					
Intergovernmental:					
State Grant	418 000	123 984	201 311	325 295	(92 705)
Investment Earnings			139	139	139
Total	418 000	123 984	201 450	325 434	(92 566)
Other Financing Sources (Uses):					
Transfer from General Fund		184		184	184
Total Revenues	418 000	124 168	201 450	325 618	(92 382)
Expenditures:					
Island Park Bridge Replacement	168 000	124 168		124 168	43 832
Bryson City Streetscape	150 000		101 311	101 311	48 689
Revolving Loan Program	100 000		100 000	100 000	
Total Expenditures	418 000	124 168	201 311	325 479	92 521
Revenues and Other Financing Sources Over (Under) Expenditures			139	139	139

SWAIN COUNTY
CAPITAL PROJECTS FUND
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPARED WITH AUTHORIZATIONS FROM INCEPTION AND FOR THE YEAR
ENDED YEAR JUNE 30, 2008

		Actual			
School Renovations - QZAB	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Interest Earned	$ 30 000	$ 34 683	$ 7 352	$ 42 035	$ 12 035
Expenditures:					
Construction	1 380 000	922 983	455 104	1 378 087	1 913
Engineering	130 000	100 580	28 824	129 404	596
Administration	20 000	11 000		11 000	9 000
Total Expenditures	1 530 000	1 034 563	483 928	1 518 491	11 509
Revenues Over (Under) Expenditures	(1 500 000)	(999 880)	(476 576)	(1 476 456)	23 544
Other Financing Sources:					
Loan Proceeds	1 500 000	1 500 000		1 500 000	
Transfer to Other Funds			(23 544)	(23 544)	(23 544)
Total	1 500 000	1 500 000	(23 544)	1 476 456	(23 544)
Reveues and Other Sources Over (Under) Expenditures		500 120	(500 120)		
Reveues and Other Sources Over (Under) Expenditures - All Projects	$	543 385	(351 358)	192 027	
Fund Balance - Beginning of Year July 1			543 385		
Fund Balance - End of Year, June 30			$ 192 027		

SWAIN COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008
WITH COMPARATAIVE TOTALS FOR JUNE 30, 2007

	Special Revenue Funds							Combining Totals	
	Property Revaluation	Emergency Telephone	Capital Reserve	Family Preservation	CDBG	Governor's Island	Franklin Grove	2008	2007
Assets									
Cash and Cash Equivalents	$ 3	$ 206 615	$ 516 845	$ 14 786	$ 17 319	$ 136 097	$ 5 030	$ 896 695	$ 1 155 739
Receivables, Net		3 481		32 935				36 416	22 027
Due From Other Funds									18 000
Total Assets	$ 3	$ 210 096	$ 516 845	$ 47 721	$ 17 319	$ 136 097	$ 5 030	$ 933 111	$ 1 195 766
Liabilities and Fund Balances									
Liabilities:									
Accounts Payable	$	$ 2 312	$	$	$	$	$	$ 2 312	$
Accrued Expenses		3 813						3 813	2 867
Due to Other Funds		6 149		8 912	17 319			32 380	229 201
Deferred Revenue						53 558	2 538	56 096	78 252
Total Liabilities		12 274		8 912	17 319	53 558	2 538	94 601	310 320
Fund Balance:									
Reserved by State Statute		3 481		32 935				36 416	40 027
Unreserved	3	194 341	516 845	5 874		82 539	2 492	802 094	845 419
Total Fund Balance	$ 3	$ 197 822	$ 516 845	$ 38 809	$	$ 82 539	$ 2 492	$ 838 510	885 446
Total Liabilities and Fund Balance	$ 3	$ 210 096	$ 516 845	$ 47 721	$ 17 319	$ 136 097	$ 5 030	$ 933 111	$ 1 195 766

SWAIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds							Combining Totals	
	Property Revaluation	Emergency Telephone	Capital Reserve	Family Preservation	CDBG	Governor's Island	Franklin Grove	2008	2007
Revenues									
Intergovernmental	$	$	$	$ 159 700	$ 92 849	$ 3 000	$ 333 730	$ 589 279	$ 129 873
Charges for Services		236 297						236 297	256 975
Investment Earnings		16 578	22 471	1 977		5 986	1 378	48 390	41 171
Other									20 000
Total Revenues		252 875	22 471	161 677	92 849	8 986	335 108	873 966	448 019
Expenditures									
Current:									
General Government									33 127
Economic Development					92 849	3 000	357 558	453 407	36 326
Human Services		347 062		159 701				506 763	507 396
Total Expenditures		347 062		159 701	92 849	3 000	357 558	960 170	576 849
Excess (Deficiency) of Revenues Over Expenditures		(94 187)	22 471	1 976		5 986	(22 450)	(86 204)	(128 830)
Other Financing Sources (Uses): Transfers In (Out)		89 592	(74 152)				23 828	39 268	490 456
Net Change in Fund Balances		(4 595)	(51 681)	1 976		5 986	1 378	(46 936)	361 626
Fund Balance - Beginning	3	202 417	568 526	36 833		76 553	1 114	885 446	523 820
Fund Balance -Ending	$ 3	$ 197 822	$ 516 845	$ 38 809	$	$ 82 539	$ 2 492	$ 838 510	$ 885 446

SWAIN COUNTY, NORTH CAROLINA
PROPERTY REVALUATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Revenues:				
Investment Earnings:				
Interest Earned	$	$	$	$
Expenditures:				
Contracted Services				
Revenues Over (Under) Expenditures				
Other Financing Sources (Uses):				
Transfer From General Fund				
Revenues and Other Sources Over (Under) Expenditures and Other Uses	$	$	$	$
Fund Balance - Beginning Year		3		3
Fund Balance - End of Year		$ 3		$ 3

Exhibit E-4

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Revenues:				
Permits and Fees:				
Fees Charged	$ 286 316	$ 236 297	$ (50 019)	$ 256 975
Investment Earnings:				
Interest Earned		16 578	16 578	15 167
Total Revenues	286 316	252 875	(33 441)	272 142
Expenditures:				
Salaries and Fringe Benefits		224 321		209 047
Operating Expenditures		72 300		82 816
Capital Outlay		50 441		144 377
Total Expenditures	445 299	347 062	98 237	436 240
Revenues Over (Under) Expenditures	(158 983)	(94 187)	64 796	(164 098)
Other Financing Sources (Uses):				
Transfer From General Fund	158 983	89 592	(69 391)	58 983
Revenues and Other Sources Over (Under) Expenditures and Other Uses	$	(4 595)	$ (4 595)	(105 115)
Fund Balance - Beginning of Year		202 417		307 532
Fund Balance - End of Year		$ 197 822		$ 202 417

Exhibit E-5

SWAIN COUNTY, NORTH CAROLINA
CAPITAL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Revenues:				
Investment Earnings:				
Interest Earned	$	$ 22 471	$ 22 471	$ 16 198
Expenditures:				
Future Capital Outlay	875 000		875 000	
Revenues Over Expenditures	(875 000)	22 471	897 471	16 198
Other Financing Sources (Uses):				
Transfer (to) From Other Funds	875 000	(74 152)	(949 152)	431 473
Total Revenues and Other Sources (Uses) Over Expenditures	$	(51 681)	$ (51 681)	447 671
Fund Balance - Beginning of Year		568 526		120 855
Fund Balance - End of Year		$ 516 845		$568 526

Exhibit E-6

SWAIN COUNTY, NORTH CAROLINA
FAMILY PRESERVATION GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Revenues:				
Restricted Intergovernmental:				
Family Preservation Grant	$205 000	$159 700	$(45 300)	$ 93 547
Investment Earnings:				
Interest Earned		1 977	1 977	2 167
Other Revenues:				
Contributions and Other				20 000
Total Revenues	205 000	161 677	(43 323)	115 714
Expenditures:				
Contract Labor		113 411		85 472
Travel		2 617		2 161
Communications and Telephone		5 373		3 731
Supplies		11 158		6 742
Flex Funds		9 000		6 177
Training		1 245		
Family Intervention		16 897		
Total Expenditures	205 000	159 701	45 299	104 283
Revenues Over (Under) Expenditures	$	1 976	$ 1 976	11 431
Fund Balance - Beginning of Year		36 833		25 402
Fund Balance - End of Year		$ 38 809		$ 36 833

Exhibit E-7

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, 2008

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental Revenues:					
Community Development Block Grant	$400 000	$	$ 92 849	$ 92 849	$(307 151)
Expenditures:					
Clearance	39 100		12 262	12 262	26 838
Relocation Assistance	311 000		66 487	66 487	244 513
Administration/Legal	40 000		14 100	14 100	25 900
Repairs	9 900				9 900
Total Expenditures	400 000		92 849	92 849	307 151
Revenues Over (Under) Expenditures	$				$
Fund Balance - Beginning of Year July 1					
Fund Balance - End of Year, June 30		$	$	$	

Exhibit E-8

SWAIN COUNTY
GOVERNER'S ISLAND FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water Grant	$ 1 390 000	$ 14 842	$ 3 000	$ 17 842	$(1 372 158)
Investment Earnings:					
Interest Earned		9 599	5 986	15 585	15 585
Miscellaneous:					
Contributions-Eastern Band of Cherokee Indians	140 854	138 854		138 854	(2 000)
Total Revenues	1 530 854	163 295	8 986	172 281	(1 358 573)
Expenditures:					
Acquisition	47 000				47 000
Construction	1 175 322				1 175 322
Administration	117 532	15 342	3 000	18 342	99 190
Technical Services	181 000	71 400		71 400	109 600
Contingency	10 000				10 000
Total Expenditures	1 530 854	86 742	3 000	89 742	1 441 112
Revenues Over (Under) Expenditures	$	76 553	5 986	$ 82 539	$ 82 539
Fund Balance - Beginning of Year July 1			76 553		
Fund Balance - End of Year, June 30			$ 82 539		

Exhibit E-9

SWAIN COUNTY
FRANKLIN GROVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental Revenues:					
Clean Water Grant	$ 400 000	$ 12 306	$333 730	$346 036	$ (53 964)
Investment Earnings:					
Interest Earned		1 114	1 378	2 492	2 492
Total Revenues	400 000	13 420	335 108	348 528	(51 472)
Expenditures:					
Acquisition	10 000				10 000
Construction	373 525	142	340 620	340 762	32 763
Administration	30 700	12 164	16 938	29 102	1 598
Contingency	30 775				30 775
Total Expenditures	445 000	12 306	357 558	369 864	75 136
Revenues Over (Under) Expenditures	(45 000)	1 114	(22 450)	(21 336)	23 664
Other Financing Sources (Uses):					
Transfer From Other Funds	45 000		23 828	23 828	(21 172)
Revenues and Other Sources Over (Under) Expenditures	$	1 114	1 378	$ 2 492	$ 2 492
Fund Balance - Beginning of Year July 1			1 114		
Fund Balance - End of Year, June 30			$ 2 492		

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Revenues:				
Operating Revenue:				
Solid Waste Charges	$ 35 000	$ 59 044	$ 24 044	$ 47 685
Landfill Use Fee	987 310	657 620	(329 690)	640 525
Recycling	30 000	65 232	35 232	56 132
Scrap Tire Disposal Fees	13 000	15 248	2 248	14 355
White Goods Disposal Fees	55 320	5 529	(49 791)	5 655
Cardboard Fee	45 000	53 154	8 154	59 139
Miscellaneous	450	1 929	1 479	2 101
Total Operating Revenue	1 166 080	857 756	(308 324)	825 592
Non Operating Revenues:				
Grants				32 721
Total Revenues	1 166 080	857 756	(308 324)	858 313
Expenditures:				
Solid Waste Disposal:				
Salaries		295 550		294 335
Social Security		22 010		16 003
Group Insurance		48 960		48 960
Retirement		11 281		14 479
Telephone		797		532
Utilities		6 551		5 949
Insurance - Worker's Comp		25 000		23 929
Maintenance and Repairs		41 236		34 433
Supplies and Materials		16 954		17 198
Fuel		140 141		98 323
Contracted Service		3 045		15 421
Uniforms		5 400		4 945
Disposal		239 923		192 281
Insurance - Vehicles		1 316		15 000
Miscellaneous		3 954		970
Total Disposal	1 338 811	862 118	476 693	782 758

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, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Budgetary Appropriations:				
Debt Principal and Interest	$ 136 600	$ 135 994	$ 606	$ 135 994
Total Expenditures	1 475 411	998 112	477 299	918 752
Revenues Over (Under) Expenditures	(309 331)	(140 356)	168 975	(60 439)
Other Financing Sources (Uses):				
Transfer (To) From Other Funds	309 331	109 000	(200 331)	96 516
Revenues and Other Sources Over (Under) Expenditures	$	$ (31 356)	$ (31 356)	$ 36 077

RECONCILIATION OF MODIFIED ACCURAL BASIS TO FULL ACCURAL BASIS:		
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		$ (31 356)
Add:		
Payment of Debt Principal		124 694
Less:		
Depreciation	132 047	
Increase in Vacation Pay	3 623	(135 670)
Change in Net Assets (Exhibit 8)		$ (42 332)

SWAIN COUNTY, NORTH CAROLINA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Fines and Forfeitures:				
Assets				
Cash	$	$ 172 968	$ 172 968	$
Liabilities				
Amount Due Swain County Board of Education	$	$ 172 968	$ 172 968	$
Motor Vehicle Taxes:				
Assets				
Cash	$	$ 21 988	$ 21 988	$
Liabilities				
Motor Vehicle Taxes Payable	$	$ 21 988	$ 21 988	$
3% Interest on Motor Vehicles:				
Assets				
Cash	$	$ 2 721	$ 2 721	$
Liabilities				
3% Interest on Motor Vehicles Payable	$	$ 2 721	$ 2 721	$

SWAIN COUNTY, NORTH CAROLINA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Totals - All Agency Funds:				
Assets				
Cash	$	$ 197 677	$ 197 677	$
Liabilities				
Fines and Forfeitures	$	$ 172 968	$ 172 968	$
Motor Vehicle Taxes		21 988	21 988	
3% Interest on Motor Vehicle Taxes		2 721	2 721	
Total Liabilities	$	$ 197 677	$ 197 677	$

SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2008

Fiscal Year	Uncollected Balance July 1, 2007	Additions	Collections and Credits	Uncollected Balance June 30, 2008
2007-2008	$	$4 325 420	$ 4 093 943	$ 231 477
2006-2007	213 125		141 081	72 044
2005-2006	70 309		32 733	37 576
2004-2005	37 561		7 032	30 529
2003-2004	32 877		4 397	28 480
2002-2003	25 991		1 746	24 245
2001-2002	23 100		1 100	22 000
2000-2001	16 801		894	15 907
1999-2000	25 224		963	24 261
1998-1999	16 602		773	15 829
1997-1998	17 465		17 465	
Total	$ 479 055	$4 325 420	$ 4 302 127	$ 502 348
Less Allowance for Uncollectible Accounts				315 769
Ad Valorem Taxes Receivable - Net				$ 186 579

Reconciliation with Revenues:

Ad Valorem Taxes - Exhibit B	$4 348 828	
Less Penalties and Interest	74 550	$ 4 274 278
Releases - Prior Years		11 168
Amount Written Off Per Statute of Limitations		16 681
Total Collections and Credits		$ 4 302 127

SWAIN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

JUNE 30, 2008

	Total Property Valuation	Rate	Levy	Excluding Motor Vehicles	Motor Vehicles
Original Levy	$1 184 253 030	.33	$ 3 908 035	$ 3 908 035	$
Vehicle Taxes	81 984 242	.33	270 548		270 548
Add Discoveries	52 648 788	.33	173 741	142 617	31 124
Less Releases	(8 152 727)	.33	(26 904)	(11 298)	(15 606)
Total	$1 310 733 333		4 325 420	4 039 354	286 066
Less Uncollected Taxes June 30, 2008			231 477	160 050	71 427
Current Year's Taxes Collected			$ 4 093 943	$3 879 304	$ 214 639
Percent of Current Year's Taxes Collected			94.65	96.04	75.03

SWAIN COUNTY, NORTH CAROLINA
GENERAL FUND
FEDERAL AND STATE GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Social Services:				
Administration Grant	$1 476 300	$1 382 450	$ (93 850)	$1 226 580
IVE Foster Care	31 500	34 926	3 426	27 044
Commodities	20 516	11 618	(8 898)	16 324
Work First	47 268	32 248	(15 020)	42 081
Total	1 575 584	1 461 242	(114 342)	1 312 029
Health Department:				
State Aid to Counties	56 347	56 855	508	30 936
Environmental Health	10 000	7 645	(2 355)	6 195
Bioterrorism	60 690	56 709	(3 981)	60 973
Community Care Block Grant	85 574	115 683	30 109	68 764
Food & Lodging	750		(750)	750
BCCCP	18 275	20 188	1 913	15 481
Wise Women	14 700	7 474	(7 226)	12 228
Smart Start (Region A)	23 495	23 995	500	21 771
Communicable Disease	10 535	10 535		10 535
Tuberculosis	1 720	1 731	11	1 742
HIV	500	500		500
Accreditation				13 636
CSC	3 418	3 800	382	251
Immunization	6 938	2 697	(4 241)	6 575
Health Promotion	23 851	24 622	771	24 349
WIC	54 684	52 095	(2 589)	39 346
Child Health	17 554	18 245	691	8 933
Maternal Health	3 750	3 250	(500)	7 354
Family Planning	78 148	81 141	2 993	85 218
School Health	53 000	35 305	(17 695)	45 500
NBHV	300	500	200	300
MH PPHV	300	380	80	120
MCC	19 500	12 997	(6 503)	17 401
Adult Health		13 664	13 664	
Healthy Carolinians	12 048	11 808	(240)	
HWI	17 000		(17 000)	
Total	573 077	561 819	(11 258)	478 858

SWAIN COUNTY, NORTH CAROLINA
GENERAL FUND
FEDERAL AND STATE GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Other Grants:				
Cooperative Extension	$ 40 000	$ 40 736	$ 736	$
Criminal Justice	46 374	41 604	(4 770)	28 314
Veterans Services	2 000	2 000		2 000
Emergency Management	19 650	18 622	(1 028)	15 168
Forest Funds	19 000	17 917	(1 083)	17 954
Smart Start				41 216
Computerization				4 922
Soil & Water Conservation	15 613	21 421	5 808	15 297
Homeland Security	65 000	51 059	(13 941)	39 295
Juvenile Justice - CBA	69 681	62 525	(7 156)	67 753
Elderly Handicapped	106 120	60 696	(45 424)	48 555
RGP		44 631	44 631	45 925
Work First		4 070	4 070	2 175
CYFAR	42 500	51 009	8 509	15 905
Governor's Crime Control	20 000	15 218	(4 782)	
Partf	80 000	76 610	(3 390)	101 917
EWP				12 948
FEMA				770
Drug Coalition	14 000	16 500	2 500	
Bullet Proof Vest		6 300	6 300	
Total	539 938	530 918	(9 020)	460 114
Total Federal and State Grants (Exhibit B)	$2 688 599	$2 553 979	$ (134 620)	$2 251 001

COMPLIANCE SECTION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Swain County
North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises Swain County's basic financial statements and have issued our report thereon dated August 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Swain County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Swain County's financial statements that is more than inconsequential will not be prevented or detected by Swain County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

To the Board of Commissioners
Swain County
North Carolina

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swain County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as 2008-3 and 2008-4.

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

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

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

Morganton, North Carolina
August 27, 2008

S. Eric Bowman, P.A.
CERTIFIED PUBLIC ACCOUNTANT

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

To the Board of Commissioners
Swain County
North Carolina

Compliance

We have audited the compliance of Swain County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. 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; and 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, 2008.

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 and the State Single Audit Implementation Act. Accordingly, we do not express an opinion on the effectiveness of Swain County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Swain County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Swain County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

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

Morganton, North Carolina
August 27, 2008

SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Significant deficiency identified?	X yes	___ no
Significant deficiency identified that is considered to be material weaknesses reported	___ yes	X no
Noncompliance material to financial statements noted	X yes	___ no

Federal Awards

Internal control over major federal programs?

Material weakness(es) identified?	___ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses	___ yes	X no

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
10.551	Food Stamp Program - Non Cash
10.561	Food Stamp Program - Administration
93.778	Title XIX Medicaid
10.766	U.S. Department of Agriculture Loan

Dollar threshold used to distinguish between Type A and Type B Programs	$640 714	
Auditee qualified as low-risk auditee?	___ yes	X no

State Awards

There were no major State awards.

SWAIN COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II. Findings Related to the Audit of the General Purpose Financial Statements of Swain County:

2008-1 Internal Controls Over Financial Reporting

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 governmental accounting transactions to provide this service.
Management Response:	It is not economically feasible to hire additional staff at this time.

2008-2 Internal Controls Over Financial Reporting

Condition:	The sheriff's department is not always using purchase orders before making acquisitions.
Criteria:	Purchase orders are to be used for all purchases in excess of $100.
Effect:	Without the use of purchase orders controls over departmental expenditures are weakened.
Cause:	The County has not properly stressed the importance of the use of purchase orders.
Recommendation:	We recommend the finance officer not distribute funds until a proper purchase order is obtained.
Management Response:	The County agrees with this finding.

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

2008-3 Compliance

Criteria:	The sanitation and recreation departments are sometimes not depositing funds in a timely manner.
Condition:	Bank deposits are to be made when the amount of cash exceeds $250.
Effect:	It is possible for cash to be misappropriated.
Cause:	The County has not implemented proper training to department heads relative to making bank deposits.
Recommendation:	We recommend the finance officer meet with all departments heads and stress the importance of internal controls in all areas.
Management Response:	The County agrees with this finding.

2008-4 Compliance

Criteria:	All Local Governments are to adopt a balanced budget and make necessary amendments to the original budget as conditions dictate.
Condition:	The County overexpended several departments in the General Fund totaling $569 677.
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.

Section III. Findings and Questioned Costs Related to Federal Awards:

None Reported.

Section IV. Findings and Questioned Costs Related to State Awards:

None Reported.

SWAIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass Through Grantor's Number	Federal (Direct and Pass Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS:					
Cash Programs:					
U.S. Department of Health & Human Services					
Passed Through N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
Low Income Home Energy Assistance Block Grant	93.568		34 620		
Permanency Planning	93.645		36 528	11 874	302
TANF - Administration	93.558		465 820		57 657
IVE Foster Care	93.658		125 504	41 805	47 593
NC Health Choice	93.767		21 952	2 949	3 369
Direct Benefit Payments:					
TANF Payments	93.558		106 599	(67)	153
Energy Assistance	93.568		54 316		
IVE Foster Care	93.658		19 652	21 830	6 332
IVE Adopt Subsidy	93 659		30 290	17 548	1 926
Social Services Block Grant	93.667		73 975	9 935	24 510
Family Preservation Grant	93.556		161 198		
Division of Medical Assistance:					
Administration:					
Title XIX - Medicaid	93.778		288 086	78 127	209 025
Direct Benefit Payments:					
Title XIX - Medicaid	93.778		12 559 316	5 624 963	
Passed-Through N.C. Department of Health and Human Services:					
Division of Public Health:					
Health Promotion	93.991		24 622		
Maternal and Child Health	93.994		21 495		
Comp. Breast and Cervical Cancer	93.919		20 188		
Family Planning	93.994		81 141		
Wise Women	93.919		7 474		
Child Services Coordination	93.994		3 800		
Immunization Action Plan	93.268		2 697		
Bioterrorism Projects	93.283		56 709		
Home Community Block Grant	93.044		115 683		
Adult Health	93.994		13 664		
Total U.S. Department of Health and Human Services			14 325 329	5 808 964	350 867

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass Through Grantor's Number	Federal (Direct and Pass Through) Expenditures	State Expenditures	Local Expenditures
U.S. Department of Agriculture					
Passed Through N.C. Department of Social Services Administration:					
Food Stamp Cluster					
Food Stamp Administration	10.561		$ 136 961	$ 34 369	$ 102 592
Food Stamp Program - Non-Cash	10.551		1 809 156		
Passed Through N.C. Department of Health & Human Services:					
Division of Public Health:					
Special Supplement Food Program for Women, Infants & Children	10.557		52 095		
Direct Programs:					
Forest Funds	10.665		17 917		
Community Facilities Loan Assistance	10.766		4 401 600		
CYFAR	10.500		51 009		
Total U.S. Department of Agriculture			6 468 738	34 369	102 592
U.S. Department of Justice					
Direct Program:					
Bullet Proof Vests	16.607		6 300		
Passed Through N.C. Department of Crime Control and Public Safety:					
Drug Coalition	16.508		16 500		
CJPP	16.540	087-0799-1A	41 604		
CBA - Juvenile Justice	16.540	187006	62 525		
Governor's Crime Control	16.540		15 218		
Total U.S. Department of Justice			142 147		
U.S. Department of Housing and Urban Development					
Passed Through N.C. Department of Commerce:					
CDBG Program	14.228	01-C-0795	92 849		
U.S. Department of Homeland Security					
Passed Through N.C. Department of Crime Control and Public Safety:					
Homeland Security	97.004	DOJ-05-044	51 059		
Emergency Management Assistance	97.029	EMPG-2004	18 622		
Total U.S. Department of Homeland Security			69 681		
Total Federal Cash Awards			21 098 744	5 843 333	453 459

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass Through Grantor's Number	Federal (Direct and Pass Through) Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS:					
Non-Cash Programs:					
U.S. Department of Agriculture:					
Direct Benefits Programs:					
Special Supplemental Food Program for Women, Infants & Children	10.557		246 768		
Passed Through N.C. Department of Agriculture:					
Commodities - Food Distribution	10.550		11 618		
Total Federal Non-Cash Awards			258 386		
Total Federal Awards			21 357 130	5 843 333	453 459
STATE AWARDS:					
Cash Programs:					
N.C. Department of Public Instruction:					
Public School Building Capital Fund				242 413	
N.C. Department of Administration:					
Veterans Services				2 000	
N.C. Department of Health and Human Services:					
Division of Public Health:					
School Health			35 305		
Smart Start (Region A)			23 995		
Health Aid to Counties			56 855		
Tuberculosis			1 731		
Environmental Health Services			7 645		
Communicable Disease			10 535		
Food and Lodging			11 808		
HIV/STD			500		
Other County Administration			14 985		104 983
SC/SA Domiciliary Care			97 077		97 330
CPS Expansion			16 680		
NBHV and PPHV			880		
MCC			12 997		
Division of Social Services:					
State Foster Home			24 940		6 018
State Aid to Counties			8 917		
Total N.C. Department of Health and Human Services			324 850		208 331

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass Through Grantor's Number	Federal (Direct and Pass Through) Expenditures	State Expenditures	Local Expenditures
N.C. Department of Agriculture					
Cooperative Extension				40 736	
Soil and Water Conservation District Technician				21 421	
Total N.C. Department of Agriculture				62 157	
N.C. Department of Transportation					
Elderly and Disabled Transportation Assistance				60 696	
Rural General Public				44 631	
Work First				36 318	161 772
Total N.C. Department of Transportation				141 645	161 772
N.C. Department of Crime Control and Public Safety					
Hurricane Recovery Act				201 311	
N.C. Department of Environment and Natural Resources					
Clean Water Management Trust				336 730	
N.C. Department of Parks and Recreation					
Partf				76 610	
Total State Awards				1 387 716	370 103
Total Federal and State Awards			$ 21 357 130	$ 7 231 049	$ 823 562

Note 1 - Basis of Presentation:

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

Note 2 - Subrecipient Pass Throughs:

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

Subrecipient	Program Name	Federal CFDA #	Federal	State
Swain County Board of Education	Forest Funds	10.665	$ 17 917	$
Southwest Commission	Community Based Alternatives	16.540	62 525	
State of Franklin	EHTAP	N/A		60 696
State of Franklin	Rural General Public	N/A		44 631
Swain County Board of Education	Public School Building Capital Fund	N/A		242 413

Note 3 - Loans Outstanding:

Swain County had the following loan balance outstanding at June 30, 2008:

Program Name	Federal CFDA #	Amount Outstanding
USDA Loan	10.766	$ 8 482 656