

SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2010

SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

BOARD OF COMMISSIONERS

Glenn Jones - Chairman

Phil Carson

Genevieve Lindsay

David Monteith

Steve Moon

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Kevin King                      County Manager

Vida Cody                        Finance Officer

Diana Kirkland                Register of Deeds

Peggy Hyde                      Tax Administrator

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**FINANCIAL SECTION**

# S. Eric Bowman, P.A.

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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Swain County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

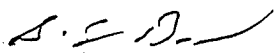
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund, schools capital reserve fund and permanent fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Swain County

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2010 on our consideration of Swain County's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance and Other Post Employment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the require supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Morganton, North Carolina  
September 1, 2010



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, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of Swain County exceeded its liabilities at the close of the fiscal year by \$20 304 274 (*net assets*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2 405 915, or 16.2 percent of total general fund expenditures for the fiscal year.
- Swain County's total debt decreased by \$931 364 or 5 percent during the current fiscal year. The key factors in this decrease was payment of principal with no additional borrowings.
- The County's bond rating is Baa.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Government-wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The County has three kinds of funds:

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

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

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

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Swain County, assets exceeded liabilities by \$20 304 274 at the close of the most recent fiscal year (Table 1).

**TABLE 1  
NET ASSETS**

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$19 709 992	\$ 6 924 572	\$ (299 434)	\$ (290 157)	\$19 410 558	\$ 6 634 415
Capital Assets	<u>19 867 325</u>	<u>20 139 055</u>	<u>555 682</u>	<u>639 082</u>	<u>20 423 007</u>	<u>20 778 137</u>
Total Assets	<u>39 577 317</u>	<u>27 063 627</u>	<u>256 248</u>	<u>348 925</u>	<u>39 833 565</u>	<u>27 412 552</u>
Long-Term Debt Outstanding	17 285 106	18 126 869	260 872	325 830	17 545 978	18 452 699
Other Liabilities	<u>1 928 522</u>	<u>2 117 564</u>	<u>54 791</u>	<u>68 156</u>	<u>1 983 313</u>	<u>2 185 720</u>
Total Liabilities	<u>19 213 628</u>	<u>20 244 433</u>	<u>315 663</u>	<u>393 986</u>	<u>19 529 291</u>	<u>20 638 419</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	8 614 720	8 695 519	294 810	313 252	8 909 530	9 008 771
Unrestricted (Deficit)	<u>11 748 969</u>	<u>(1 876 325)</u>	<u>(354 225)</u>	<u>(358 313)</u>	<u>11 394 744</u>	<u>(2 234 638)</u>
Total Net Assets	<u>\$20 363 689</u>	<u>\$ 6 819 194</u>	<u>\$ (59 415)</u>	<u>\$ (45 061)</u>	<u>\$20 304 274</u>	<u>\$ 6 774 133</u>

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

The County has issued debt for the acquisition and construction of capital assets that are not reported as assets of the County. This debt has been issued for the construction of public school facilities. The General Statutes do not permit public schools to issue debt for the acquisition and construction of facilities. Responsibility for providing these facilities lies with the County. The titles to these assets are held by Swain County Board of Education and the assets are reported on their financial statements. These debt issues were necessary to provide for the education of the citizens of the County. The outstanding amount of this debt \$6 205 000, 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 \$17 953 969.

Change in Net Assets

The County's total revenues were \$30 532 581 at June 30, 2010 (see Table 2). Charges for services made up 12% of revenues. Property taxes and other taxes made up 15% and 9% of revenues respectively. The extraordinary item made up 42% of revenue. The County's expenses cover a range of services with 40% of those expenses being related to human services.

**TABLE 2**  
**CHANGE IN NET ASSETS**

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 2 951 018	\$ 2 778 544	\$ 805 920	\$ 779 219	\$ 3 756 938	\$ 3 557 763
Operating Grants and Contributions	4 386 125	3 505 139			4 386 125	3 505 139
Capital Grants and Contributions	277 201	329 095			277 201	329 095
General Revenues:						
Property Taxes	4 619 320	4 468 692			4 619 320	4 468 692
Other Taxes	2 662 386	3 333 746			2 662 386	3 333 746
Unrestricted						
Intergovernmental	1 276 945	1 103 245			1 276 945	1 103 245
Other	753 666	512 348			753 666	512 348
Extraordinary Item:						
U.S. Department of the Interior	12 800 000				12 800 000	
<b>Total Revenues</b>	<b>29 726 661</b>	<b>16 030 809</b>	<b>805 920</b>	<b>779 219</b>	<b>30 532 581</b>	<b>\$16 810 028</b>
<u>Expenses</u>						
General Government	2 080 332	2 309 928			2 080 332	2 309 928
Public Safety	2 949 073	3 227 332			2 949 073	3 227 332
Environmental Protection	145 953	85 278			145 953	85 278
Economic and Physical						
Development	1 789 078	1 208 180			1 789 078	1 208 180
Human Services	6 818 981	6 448 888			6 818 981	6 448 888
Recreational	607 826	682 005			607 826	682 005
Education	1 020 433	1 052 278			1 020 433	1 052 278
Interest on Long-Term Debt	679 706	682 094			679 706	682 094
Solid Waste			911 058	914 119	911 058	914 119
<b>Total Expenses</b>	<b>16 091 382</b>	<b>15 695 983</b>	<b>911 058</b>	<b>914 119</b>	<b>17 002 440</b>	<b>16 610 102</b>
Excess (Deficiency) of Revenues Over Expenses Before Transfers						
	13 635 279	334 826	(105 138)	(134 900)	13 530 141	199 926
Transfers	(90 784)	(104 047)	90 784	104 047		
Increase (Decrease) in Net Assets	13 544 495	230 779	(14 354)	(30 853)	13 530 141	199 926
Net Assets, July 1	6 819 194	6 588 415	(45 061)	(14 208)	6 774 133	6 574 207
Net Assets, June 30	<u>\$20 363 689</u>	<u>\$ 6 819 194</u>	<u>\$ (59 415)</u>	<u>\$ (45 061)</u>	<u>\$20 304 274</u>	<u>\$ 6 774 133</u>

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

- The cost of all *governmental* activities this year was \$16.1 million.
- However, the amount that our taxpayers paid for these activities through County taxes was \$8.5 million. Some of the cost was paid by:
  - Those who directly benefited from the programs (2.9 million), or
  - Other governments and organizations that subsidized certain programs with grants and contributions (4.7 million).
- The County paid for the \$8.5 million "public benefit" portion with \$7.3 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	
	2010	2009	2010	2009
General Government	\$ 2.1	2.3	\$ 1.7	\$ 1.5
Public Safety	2.9	3.2	1.9	2.7
Human Services	6.8	6.4	2.4	2.1
Education	1.0	1.1	.7	.8
Recreation	.6	.7	.6	.6
Other	<u>2.7</u>	<u>2.0</u>	<u>1.2</u>	<u>1.4</u>
Total	<u>\$ 16.1</u>	<u>\$ 15.7</u>	<u>\$ 8.5</u>	<u>\$ 9.1</u>

**Business-type Activities**

Revenues of the County's business-type activities totaled \$805 920 with expenses totaling \$911 058 (see Table 2). This produced a deficit before transfers of \$105 138. 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 \$2 405 915, while total fund balance was \$3 888 411. 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 16.2 percent of total General Fund expenditures, while total fund balance represents 26.1 percent of that same amount.

At June 30, 2010, the governmental funds of Swain County reported a combined fund balance of \$18 098 616.

**General fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain service. Total amendments increased the General Fund's budget by \$1 288 579.

**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 \$(354 225). 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, 2010 totals \$20 423 007 (net of accumulated depreciation). These assets include land, buildings, equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchased CAD System
- Purchased Portion of DSS Parking Lot



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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 4 604 551	\$ 4 472 209	\$	\$	\$ 4 604 551	\$ 4 472 209
Buildings	14 021 906	14 452 194	372 194	390 367	14 394 100	14 842 561
Equipment	905 877	757 481	32 267	38 616	938 144	796 097
Vehicles	334 991	457 171	151 221	210 099	486 212	667 270
<b>Total</b>	<b>\$19 867 325</b>	<b>\$20 139 055</b>	<b>\$ 555 682</b>	<b>\$ 639 082</b>	<b>\$20 423 007</b>	<b>\$20 778 137</b>

**Long-term Debt.** As of June 30, 2010, Swain County had total debt outstanding of \$17 718 477, 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	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 3 105 000	\$ 3 450 000	\$	\$	\$ 3 105 000	\$ 3 450 000
Capital Lease Obligations	3 389 891	3 623 371	260 872	325 830	3 650 763	3 949 201
Mortgages and Loans	10 962 714	11 250 640			10 962 714	11 250 640
<b>Total</b>	<b>\$17 457 605</b>	<b>\$18 324 011</b>	<b>\$ 260 872</b>	<b>\$ 325 830</b>	<b>\$17 718 477</b>	<b>\$18 649 841</b>

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 \$93 482 347.

Budget Highlights for the Fiscal Year Ending June 30, 2011

**Governmental Activities:** The County is anticipating the sale of property for approximately 1.5 million dollars. The bulk of the proceeds is to be used to help expand the Community College. The County intends to use available capital reserve funds to help offset capital outlay. Approximately \$500 000 of interest from the Permanent Fund will be transferred to the General Fund to offset increased operating expenditures.

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

**Request for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Swain County, P. O. Box 2321, Bryson City, NC 28713.

SWAIN COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

Exhibit 1

Assets	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 4 827 091	\$	\$ 4 827 091	\$ 109 969
Receivables (Net of Allowance for Uncollectibles)	1 491 786	49 618	1 541 404	
Due from Primary Government				25 593
Internal Balance	349 052	(349 052)		
Restricted Cash and Cash Equivalents	<u>13 042 063</u>	<u>                    </u>	<u>13 042 063</u>	<u>                    </u>
Total Current Assets	<u>19 709 992</u>	<u>(299 434)</u>	<u>19 410 558</u>	<u>135 562</u>
<b>Non Current Assets:</b>				
<b>Capital Assets:</b>				
Land	4 604 551		4 604 551	
Other Capital Assets, Net of Depreciation	<u>15 262 774</u>	<u>555 682</u>	<u>15 818 456</u>	<u>11 367</u>
Total Non Current Assets	<u>19 867 325</u>	<u>555 682</u>	<u>20 423 007</u>	<u>11 367</u>
Total Assets	<u>39 577 317</u>	<u>256 248</u>	<u>39 833 565</u>	<u>146 929</u>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	679 870	14 899	694 769	
Compensated Absences	367 121	26 731	393 852	
Unearned Revenue	592 529	3 302	395 831	
Due to Component Unit	25 593		25 593	
Current Portion of Long Term Obligations	<u>857 556</u>	<u>67 311</u>	<u>924 867</u>	<u>                    </u>
Total Current Liabilities	<u>2 522 669</u>	<u>112 243</u>	<u>2 634 912</u>	<u>                    </u>
<b>Non Current Liabilities:</b>				
Unfunded Pension Cost	76 086		76 086	
Post Employee Health Benefits	187 323	9 859	197 182	
Non Current Portion of Long Term Obligations	<u>16 427 550</u>	<u>193 561</u>	<u>16 621 111</u>	<u>                    </u>
Total Non Current Liabilities	<u>16 690 959</u>	<u>203 420</u>	<u>16 894 379</u>	<u>                    </u>
Total Liabilities	<u>19 213 628</u>	<u>315 663</u>	<u>19 529 291</u>	<u>                    </u>
<b>Net Assets</b>				
Invested in Capital, Net of Related Debt	8 614 720	294 810	8 909 530	11 367
Unrestricted (Deficit)	<u>11 748 969</u>	<u>(354 225)</u>	<u>11 394 744</u>	<u>135 562</u>
Total Net Assets	<u>\$20 363 689</u>	<u>\$ (59 415)</u>	<u>\$20 304 274</u>	<u>\$ 146 929</u>

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

SWAIN COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			(Net Expense) Revenues and Changes in Net Assets			Component Unit
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 2 080 332	\$ 325 219	\$	\$ 15 000	\$ (1 740 113)	\$	\$(1 740 113)	\$
Public Safety	2 949 073	952 072	121 447	3 530	(1 872 024)		(1 872 024)	
Environmental Protection	145 953		123 526		(22 427)		(22 427)	
Economic and Physical Development	1 789 078	81 047	1 168 725		(539 306)		(539 306)	
Human Services	6 818 981	1 481 449	2 921 994	8 328	(2 407 210)		(2 407 210)	
Recreational	607 826	111 231			(496 595)		(496 595)	
Education	1 020 433		50 433	250 343	(719 657)		(719 657)	
Interest on Long Term Debt	679 706				(679 706)		(679 706)	
Total Governmental Activities	16 091 382	2 951 018	4 386 125	277 201	(8 477 038)		(8 477 038)	
Business-Type Activities:								
Solid Waste	911 058	805 920				(105 138)	(105 138)	
Total Primary Government	\$17 002 440	\$3 756 938	\$ 4 386 125	277 201	(8 477 038)	(105 138)	(8 582 176)	
Component Unit:								
Economic Development - Tourism	\$ 300 093							(300 093)
General Revenues:								
Taxes:								
Property Taxes					4 619 320		4 619 320	
Local Option Sales					2 322 174		2 322 174	
Occupancy Tax					329 922		329 922	
Public Service Taxes					10 290		10 290	
Payment from Swain County								319 629
Unrestricted Intergovernmental					1 276 945		1 276 945	
Investment Earnings					39 642		39 642	74
Miscellaneous					709 419		709 419	
Gain (Loss) on Disposal of Capital Assets					4 605		4 605	
Extraordinary Item-U.S. Department of the Interior					12 800 000		12 800 000	
Transfers - Internal					(90 784)	90 784		
Total General Revenues and Transfers					22 021 533	90 784	22 112 317	319 703
Change in Net Assets					13 544 495	(14 354)	13 530 141	19 610
Net Assets - Beginning					6 819 194	(45 061)	6 774 133	127 319
Net Assets - Ending					\$ 20 363 689	\$ (59 415)	\$20 304 274	\$ 146 929

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

SWAIN COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

Exhibit 3

	<u>General Fund</u>	<u>Schools Capital Reserve Fund</u>	<u>Permanent Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$3 460 517	\$ 941 957	\$ 18 034	\$ 406 583	\$ 4 827 091
Receivables, Net	900 784	82 509		195 109	1 178 402
Property Tax Receivable, Net	288 494				288 494
Due From Other Funds	581 712	11 827			593 539
Restricted Cash	<u>242 063</u>		<u>12 800 000</u>		<u>13 042 063</u>
Total Assets	<u>\$5 473 570</u>	<u>\$1 036 293</u>	<u>\$12 818 034</u>	<u>\$ 601 692</u>	<u>\$ 19 929 589</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts Payable and Accrued Liabilities	\$ 678 543	\$	\$	\$ 1 327	\$ 679 870
Deferred Revenue	881 023				881 023
Due to Component Unit	25 593				25 593
Due to Other Funds				<u>244 487</u>	<u>244 487</u>
Total Liabilities	<u>1 585 159</u>			<u>245 814</u>	<u>1 830 973</u>
<u>Fund Balances:</u>					
Reserved by State Statute	1 482 496	94 336			1 576 832
<u>Unreserved:</u>					
Designated for Capital Improvements			12 800 000		12 800 000
Undesignated	2 405 915	941 957	18 034		3 365 906
Undesignated, Reported on Non Major: Special Revenue Funds				<u>355 878</u>	<u>355 878</u>
Total Fund Balances	<u>3 888 411</u>	<u>1 036 293</u>	<u>12 818 034</u>	<u>355 878</u>	<u>18 098 616</u>
Total Liabilities and Fund Balances	<u>\$5 473 570</u>	<u>\$1 036 293</u>	<u>\$12 818 034</u>	<u>\$ 601 692</u>	<u>\$ 19 929 589</u>

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

SWAIN COUNTY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

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

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds			\$19 867 325
Other assets used in governmental activities are not financial resources and, therefore are not reported in the funds:			
Deferred Revenue-Ad Valorem Taxes	\$ 288 494		
Accrued Interest-Ad Valorem Taxes	24 890		313 384
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	6 322 392		
Mortgages and Loans	10 962 714		
Compensated Absences	367 121		
LEO Pension Obligation	76 086		
OPEB Obligation	187 323		(17 915 636)
Fund Balance - Governmental Funds (Exhibit 3)			18 098 616
Net Assets of Governmental Activities (Exhibit 1)			\$20 363 689

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

SWAIN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit 4

	General Fund	Schools Capital Reserve Fund	Permanent Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes:					
Property	\$ 4 551 983	\$	\$	\$	\$ 4 551 983
Local Option Sales	1 797 766	524 408			2 322 174
Occupancy	329 922				329 922
Public Service	10 290				10 290
Intergovernmental	5 189 027	250 343		1 062 149	6 501 519
Charges for Services	2 689 157			261 861	2 951 018
Investment Earnings	13 135	2 331	18 034	3 770	37 270
Miscellaneous	152 776				152 776
Total Revenues	14 734 056	777 082	18 034	1 327 780	16 856 952
<u>Expenditures</u>					
Current:					
General Government	2 110 941				2 110 941
Public Safety	2 820 330				2 820 330
Environmental Protection	81 865				81 865
Economic and Physical Development	763 528			1 022 507	1 786 035
Human Services	6 009 427			601 259	6 610 686
Recreational	560 593				560 593
Education	1 020 433				1 020 433
Debt Service:					
Principal	866 406				866 406
Interest	655 063				655 063
Total Expenditures	14 888 586			1 623 766	16 512 352
Excess (Deficiency) of Revenue Over Expenditures	(154 530)	777 082	18 034	(295 986)	344 600
<u>Other Financing Sources (Uses)</u>					
Transfers In (Out)	1 241 225	(1 084 428)		(247 581)	(90 784)
<u>Extraordinary Item</u>					
Settlement - U.S. Department of the Interior			12 800 000		12 800 000
Net Change in Fund Balances	1 086 695	(307 346)	12 818 034	(543 567)	13 053 816
Fund Balances:					
Beginning of Year	2 801 716	1 343 639		899 445	5 044 800
End of Year	\$ 3 888 411	\$1 036 293	\$12 818 034	\$ 355 878	\$ 18 098 616

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, 2009

Net change in fund balances - total Governmental Funds (Exhibit 4)	\$13 053 816
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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 \$460 968 was less than Depreciation of \$732 698 in the current period.	(271 730)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	69 709
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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.	866 406
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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.	<u>(173 706)</u>
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Change in Net Assets of Governmental Activities (Exhibit 2)	<u>\$13 544 495</u>
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The notes to the financial statements are an integral part of this statement.

SWAIN COUNTY  
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Exhibit 5

	Budgeted Amounts		Actual	Variances With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 4 702 488	\$ 4 687 488	\$ 4 551 983	\$ (135 505)
Local Option Sales Tax	1 740 000	1 838 658	1 797 766	(40 892)
Other Taxes and Licenses	148 158	412 500	340 212	(72 288)
Unrestricted Intergovernmental	1 022 000	1 273 691	1 276 945	3 254
Restricted Intergovernmental	4 161 094	4 510 360	3 912 082	(598 278)
Permits and Fees	1 390 230	238 000	187 873	(50 127)
Sales and Services	1 475 202	2 609 132	2 501 284	(107 848)
Investment Earnings	57 000	15 000	13 135	(1 865)
Miscellaneous	11 000	73 772	152 776	79 004
Total Revenues	14 707 172	15 658 601	14 734 056	(924 545)
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	1 858 964	2 575 588	2 110 941	464 647
Public Safety	2 581 540	2 952 999	2 820 330	132 669
Environmental Protection	87 864	86 679	81 865	4 814
Economic and Physical				
Development	834 652	886 202	763 528	122 674
Human Services	6 999 490	7 215 263	6 009 427	1 205 836
Cultural and Recreational	651 785	606 143	560 593	45 550
<b>Intergovernmental:</b>				
Education	1 025 000	1 025 000	1 020 433	4 567
<b>Debt Service:</b>				
Principal Retirement	1 303 533	890 000	866 406	23 594
Interest and Other Charges	213 085	606 618	655 063	(48 445)
Total Expenditures	15 555 913	16 844 492	14 888 586	1 955 906
Revenues Over (Under) Expenditures	(848 741)	(1 185 891)	(154 530)	1 031 361
<b>Other Financing Sources (Uses):</b>				
Transfers In (Out)	848 741	833 216	1 241 225	408 009
Financing Proceeds		352 675		(352 675)
Total Other Financing Sources (Uses)	848 741	1 185 891	1 241 225	55 334
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ _____	\$ _____	\$ 1 086 695	\$ 1 086 695
<b>Fund Balance:</b>				
Beginning of Year, July 1			2 801 716	
End of Year, June 30			\$ 3 888 411	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Option Sales Tax	\$	\$ 640 000	\$ 524 408	\$(115 592)
Restricted Intergovernmental		485 000	250 343	(234 657)
Investment Earnings		<u>20 000</u>	<u>2 331</u>	<u>(17 669)</u>
Total Revenues		<u>1 145 000</u>	<u>777 082</u>	<u>(367 918)</u>
Other Financing Sources (Uses):				
Transfers (to) Other Funds		<u>(1 145 000)</u>	<u>1 084 428</u>	<u>60 572</u>
Revenues Over (Under) Other Financing Uses	<u>\$</u>	<u>\$</u>	(307 346)	<u>\$(307 346)</u>
Fund Balance - Beginning of Year			<u>1 343 639</u>	
Fund Balance - Ending of Year			<u>\$1 036 293</u>	

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

SWAIN COUNTY  
 PERMANENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment Earnings	\$ 15 000	\$ 15 000	\$ 18 034	\$ 3 034
Total Revenues	<u>15 000</u>	<u>15 000</u>	<u>18 034</u>	<u>3 034</u>
Other Financing Sources (Uses):				
Future Capital Outlay	(12 815 000)	(12 815 000)		12 815 000
Extraordinary Item:				
Settlement - U.S. Department of the Interior	<u>12 800 000</u>	<u>12 800 000</u>	<u>12 800 000</u>	
Revenues Over (Under) Other Financing Uses	<u>\$</u>	<u>\$</u>	12 818 034	<u>\$12 818 034</u>
Fund Balance - Beginning of Year				
Fund Balance - Ending of Year			<u>\$12 818 034</u>	

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

SWAIN COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

	<u>Enterprise Fund Solid Waste</u>
<u>Assets</u>	
Current Assets:	
Receivables (Net of Allowance for Uncollectibles)	\$ <u>49 618</u>
Non Current Assets:	
Capital Assets:	
Other Capital Assets, Net of Depreciation	<u>555 682</u>
Total Assets	<u>605 300</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable and Accruals	14 899
Due to Other Funds	349 052
Compensated Absences	26 731
Current Portion of Long Term Obligations	67 311
Deferred Revenue	<u>3 302</u>
Total Liabilities	<u>461 295</u>
Non Current Liabilities:	
Non Current Portion of Long Term Obligations	193 561
Post Employee Health Liability	<u>9 859</u>
Total Non Current Liabilities	<u>203 420</u>
Total Liabilities	<u>664 715</u>
<u>Net Assets</u>	
Invested in Capital, Net of Related Debt	294 810
Unrestricted (Deficit)	<u>(354 225)</u>
Total Net Assets (Deficit)	<u>\$ (59 415)</u>

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

SWAIN COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Enterprise Fund Solid Waste</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 805 920
<u>Operating Expenses</u>	
Waste Management Operations	816 012
Depreciation	<u>83 400</u>
Total Operating Expenses	<u>899 412</u>
Operating Income (Loss)	<u>(93 492)</u>
Non-Operating Revenues (Expenses):	
Interest Expense	<u>(11 646)</u>
Income (Loss) Before Transfers	<u>(105 138)</u>
Transfers In	<u>90 784</u>
Change in Net Assets	(14 354)
Total Net Assets - Beginning	<u>(45 061)</u>
Total Net Assets - Ending	<u><u>\$ (59 415)</u></u>

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

SWAIN COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Enterprise Fund Solid Waste</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 798 177
Cash Paid to Employees	(341 896)
Cash Paid for Goods and Services	(488 760)
Prepaid Waste Fees	<u>1 279</u>
Net Cash Provided (Used) by Operating Activities	<u>(31 200)</u>
Cash Flows From Noncapital Financing Activities:	
Operating Transfers In (Out)	90 784
Interfund Activity	<u>17 020</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>107 804</u>
Cash Flows From Capital and Related Financing Activities:	
Debt Principal and Interest Paid	<u>(76 604)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	
Cash and Cash Equivalents - Beginning Year	<u>                    </u>
Cash and Cash Equivalents - End of Year	<u><u>\$                    </u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (93 492)
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	83 400
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Customers and Waste Fees	(7 743)
Increase (Decrease) in Accounts Payable and Accruals - Customer's	(20 377)
Increase (Decrease) in Compensated Absences	790
Increase (Decrease) in Deferred Revenue	1 279
Increase (Decrease) in Post Employment Liability	<u>4 943</u>
Total Adjustments	<u>62 292</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (31 200)</u>

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

SWAIN COUNTY, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Swain County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes, which are billed during this period, are shown as a receivable on these financial statements.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. All governmental and business-type activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board of Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.



The County has implemented GASB Statement No. 33 Accounting and Financial Reporting for Nonexchange 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 (if any).

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, 2010 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, 2010, the County did not have any purchase orders outstanding.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments:

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

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

2. Cash and Cash Equivalents:

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

3. Restricted Assets:

The County is depositing \$77 390 annually into a sinking fund held with the Bank of America for the future pay off of \$1 500 000 of N.C. Qualified Zone Academy Bonds. The amount of restricted General Fund assets of \$242 063 is the balance in the sinking fund at June 30, 2010. Permanent Fund restricted cash of \$12,800,000 represents the nonexpendable portion of the Swain Settlement funds.

4. Ad Valorem Taxes Receivable:

In accordance with State law [G.S. 105-347 and G.S. 159-131(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009. As allowed by State Law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts:

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Capital Assets:

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

The County holds title to certain Swain County Board of Education properties, which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing for acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as fixed assets in the financial statements of the Swain County Board of Education.

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

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

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

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

7. Long-Term Obligations:

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

In fund financial statements for governmental fund types, the face of debt issued is reported as 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, 2010 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 statute** - 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 and capital outlay.

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$2 265 073 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement governmental activities column)	\$25 786 521
Less Accumulated Depreciation	5 919 196
Net Capital Assets	<u>19 867 325</u>
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.	24 890
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide - net ad valorem taxes.	288 494
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	(6 322 392)
Mortgages and Loans	(10 962 714)
Compensated Absences	(367 121)
Pension Obligation	(76 086)
OPEB Obligation	(187 323)
Total adjustment	<u>\$ 2 265 073</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$490 679 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 460 968
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities but not in the fund statements.	(732 698)
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.	67 337
Increase in accrued interest on taxes	2 372
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.	866 406
Law Enforcement Separation Allowance expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements.	(9 579)
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.	(45 566)
Post employment health costs are accrued in the government-wide statements, but not in the fund statement.	(93 918)
Gain on Disposal of Fixed Assets is recorded in the government wide statements only.	4 605
Revenues recognized in the funds statements but not in the statement of activities-Sale of Fixed Assets.	<u>(4 605)</u>
Total Adjustment	<u>\$ 490 679</u>

III. Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Appropriations

Expenditures over budgeted amounts were noted in the following Departments:

<u>General Fund</u>	<u>Over Budget</u>
Debt Service	\$ 24 851
Coroner	400
Total	<u>\$ 25 251</u>
<u>Property Revaluation</u>	
Transfers Out	<u>\$ 3</u>

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

B. Accumulated Deficit of Individual Funds

The Solid Waste fund had a unrestricted deficit of \$354 225 at June 30, 2010. The Enterprise Fund will fund this deficit in future years.

IV. Detail Notes On All Funds and Account Groups

A. Assets

1. Deposits:

All of the County's and Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's or the Authority's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Authority these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Authority under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County and Authority have no policy regarding outstanding risk for deposits.

At June 30, 2010, the County's deposits had a carrying amount of \$15 911 968 and a bank balance of \$16 072 461. Of the bank balance \$750 000 was covered by federal depository insurance and \$15 322 461 was covered by collateral held under the Pooling Method.

At June 30, 2010 the carrying amount of deposits for Swain County Tourist Development Authority was \$109 969 and the bank balance was \$192 078. All of the bank balance was covered by federal depository insurance.

2. Investments:

At June 30, 2010, Swain County had \$1 957 186 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Pools. The County has no policy regarding credit risk.



3. Receivables - Net of Allowances for Doubtful Accounts:  
 Receivables at June 30, 2010, were as follows at the government-wide level:

	<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General, Schools Capital Reserve and Capital Projects	\$ 983 293	\$	\$ 691 585	\$ 69 140	\$1 744 018
Other Governmental	195 109	_____	_____	_____	195 109
Total Receivables	<u>1 178 402</u>	_____	<u>691 585</u>	<u>69 140</u>	<u>1 939 127</u>
Allowance for doubtful accounts			<u>403 091</u>	<u>44 250</u>	<u>447 341</u>
Total-governmental activities	<u>\$1 178 402</u>	<u>\$</u>	<u>\$ 288 494</u>	<u>\$ 24 890</u>	<u>\$1 491 786</u>
<b>Business-type Activities:</b>					
Solid Waste	\$ 4 796	\$ 137 915	\$	\$	\$ 142 711
Allowance for doubtful accounts		<u>93 093</u>	_____	_____	<u>93 093</u>
Total business-type activities	<u>\$ 4 796</u>	<u>\$ 44 822</u>	_____	<u>\$</u>	<u>\$ 49 618</u>

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

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

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

<u>Year</u>	<u>Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2007		\$57 662	\$3 460	\$61 122
2008		53 735	2 149	55 884
2009		52 112	1 042	53 154

5. Capital Assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

1. Primary Government:	<u>Beginning</u>		<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balance</u>				<u>Balance</u>
<b>Governmental activities:</b>					
Capital Assets not being depreciated:					
Land	\$ 4 472 209		\$ 132 342	\$	\$ 4 604 551
Capital Assets being depreciated:					
Buildings	17 256 033				17 256 033
Equipment	1 985 728		312 626		2 298 354
Vehicles	1 642 583		16 000	31 000	1 627 583
Total capital assets being depreciated	<u>20 884 344</u>		<u>328 626</u>	<u>31 000</u>	<u>21 181 970</u>
Less accumulated depreciation for:					
Buildings	2 803 839		430 288		3 234 127
Equipment	1 228 247		164 230		1 392 477
Vehicles	1 185 412		138 180	31 000	1 292 592
Total accumulated depreciation	<u>5 217 498</u>		<u>732 698</u>	<u>31 000</u>	<u>5 919 196</u>
Total Capital Assets, being Depreciated, net	<u>15 666 846</u>		<u>(404 072)</u>		<u>15 262 774</u>
Governmental Capital Assets, net	<u>\$20 139 055</u>		<u>\$ (271 730)</u>	<u>\$</u>	<u>\$19 867 325</u>

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

Governmental activities:	
General government	\$116 766
Public safety	346 624
Economic and physical development	63 149
Environmental protection	1 165
Human services	136 275
Culture and recreation	<u>68 719</u>
Total depreciation expense - government activities	<u>\$732 698</u>
Business-type activities:	
Solid Waste	<u>\$ 83 400</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Vehicles	\$ 784 966	\$	\$	\$ 784 966
Equipment	396 874			396 874
Buildings	607 030			607 030
Total capital assets, being depreciated	<u>\$1 788 870</u>	<u>\$</u>	<u>\$</u>	<u>\$1 788 870</u>
Less accumulated depreciation for:				
Vehicles	574 867	58 878		633 745
Equipment	358 258	6 349		364 607
Buildings	216 663	18 173		234 836
Total Accumulation Depreciation	<u>1 149 788</u>	<u>83 400</u>		<u>1 233 188</u>
Total capital assets, being depreciated, net	<u>639 082</u>	<u>(83 400)</u>		<u>555 682</u>
Proprietary Capital Assets, net	<u>\$ 639 082</u>	<u>\$ (83 400)</u>	<u>\$</u>	<u>\$ 555 682</u>

**Discretely presented component unit:**

Capital asset activity for Swain County Tourist Development  
Authority for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Office Equipment	\$ 20 279	\$	\$	\$ 20 279
Total capital assets being depreciated	<u>20 279</u>			<u>20 279</u>
Less accumulated depreciation:				
Office Equipment	5 643	3 269		8 912
Total accumulated depreciation	<u>5 643</u>	<u>3 269</u>		<u>8 912</u>
Total capital assets being depreciated (net)	<u>14 636</u>	<u>(3 269)</u>		<u>11 367</u>
Governmental activities				
Capital Assets, net	<u>\$ 14 636</u>	<u>\$ (3 269)</u>	<u>\$</u>	<u>\$ 11 367</u>

B. Liabilities

1. Payables

Payables at June 30, 2010 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Insurance</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$174 557	\$173 648	\$ 266 549	\$ 63 789	\$ 678 543
Other Governmental		1 327			1 327
Total Governmental activities	<u>\$174 557</u>	<u>\$174 975</u>	<u>\$ 266 549</u>	<u>\$ 63 789</u>	<u>\$ 679 870</u>
Business-type activities:					
Solid Waste	<u>\$ 8 898</u>	<u>\$ 6 001</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 14 899</u>

2. Unearned/Deferred Revenues - The balance in deferred revenues in the fund financial statements and unearned revenue in the government-wide financial statements at June 30, 2010 is composed of the following elements:

Governmental Activities:	<u>Deferred</u>	<u>Unearned</u>	Business Type Activities:	<u>Deferred</u>	<u>Unearned</u>
Taxes receivable (Net)	\$ 288 494	\$ _____	Prepaid Taxes not yet earned	<u>\$ 3 302</u>	<u>\$ 3 302</u>
Prepaid taxes not yet earned	17 029	17 029			
Payment in Lieu of Taxes Paid in Advance	<u>575 500</u>	<u>575 500</u>			
Total	<u>\$ 881 023</u>	<u>\$ 592 529</u>			

3. Pension Plan Obligations

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

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

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.93% 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, 2010 and 2009 were \$261 768 and \$262 581, 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, 2009, the Separation Allowance's membership consisted of:

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

(2) Summary of Significant Accounting Policies

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

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

The annual required contribution for the current year was determined as part of the December 31, 2009 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	\$ 8 947
Interest on net pension obligation	4 822
Adjustment to annual required contribution	<u>(4 190)</u>
Annual pension cost	\$ 9 579
Contributions made for fiscal year ended 6-30-10	<u>- 0 -</u>
Increase (decrease) in net pension obligation	9 579
Net pension obligation beginning of year	<u>66 507</u>
Net pension obligation end of year	<u>\$76 086</u>

3 YEAR TREND INFORMATION

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APOC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 9 579	0%	\$76 086
6/30/09	6 918	0%	66 507
6/30/08	8 311	0%	59 589

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, 2010 were \$24 096, which consisted of \$24 096 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, 2010, the County's required and actual contributions were \$2 310.

- f. Other Employment Benefits - The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State administered cost-sharing plan funded on a one year-term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who died within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25 000 not exceed \$50 000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.
- g. Other Post-Employment Benefits - Plan Description - In addition to providing pension benefits, Swain County, has elected to provide health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 10 to 30 years of continuous service with the County, depending on date of hire. Retirees are eligible to receive the same benefits as active County employees. The County pays the costs of coverage for these benefits as incurred on a pay as you go basis. Also, retirees can purchase coverage for their dependents at the County's group rates.

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

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

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

The current ARC rate is 1.90% of annual covered payroll. For the current year, the county contributed \$8 658 or .2% of annual covered payroll. The County's medical coverage is self insured, which is administered by an outside provider. There were no contributions made by employees, except for dependant coverage for retirees in the amount of \$3 268.

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

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

Annual required contribution	\$ 98 321
Interest on net OPEB obligation	3 933
Adjustment to annual required contribution	<u>(3 393)</u>
Annual OPEB cost	98 861
Contributions made for 6-30-10	<u>-0-</u>
Increase in net OPEB obligation	98 861
Net OPEB liability, beginning of year	<u>98 321</u>
Net OPEB liability, end of year	<u>\$ 197 182</u>

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

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

As of 12-31-09, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$723 182. The covered payroll (annual payroll of active employees covered by the plan) was \$5 245 350. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about

future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

4. Risk Management - The County is exposed to various risks of losses related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million, for any one occurrence, The County also purchases general, auto, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, worker's compensation coverage up to the statutory limits, and medical and dental insurance for county employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon



request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500 000 up to a \$2 million limit for liability coverage, \$600 000 of aggregate annual losses in excess of \$50 000 per occurrence and an for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for worker's compensation. For medical and dental insurance, the County is reinsured through the Pool for individual losses in excess of \$50 000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100 000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and claims have not exceeded coverage in any of the past three fiscal years. The County does not carry flood insurance.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The finance officer, sheriff, register of deeds and tax collector are each individually bonded for \$50 000 each. The County Manager is bonded for \$500 000.

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority has property and general liability insurance. The coverage amounts are \$5,000 for business personal property and \$2,000,000 for liability and medical expenses.

5. Long-Term Obligations:

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

School - 2005 Refunding    2.0 to 3.5%    \$3 105 000

- b. Installment Purchases - Installment contracts for the purchase of equipment are treated as purchases at the inception of the contract and are carried in the General Fund. Enterprise obligations are carried in the Solid Waste Fund. The County had the following installment purchase contracts at June 30, 2010:

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

- c. Qualified Zone Academy Bond - As authorized by State law (G.S.160A-20), the County financed the renovation of Swain County High School for use by Swain County Board of Education during the fiscal year ended June 30, 2007 by installment purchase designated as a Qualified Zone Academy Bond. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Swain County Board of Education. The lease contains an option to purchase at the termination of the financing agreement. The lease term is the same as that of the installment purchase obligation. The transaction requires 16 annual payments of \$77 930 to a sinking fund with Bank of America. The sinking fund yields a projected investment return of 5.36%. The principal amount of the installment purchase is \$1 500 000 at zero interest. The payments began July, 2007. If investment earnings do not result as projected, the County will pay the required amount for the total funds to equal \$1 500 000 on July 15, 2023.
- d. Mortgages - Health Department Building - The mortgage is for 15 years at an interest rate of 4.83% with monthly payments of \$1 241.  
 Social Services Building - The mortgage is for 15 years at an interest rate of 3.81% with annual principal payments of \$51 816 plus interest.  
 Social Services Building Addition - The mortgage is for 15 years at an interest rate of 3.53% with annual principal payments of \$73 333 plus interest.  
 Tourist Development Authority Building - The mortgage is for 15 years at an interest rate of 4.20% with annual principal payments of \$41 333 plus interest.
- e. Changes in Long-Term Obligations - The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

Governmental Activity:	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Current Portion
General Obligation Bonds:					
Refunding Bonds-Schools	\$ 3 450 000	\$	\$ 345 000	\$ 3 105 000	\$ 350 000
Installment Purchase	3 623 371		233 480	3 389 891	214 685
Mortgages and Loans	11 250 640		287 926	10 962 714	292 871
Compensated Absences	321 555	45 566		367 121	367 121
Unfunded Pension Cost	66 507	9 579		76 086	
Unfunded OPEB Cost	93 405	93 918		187 323	
Subtotal	18 805 478	149 063	866 406	18 088 135	1 224 677
Less Deferred Amount on Refunding Bonds	197 142		24 643	172 499	
Totals	<u>\$18 608 336</u>	<u>\$ 149 063</u>	<u>\$ 841 763</u>	<u>\$ 17 915 636</u>	<u>\$ 1 224 677</u>
Business Type Activity:					
Capitalized Leases	\$ 325 830	\$	\$ 64 958	\$ 260 872	\$ 67 311
Compensated Absences	25 941	790		26 731	26 731
Unfunded OPEB Cost	4 916	4 943		9 859	
Totals	<u>\$ 356 687</u>	<u>\$ 5 733</u>	<u>\$ 64 958</u>	<u>\$ 297 462</u>	<u>\$ 94 042</u>

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

Year	Governmental Activity						Business Type Activity		Total Debt Due	
	School Bonds		Installment Obligations		Mortgage and Loans		Installment Obligation		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2011	\$ 350 000	\$ 100 010	\$ 214 685	\$ 79 517	\$ 292 871	\$ 445 408	\$ 67 311	\$ 9 218	\$ 924 867	\$ 634 153
2012	360 000	89 510	217 920	70 615	298 026	433 813	45 010	7 479	920 956	601 417
2013	375 000	78 710	207 600	61 586	303 399	422 001	46 751	5 738	932 750	568 035
2014	380 000	66 523	183 018	53 040	308 999	409 961	48 560	3 929	920 577	533 453
2015	395 000	54 172	133 333	45 333	303 482	373 286	26 117	2 050	857 932	474 841
2016-2020	1 245 000	85 230	666 667	141 667	1 583 600	1 821 569	27 123	1 044	3 522 390	2 049 510
2021-2025			1 766 668	17 000	1 302 996	1 509 261			3 069 664	1 526 261
2026-2030					1 095 946	1 269 704			1 095 946	1 269 704
2031-2035					1 341 740	1 023 910			1 341 740	1 023 910
2036-2040					1 642 660	722 990			1 642 660	722 990
2041-2045					2 011 069	354 581			2 011 069	354 581
2046-2050					477 926	19 732			477 926	19 732
	<u>\$3 105 000</u>	<u>\$ 474 155</u>	<u>\$3 389 891</u>	<u>\$468 758</u>	<u>\$10 962 714</u>	<u>\$8 806 216</u>	<u>\$ 260 872</u>	<u>\$ 29 458</u>	<u>\$17 718 477</u>	<u>\$ 9 778 587</u>

At June 30, 2010 Swain County had a legal debt margin of \$93 482 347.

g. Commitments:

The County has one active construction project as of June 30, 2010. At year end, the County's commitments with contracts are as follows:

Contractor	Spent to date	Remaining Commitment
Buckeye Contractors	\$ 1 005 022	\$ 86 409

h. Interfund Balances and Activity:

1. Interfund receivables and payables at June 30, 2010 are composed as follows:

	Receivables	Payables
General Fund	\$ 581 712	
School Capital Reserve	11 827	
Other Governmental Funds		244 487
Enterprise Fund		349 052
Total Interfund receivables and payables	<u>\$ 593 539</u>	<u>\$ 593 539</u>

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

2. Interfund receivables and payables at June 30, 2010 for primary government and component unit are composed as follows:

Component Unit - Receivable From Primary Government	\$25 593	\$
Primary Government - Payable to Component Unit		25 593
Total Interfund receivables and payables	<u>\$25 593</u>	<u>\$25 593</u>

3. Interfund transfers at June 30, 2010 are as follows:

<u>Transfers From</u>		<u>Transfers To</u>	
School Capital Reserve	\$1 084 428	General	\$1 241 225
Other Governmental Funds	<u>247 581</u>	Enterprise	<u>90 784</u>
Total	<u>\$1 332 009</u>	Total	<u>\$1 332 009</u>

Transfers are used for various reasons. In the year ended June 30, 2010 transfers were used to:

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

4. Contingent Liabilities at June 30, 2010 are as follows:

The County was a defendant to several lawsuits at June 30, 2010. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material effect on the County's financial position.

5. Subsequent Events:

Subsequent events have been evaluated through September 1, 2010, which is the date the financial statements were available to be issued.

V. Extraordinary Item-Swain County Settlement with U.S. Department of the Interior

The United States Department of Interior has made a monetary settlement of its obligation under a 1943 agreement with Swain County. The Permanent Fund, which is a nonexpendable trust fund, has been established to receive the proceeds from the U. S. Government. Interest earned on the principal is unrestricted. No portion of the principal balance can be disbursed without a two thirds approval of the registered voters of Swain County.

VI. 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.

VII. 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, 2010. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$189 000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices in Bryson City, N.C.

The County, in conjunction with the State of North Carolina and the Swain County Board of Education, participates in a joint venture to operate the Southwest Tech Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$125 000 to the community college during the fiscal year ended June 30, 2010. 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, 2010. 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, 2010. Swain County contributed \$74 112 to the Board during the fiscal year ended June 30, 2010. 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, 2010.

VIII. 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 \$63 549 to the Commission during the fiscal year ended June 30, 2010.

IX. 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, 2010, 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.

X. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
IV-E Foster Care	\$ 8 544	\$ (646)
SC/SA Domiciliary Care		88 647
TANF	82 249	(72)
Medicaid	16 644 460	5 123 901
Medicaid (ARRA)	14 651	(13 558)
Foster Care		197 332
Low Income Energy Assistance	157 111	
WIC	238 225	
IV-E Adopt Subsidy	42 428	29 748
Independent Living-Links	<u>1 050</u>	
Total	<u>\$17 188 718</u>	<u>\$5 425 352</u>

XI. 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

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability (AAL) -</u> <u>Projected Unit</u> <u>Credit</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a : b)</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a %</u> <u>of Covered</u> <u>Payroll</u> <u>(b - a : c)</u>
12/31/04	-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%
12/31/08	-0-	55 251	55 251	0%	526 599	10.49%
12/31/09	-0-	47 093	47 093	0%	507 468	9.28%

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

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2010	\$ 9 579	0%
2009	6 364	0%
2008	7 774	0%

Notes to the Required Schedules:

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

Valuation Date	12/31/09
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	22 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  
OTHER POST - EMPLOYMENT BENEFITS (OPEB)  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

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

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

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

Notes to the Required Schedules:

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

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

Actuarial Assumptions:

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

SWAIN COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Revenues:				
Ad Valorem Taxes:				
Current Year	\$4 445 070	\$4 223 139	\$(221 931)	\$4 186 971
Prior Year	142 418	245 357	102 939	174 387
Penalties and Interest	100 000	83 487	(16 513)	65 052
Total	<u>4 687 488</u>	<u>4 551 983</u>	<u>(135 505)</u>	<u>4 426 410</u>
Local Option Sales Taxes:				
1 Cent Sales Tax	900 000	992 958	92 958	1 079 372
½ Cent Sales Tax	840 000	780 257	(59 743)	1 148 723
Medicaid Hold Harmless	98 658	24 551	(74 107)	120 382
Total	<u>1 838 658</u>	<u>1 797 766</u>	<u>(40 892)</u>	<u>2 348 477</u>
Other Taxes and Licenses:				
Room Occupancy Tax	403 000	329 922	(73 078)	320 184
Marriage Licenses	9 500	10 290	790	10 620
Total	<u>412 500</u>	<u>340 212</u>	<u>(72 288)</u>	<u>330 804</u>
Unrestricted Intergovern- mental Revenues:				
ABC Revenue	5 000	5 777	777	5 522
Payments in Lieu of Taxes	1 238 691	1 231 161	(7 530)	1 057 368
Satellite Video Tax	30 000	40 007	10 007	40 355
Total	<u>1 273 691</u>	<u>1 276 945</u>	<u>3 254</u>	<u>1 103 245</u>
Restricted Intergovern- mental Revenues:				
State and Federal Grants (Exhibit H)	4 479 960	3 350 834	(1 129 126)	3 087 080
Court Facility Fees	30 400	28 937	(1 463)	37 811
Indirect Cost		532 311	532 311	325 290
Total	<u>4 510 360</u>	<u>3 912 082</u>	<u>(598 278)</u>	<u>3 450 181</u>
Permits and Fees:				
Inspection Fees	70 000	52 151	(17 849)	68 046
Register of Deeds	165 000	132 107	(32 893)	150 486
Safe Driving	3 000	3 615	615	3 519
Total	<u>238 000</u>	<u>187 873</u>	<u>(50 127)</u>	<u>222 051</u>

Revenues - Continued:	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
<b>Sales and Service:</b>				
Tag Office	\$ 44 000	\$ 42 747	\$ (1 253)	\$ 46 068
Officers Fees	15 000	18 350	3 350	18 318
Jail Fees	508 500	495 515	(12 985)	160 605
Ambulance Fees	560 000	530 148	(29 852)	632 852
Recreation Department	92 000	90 231	(1 769)	85 031
Town Contribution - Recreation	21 000	21 000		21 000
Town Contribution - Fire Marshall	17 000	17 000		17 000
Town Dispatcher & PIN	28 700	28 700		28 700
Building Lease	156 900	146 750	(10 150)	165 065
Social Services Fees				21 448
Chamber Salary				
Reimbursement	104 612	81 047	(23 565)	38 347
Sheriff Revenues	73 690	78 495	4 805	71 981
Health Dept. Fees and Reimbursements	987 730	951 301	(36 429)	966 392
Total	<u>2 609 132</u>	<u>2 501 284</u>	<u>(107 848)</u>	<u>2 272 807</u>
<b>Investment Earnings:</b>				
Interest Earned	15 000	13 135	(1 865)	48 227
<b>Miscellaneous:</b>				
Sales of Fixed Assets	7 000	4 605	(2 395)	1 001
Insurance Refunds		50 370	50 370	
Other	66 772	97 801	31 029	69 352
Total	<u>73 772</u>	<u>152 776</u>	<u>79 004</u>	<u>70 353</u>
Total Revenues	<u>15 658 601</u>	<u>14 734 056</u>	<u>(924 545)</u>	<u>14 272 555</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing Body:				
Salaries and Employees				
Benefits		52 942		55 063
Operating Expenditures		10 576		6 959
Travel		17 103		17 753
Total	<u>86 733</u>	<u>80 621</u>	<u>6 112</u>	<u>79 775</u>
<b>Administration:</b>				
Salaries and Employees				
Benefits		196 116		197 210
Operating Expenditures		27 944		88 792
Workers' Comp. Insurance		35 988		49 024
Capital Outlay		132 342		916 300
Legal Services		40 646		51 161
Total	<u>479 331</u>	<u>433 036</u>	<u>46 295</u>	<u>1 302 487</u>

Expenditures - Continued:	2010		Variance Favorable Unfavorable)	2009 Actual
	Budget	Actual		
Elections:				
Salaries and Employee				
Benefits	\$	\$ 94 565	\$	\$ 96 228
Operating Expenditures		48 624		40 280
Capital Outlay		3 519		
Total	<u>163 822</u>	<u>146 708</u>	<u>17 114</u>	<u>136 508</u>
Finance:				
Salaries and Employee				
Benefits		113 497		117 211
Operating Expenditures		26 632		42 707
Professional Services		59 878		55 490
Total	<u>208 341</u>	<u>200 007</u>	<u>8 334</u>	<u>215 408</u>
Tax and Mapping:				
Salaries and Employee				
Benefits		303 409		335 163
Operating Expenditures		116 843		193 109
Total	<u>464 991</u>	<u>420 252</u>	<u>44 739</u>	<u>528 272</u>
Register of Deeds:				
Salaries and Employee				
Benefits		99 159		112 675
Operating Expenditures		76 330		79 158
Recording Fees		33 600		35 090
Total	<u>247 868</u>	<u>209 089</u>	<u>38 779</u>	<u>226 923</u>
Public Buildings:				
Salaries and Employee				
Benefits		313 616		314 410
Maintenance & Repairs		38 241		46 312
Utilities & Fuel		46 586		40 854
Other Operating Expenditures		58 079		66 481
Insurance		11 540		11 157
Capital Outlay		21 857		
Total	<u>523 159</u>	<u>489 919</u>	<u>33 240</u>	<u>479 214</u>
Court Facilities:				
Operating Expenditures	<u>33 200</u>	<u>24 886</u>	<u>8 314</u>	<u>22 142</u>
Data Processing:				
Salaries and Employee				
Benefits		50 018		54 870
Operating Expenditures		24 154		32 431
Capital Outlay		18 894		13 432
Total	<u>106 484</u>	<u>93 066</u>	<u>13 418</u>	<u>100 733</u>
Special Appropriations:				
Various Grant Expenditures	<u>261 659</u>	<u>13 357</u>	<u>248 302</u>	<u>13 016</u>
Total General				
Government	<u>2 575 588</u>	<u>2 110 941</u>	<u>464 647</u>	<u>3 104 478</u>

Expenditures - Continued:	2010		Variance Favorable Unfavorable)	2009 Actual
	Budget	Actual		
Public Safety:				
Sheriff				
Salaries and Employee				
Benefits	\$	\$ 743 153	\$	\$ 754 823
Operating Expenditures		303 844		466 410
Capital Outlay				105 213
Total	<u>1 057 272</u>	<u>1 046 997</u>	<u>10 275</u>	<u>1 326 446</u>
Jail:				
Salaries and Employee				
Benefits		592 630		748 198
Operating Expenditures		153 668		212 328
Food		147 968		126 402
Medical Expenditures		108 101		108 132
Total	<u>1 027 171</u>	<u>1 002 367</u>	<u>24 804</u>	<u>1 195 060</u>
Criminal Justice:				
Salaries and Employee				
Benefits				36
Operating Expenditures		1 214		5 831
Total	<u>2 500</u>	<u>1 214</u>	<u>1 286</u>	<u>5 867</u>
Emergency Management:				
Salaries and Employee				
Benefits		46 294		45 627
Operating Expenditures		7 686		11 523
Grant Expenditures		56 349		29 929
Total	<u>133 218</u>	<u>110 329</u>	<u>22 889</u>	<u>87 079</u>
Emergency Communications:				
Salaries and Employee				
Benefits		207 389		207 109
Operating Expenditures		32 480		16 086
Total	<u>248 660</u>	<u>239 869</u>	<u>8 791</u>	<u>223 195</u>
Fire Marshall:				
Salaries and Employee				
Benefits		41 503		41 234
Operating Expenditures		6 704		4 047
Total	<u>51 213</u>	<u>48 207</u>	<u>3 006</u>	<u>45 281</u>
Inspections:				
Salaries and Employee				
Benefits		111 075		139 667
Operating Expenditures		18 316		35 214
Total	<u>136 965</u>	<u>129 391</u>	<u>7 574</u>	<u>174 881</u>
Medical Examiner:				
Professional Services	<u>17 000</u>	<u>17 400</u>	<u>(400)</u>	<u>17 200</u>
Special Appropriations:				
Fire Departments		180 300		124 099
Rescue Squad		43 323		34 872
Task Force		933		275
Total	<u>279 000</u>	<u>224 556</u>	<u>54 444</u>	<u>159 246</u>
Total Public Safety	<u>2 952 999</u>	<u>2 820 330</u>	<u>132 669</u>	<u>3 234 255</u>

	2010		Variance Favorable Unfavorable)	2009 Actual
	Budget	Actual		
Expenditures - Continued:				
Environmental Protection:				
Soil and Water:				
Salaries and Employee				
Benefits	\$	\$ 69 212	\$	\$ 66 778
Operating Expenditures		12 653		16 401
Total Environmental Protection	86 679	81 865	4 814	83 179
Economic and Physical Development:				
Agriculture Extension:				
Salaries and Employee				
Benefits		139 286		145 854
Operating Expenditures		57 373		30 182
Total	223 802	196 659	27 143	176 036
Community Development:				
SW Commission - CBA		75 041		66 653
SW Commission - CBA Match				2 620
JCPC		276		1 461
Total	80 675	75 317	5 358	70 734
Economic Development:				
Salaries and Employee				
Benefits		41 165		41 392
Operating Expenditures		6 338		13 720
Contract Services		35 106		37 184
Swain Tourist Authority		319 629		310 579
Total	487 112	402 238	84 874	402 875
Chamber of Commerce:				
Salaries and Employee				
Benefits	94 613	89 314	5 299	86 867
Total Economic and Physical Development	886 202	763 528	122 674	736 512
Human Services:				
Social Services:				
Administration:				
Salaries and Employee				
Benefits		1 639 898		1 658 664
Operating Expenditures		823 070		620 146
Travel		2 850		10 480
Capital Outlay				53 180
Total	2 906 222	2 465 818	440 404	2 342 470

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Expenditures - Continued:				
Programs:				
TANF	\$	\$ 132 549	\$	\$ 105 830
Foster Care		247 703		82 679
Special Assistance		89 055		104 071
Medicaid - County				411 022
Crisis Intervention		58 794		62 710
Commodities Food		46 079		29 696
Total	<u>1 035 117</u>	<u>574 180</u>	<u>460 937</u>	<u>796 008</u>
Total Social Services	<u>3 941 339</u>	<u>3 039 998</u>	<u>901 341</u>	<u>3 138 478</u>
Emergency Medical Services				
Salaries and Employee				
Benefits		743 595		719 190
Operating Expenditures		126 237		148 284
Capital Outlay				100 961
Total Emergency Medical Services	<u>880 880</u>	<u>869 832</u>	<u>11 048</u>	<u>968 435</u>
Veterans Service Officer:				
Salaries and Employee				
Benefits	<u>5 743</u>	<u>4 874</u>	<u>869</u>	<u>4 830</u>
Health Department:				
General:				
Salaries and Employee				
Benefits		53 699		60 050
Other Operating Expenditures		80 271		107 474
Total	<u>223 396</u>	<u>133 970</u>	<u>89 426</u>	<u>167 524</u>
Breast and Cervical Cancer:				
Salaries and Employee				
Benefits		18 564		29 014
Other Operating Expenditures		17 370		15 934
Total	<u>42 422</u>	<u>35 934</u>	<u>6 488</u>	<u>44 948</u>
Wisewomen:				
Salaries and Employee				
Benefits		9 397		13 135
Other Operating Expenditures		1 373		1 780
Total	<u>12 985</u>	<u>10 770</u>	<u>2 215</u>	<u>14 915</u>



Expenditures - Continued:	2010		Variance Favorable Unfavorable)	2009 Actual
	Budget	Actual		
Child Services Coordination:				
Salaries and Employee				
Benefits	\$	\$ 17 591	\$	\$ 16 866
Other Operating Expenditures		1 697		1 299
Total	27 918	19 288	8 630	18 165
Adult Health:				
Salaries and Employee				
Benefits		94 196		112 323
Other Operating Expenditures		40 978		36 191
Total	180 500	135 174	45 326	148 514
Immunization:				
Salaries and Employee				
Benefits		743		4 878
Other Operating Expenditures		85		153
Total	17 938	828	17 110	5 031
Health Promotion:				
Salaries and Employee				
Benefits		24 334		27 436
Other Operating Expenditures		8 492		2 918
Total	60 351	32 826	27 525	30 354
Environmental Health:				
Salaries and Employee				
Benefits		96 423		139 933
Other Operating Expenditures		11 309		11 306
Total	176 000	107 732	68 268	151 239
Maternal Health:				
Salaries and Employee				
Benefits		1 518		1 000
Other Operating Expenditures		2 112		2 588
Total	4 750	3 630	1 120	3 588
Child Health:				
Salaries and Employee				
Benefits		37 742		33 419
Other Operating Expenditures		3 360		2 843
Total	45 275	41 102	4 173	36 262
Well Program:				
Salaries and Employee				
Benefits		20 710		35 357
Other Operating Expenditures		4 740		9 202
Total	65 000	25 450	39 550	44 559

Expenditures - Continued:	2010		Variance Favorable Unfavorable)	2009 Actual
	Budget	Actual		
<b>HIPAA:</b>				
Salaries and Employee Benefits	\$	\$ 4 225	\$	\$ 232
Other Operating Expenditures		2 678		5 578
Total	<u>25 000</u>	<u>6 903</u>	<u>18 097</u>	<u>5 810</u>
<b>MH PPHV:</b>				
Salaries and Employee Benefits	<u>2 300</u>		<u>2 300</u>	
<b>CH NBHV:</b>				
Salaries and Employee Benefits	<u>2 600</u>		<u>2 600</u>	
<b>WIC/Client Services and Administration:</b>				
Salaries and Employee Benefits		37 721		35 897
Other Operating Expenditures		5 211		5 541
Total	<u>44 800</u>	<u>42 932</u>	<u>1 868</u>	<u>41 438</u>
<b>WIC/Nutritional Education:</b>				
Salaries and Employee Benefits		14 383		307
Other Operating Expenditures				16 146
Total	<u>18 500</u>	<u>14 383</u>	<u>4 117</u>	<u>16 453</u>
<b>WIC/Breast Feeding Promotion:</b>				
Salaries and Employee Benefits		10 429		10 231
Other Operating Expenditures				153
Total	<u>7 500</u>	<u>10 429</u>	<u>(2 929)</u>	<u>10 384</u>
<b>WIC/General Administration:</b>				
Salaries and Employee Benefits		4 895		153
Other Operating Expenditures				3 281
Total	<u>5 000</u>	<u>4 895</u>	<u>105</u>	<u>3 434</u>
<b>MCC:</b>				
Salaries and Employee Benefits		15 276		1 454
Other Operating Expenditures		998		18 675
Total	<u>24 500</u>	<u>16 274</u>	<u>8 226</u>	<u>20 129</u>

Expenditures - Continued:	2010		Variance Favorable Unfavorable)	2009 Actual
	Budget	Actual		
Health Check:				
Salaries and Employee				
Benefits	\$	\$ 2 822	\$	\$ 15 825
Other Operating Expenditures		545		1 046
Total	21 036	3 367	17 669	16 871
Food and Lodging:				
Salaries and Employee				
Benefits		56 294		40 481
Other Operating Expenditures		225		2 889
Total	30 750	56 519	(25 769)	43 370
Smart Start:				
Salaries and Employee				
Benefits		23 363		22 312
Other Operating Expenditures		4 327		4 510
Total	23 495	27 690	(4 195)	26 822
Family Planning:				
Salaries and Employee				
Benefits		66 738		83 745
Other Operating Expenditures		88 588		27 448
Total	88 775	155 326	(66 551)	111 193
Healthy Carolinians:				
Other Operating Expenditures	15 727	23 550	(7 823)	23 134
Communicable Diseases:				
Salaries and Employee				
Benefits		41 520		26 952
Other Operating Expenditures		113 742		4 094
Total	157 265	155 262	2 003	31 046
CAP Program:				
Salaries and Employee				
Benefits		635 495		626 346
Other Operating Expenditures		79 346		82 775
Total	717 500	714 841	2 659	709 121
Chore:				
Salaries and Employee				
Benefits		56 302		85 704
Other Operating Expenditures		10 410		7 105
Total	92 510	66 712	25 798	92 809
Total Health Department	2 133 793	1 845 787	288 006	1 817 113

Expenditures - Continued:	2010		Variance Favorable Unfavorable)	2009 Actual
	Budget	Actual		
Special Appropriations:				
Safe Program	\$	\$ 14 500	\$	\$ 14 500
Elderly Transportation		160 324		139 457
Smokey Mountain Mental Health		74 112		51 732
Other				4 200
Total	<u>253 508</u>	<u>248 936</u>	<u>4 572</u>	<u>209 889</u>
Total Human Services	<u>7 215 263</u>	<u>6 009 427</u>	<u>1 205 836</u>	<u>6 138 745</u>
Recreational:				
Recreation:				
Salaries and Employee				
Benefits		198 849		192 189
Operating Expenditures		87 499		130 194
Repairs & Maintenance		30 609		57 180
Capital Outlay		23 364		5 500
Total	<u>369 143</u>	<u>340 321</u>	<u>28 822</u>	<u>385 063</u>
Cultural:				
N.C. Forestry		31 272		43 057
Marianna Black Library		189 000		189 000
Total	<u>237 000</u>	<u>220 272</u>	<u>16 728</u>	<u>232 057</u>
Total Recreational and Cultural	<u>606 143</u>	<u>560 593</u>	<u>45 550</u>	<u>617 120</u>
Education:				
Swain County Board of				
Education:				
Current Expense	500 000	500 000		750 000
Capital Outlay	345 000	345 000		121 745
Forest Funds	55 000	50 433	4 567	55 533
Southwestern Community				
College	<u>125 000</u>	<u>125 000</u>		<u>125 000</u>
Total Education	<u>1 025 000</u>	<u>1 020 433</u>	<u>4 567</u>	<u>1 052 278</u>
Debt Service:				
Principal Retirement		866 406		825 666
Interest Expense		655 063		657 451
Total Debt Service	<u>1 496 618</u>	<u>1 521 469</u>	<u>(24 851)</u>	<u>1 483 117</u>
Total Expenditures	<u>16 844 492</u>	<u>14 888 586</u>	<u>1 955 906</u>	<u>16 449 684</u>
Revenues Over (Under)				
Expenditures	<u>(1 185 891)</u>	<u>(154 530)</u>	<u>1 031 361</u>	<u>(2 177 129)</u>

	2010		Variance	2009
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>Unfavorable)</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Transfers In (Out)	\$ 833 216	\$1 241 225	\$ 408 009	\$ 467 582
Financing Proceeds	<u>352 675</u>	<u>                    </u>	<u>(352 675)</u>	<u>250 961</u>
Total Other Financing Sources (Uses)	<u>1 185 891</u>	<u>1 241 225</u>	<u>55 334</u>	<u>718 543</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$</u>	1 086 695	<u>\$ 1 086 695</u>	(1 458 586)
Fund Balances:				
Beginning of Year		<u>2 801 716</u>		<u>4 260 302</u>
End of Year		<u>\$3 888 411</u>		<u>\$2 801 716</u>

<u>SWAIN COUNTY, NORTH CAROLINA</u> <u>SCHOOLS CAPITAL RESERVE FUND</u> <u>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE</u> <u>BUDGET AND ACTUAL</u> <u>FOR THE FISCAL YEAR ENDED JUNE 30, 2010</u> <u>WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009</u>				
	2010		Variance	2009
Revenues:	Budget	Actual	Favorable (Unfavorable)	Actual
Other Taxes and Licenses:				
1/2 Cent Sales Tax	\$ 640 000	\$ 524 408	\$(115 592)	\$ 654 465
Restricted Intergovernmental:				
Public School Building Capital Grant	485 000	250 343	(234 657)	184 678
Investment Earnings:				
Interest Earned	20 000	2 331	(17 669)	18 444
Total Revenues	1 145 000	777 082	(367 918)	857 587
Other Financing Sources (Uses):				
Transfer (To) From General Fund	(1 145 000)	(1 084 428)	60 572	(921 130)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$	(307 346)	\$(307 346)	(63 543)
Fund Balance - Beginning of Year		1 343 639		1 407 182
Fund Balance - End of Year		\$1 036 293		\$1 343 639

SWAIN COUNTY, NORTH CAROLINA  
PERMANENT FUND - SWAIN SETTLEMENT TRUST FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Revenues:				
Investment Earnings:				
Interest Earned	15 000	18 034	3 034	
Total Revenues	15 000	18 034	3 034	
Other Financing Sources (Uses):				
Transfer (To) From General Fund				
Future Capital Outlay	(12 815 000)		12 815 000	
Total Other Financing Sources (Uses)	(12 815 000)		12 815 000	
Extraordinary Item:				
Settlement - U.S. Department of the Interior	12 800 000	12 800 000		
Excess of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	\$	12 818 034	\$12 818 034	
Fund Balance - Beginning of Year				
Fund Balance - End of Year		\$12 818 034		\$

SWAIN COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010  
WITH COMPARATAIVE TOTALS FOR JUNE 30, 2009

	Special Revenue Funds					Combining Totals	
	Emergency Telephone	Capital Reserve	Family Preservation	CDBG	Governor's Island	2010	2009
<u>Assets</u>							
Cash and Cash Equivalents	\$ 83 481	\$ 238 398	\$ 34 234	\$ 17 537	\$ 32 933	\$ 406 583	\$ 802 630
Receivables, Net	4 719		11 016		179 374	195 109	217 762
Total Assets	<u>\$ 88 200</u>	<u>\$ 238 398</u>	<u>\$ 45 250</u>	<u>\$ 17 537</u>	<u>\$ 212 307</u>	<u>\$ 601 692</u>	<u>\$ 1 020 392</u>
<u>Liabilities and Fund Balances</u>							
<u>Liabilities:</u>							
Accounts Payable	\$	\$	\$	\$	\$	\$	\$ 4 347
Accrued Expenses	1 327					1 327	6 365
Due to Other Funds	5 731		8 912	17 537	212 307	244 487	110 235
Total Liabilities	<u>7 058</u>		<u>8 912</u>	<u>17 537</u>	<u>212 307</u>	<u>245 814</u>	<u>120 947</u>
<u>Fund Balance:</u>							
Reserved by State Statute	4 719		11 016		179 374	195 109	211 006
Unreserved	76 423	238 398	25 322		(179 374)	160 769	688 439
Total Fund Balance	<u>\$ 81 142</u>	<u>\$ 238 398</u>	<u>\$ 36 338</u>	<u>\$</u>	<u>\$</u>	<u>\$ 355 878</u>	<u>\$ 899 445</u>
Total Liabilities and Fund Balance	<u>\$ 88 200</u>	<u>\$ 238 398</u>	<u>\$ 45 250</u>	<u>\$ 17 537</u>	<u>\$ 212 307</u>	<u>\$ 601 692</u>	<u>\$ 1 020 392</u>



SWAIN COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						Combining Totals		
	Property Revaluation	Emergency Telephone	Capital Reserve	Family Preservation	CDBG	Governor's Island	Franklin Grove	2010	2009
<u>Revenues</u>									
Intergovernmental	\$			\$ 103 951	\$139 595	\$ 738 560	\$ 80 043	\$ 1 062 149	\$ 562 476
Charges for Services		261 861						261 861	283 686
Investment Earnings		1 170	1 870	110		520	100	3 770	11 058
Total Revenues		263 031	1 870	104 061	139 595	739 080	80 143	1 327 780	857 220
<u>Expenditures</u>									
Current:									
Economic Development					139 595	822 816	60 096	1 022 507	406 651
Human Services		494 301		106 958				601 259	329 659
Total Expenditures		494 301		106 958	139 595	822 816	60 096	1 623 766	736 310
Excess (Deficiency) of Revenues Over Expenditures		(231 270)	1 870	(2 897)		(83 736)	20 047	(295 986)	120 910
<u>Other Financing Sources (Uses):</u>									
Transfers In (Out)		(3)	(224 995)				(22 583)	(247 581)	(59 975)
Net Change in Fund Balances		(3)	(231 270)	(223 125)	(2 897)	(83 736)	(2 536)	(543 567)	60 935
Fund Balance - Beginning		3	312 412	461 523	39 235	83 736	2 536	899 445	838 510
Fund Balance -Ending	\$	\$ 81 142	\$ 238 398	\$ 36 338	\$	\$	\$	\$ 355 878	\$ 899 445

SWAIN COUNTY, NORTH CAROLINA  
PROPERTY REVALUATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Revenues:				
Investment Earnings:				
Interest Earned	\$ _____	\$ _____	\$ _____	\$ _____
Expenditures:				
Contracted Services	_____	_____	_____	_____
Revenues Over (Under) Expenditures	_____	_____	_____	_____
Other Financing Sources (Uses):				
Transfer (To) From General Fund	_____	(3)	(3)	_____
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ _____	\$ (3)	\$ (3)	\$ _____
Fund Balance - Beginning Year		_____ 3		_____ 3
Fund Balance - End of Year		\$ _____		\$ _____ 3

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, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2010</u>		Variance	2009
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Permits and Fees:				
Fees Charged	\$ 452 475	\$ 261 861	\$(190 614)	\$ 283 686
Investment Earnings:				
Interest Earned		1 170	1 170	4 738
Total Revenues	<u>452 475</u>	<u>263 031</u>	<u>(189 444)</u>	<u>288 424</u>
Expenditures:				
Salaries and Fringe Benefits		54 544		50 000
Operating Expenditures		190 805		110 570
Capital Outlay		<u>248 952</u>		<u>13 264</u>
Total Expenditures	<u>902 475</u>	<u>494 301</u>	<u>408 174</u>	<u>173 834</u>
Revenues Over (Under) Expenditures	<u>(450 000)</u>	<u>(231 270)</u>	<u>218 730</u>	<u>114 590</u>
Other Financing Sources (Uses):				
Transfer From Other Funds	<u>450 000</u>		<u>(450 000)</u>	
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$</u>	<u>(231 270)</u>	<u>\$(231 270)</u>	114 590
Fund Balance - Beginning of Year		<u>312 412</u>		<u>197 822</u>
Fund Balance - End of Year		<u>\$ 81 142</u>		<u>\$ 312 412</u>

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, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2010</u>		Variance	2009
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Investment Earnings:				
Interest Earned	\$ _____	\$ 1 870	\$ 1 870	\$ 4 653
Expenditures:				
Future Capital Outlay	_____	_____	_____	_____
Revenues Over Expenditures	_____	1 870	1 870	4 653
Other Financing Sources (Uses):				
Appropriated Fund Balance	575 000		(575 000)	
Transfer (to) From				
Other Funds	(575 000)	(224 995)	350 005	(59 975)
Total Other Financing Sources (Uses)	_____	(224 995)	(224 995)	(59 975)
Total Revenues and Other Sources (Uses) Over Expenditures	\$ _____	(223 125)	\$(223 125)	(55 322)
Fund Balance - Beginning of Year		461 523		516 845
Fund Balance - End of Year		\$ 238 398		\$461 523

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, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2010</u>		Variance	2009
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Restricted Intergovernmental:				
Family Preservation Grant	<u>\$250 000</u>	<u>\$103 951</u>	<u>\$(146 049)</u>	<u>\$155 825</u>
Investment Earnings:				
Interest Earned	<u>          </u>	<u>      110</u>	<u>      110</u>	<u>      426</u>
Total Revenues	<u>250 000</u>	<u>104 061</u>	<u>(145 939)</u>	<u>156 251</u>
Expenditures:				
Contract Labor		84 692		122 772
Travel		567		1 398
Communications and Telephone		10 199		5 515
Supplies		6 808		10 429
Flex Funds		<u>4 692</u>		<u>15 711</u>
Total Expenditures	<u>250 000</u>	<u>106 958</u>	<u>143 042</u>	<u>155 825</u>
Revenues Over (Under) Expenditures	<u>\$          </u>	<u>(2 897)</u>	<u>\$(2 897)</u>	<u>426</u>
Fund Balance - Beginning of Year		<u>39 235</u>		<u>38 809</u>
Fund Balance - End of Year		<u>\$ 36 338</u>		<u>\$ 39 235</u>

SWAIN COUNTY  
CDBG FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2010

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:					
Restricted Intergovernmental					
Revenues:					
Community Development					
Block Grant	\$400 000	\$260 405	\$139 595	\$400 000	\$ _____
Expenditures:					
Clearance	37 262	37 262		37 262	
Relocation Assistance	312 667	197 055	115 612	312 667	
Administration/Legal	40 171	26 088	14 083	40 171	
Repairs	9 900		9 900	9 900	
Total Expenditures	<u>400 000</u>	<u>260 405</u>	<u>139 595</u>	<u>400 000</u>	_____
Revenues Over (Under) Expenditures	<u>\$ _____</u>	_____	_____	_____	<u>\$ _____</u>
Fund Balance - Beginning of Year July 1		_____	_____	_____	
Fund Balance - End of Year, June 30		<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	

SWAIN COUNTY  
GOVERNOR'S ISLAND FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2010

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:					
Restricted Intergovernmental					
Revenues:					
Clean Water Grant	\$ 1 328 030	\$241 421	\$738 560	\$ 979 981	\$ (348 049)
Investment Earnings:					
Interest Earned		16 783	520	17 303	17 303
Miscellaneous:					
Contributions-Eastern Band of					
Cherokee Indians	<u>140 854</u>	<u>138 854</u>		<u>138 854</u>	<u>(2 000)</u>
Total Revenues	<u>1 468 884</u>	<u>397 058</u>	<u>739 080</u>	<u>1 136 138</u>	<u>(332 746)</u>
Expenditures:					
Acquisition	19 006				19 006
Construction	1 091 432	209 255	787 180	996 435	94 997
Administration	22 600	18 342	1 334	19 676	2 924
Engineering	131 400	85 725	34 302	120 027	11 373
Contingency	<u>204 446</u>				<u>204 446</u>
Total Expenditures	<u>1 468 884</u>	<u>313 322</u>	<u>822 816</u>	<u>1 136 138</u>	<u>332 746</u>
Revenues Over (Under) Expenditures	<u>\$</u>	<u>83 736</u>	<u>(83 736)</u>	<u>\$</u>	<u>\$</u>
Fund Balance - Beginning of Year					
July 1			<u>83 736</u>		
Fund Balance - End of Year,					
June 30			<u>\$</u>		

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, 2010

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total</u> <u>to Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:					
Restricted Intergovernmental					
Revenues:					
Clean Water Grant	\$ 445 000	\$361 552	\$ 80 043	\$441 595	\$ (3 405)
Investment Earnings:					
Interest Earned	<u>          </u>	<u>2 535</u>	<u>100</u>	<u>2 635</u>	<u>2 635</u>
Total Revenues	<u>445 000</u>	<u>364 087</u>	<u>80 143</u>	<u>444 230</u>	<u>(770)</u>
Expenditures:					
Acquisition	10 000	10 000		10 000	
Construction	372 300	352 092	19 433	371 525	775
Administration	<u>63 950</u>	<u>23 287</u>	<u>40 663</u>	<u>63 950</u>	<u>          </u>
Total Expenditures	<u>446 250</u>	<u>385 379</u>	<u>60 096</u>	<u>445 475</u>	<u>775</u>
Revenues Over (Under) Expenditures	<u>(1 250)</u>	<u>(21 292)</u>	<u>20 047</u>	<u>(1 245)</u>	<u>5</u>
Other Financing Sources (Uses):					
Transfer (To) From Other Funds	<u>1 250</u>	<u>23 828</u>	<u>(22 583)</u>	<u>1 245</u>	<u>(5)</u>
Revenues and Other Sources Over (Under) Expenditures	<u>\$          </u>	<u>2 536</u>	<u>(2 536)</u>	<u>\$          </u>	<u>\$          </u>
Fund Balance - Beginning of Year July 1			<u>2 536</u>		
Fund Balance - End of Year, June 30			<u>\$          </u>		



SWAIN COUNTY, NORTH CAROLINA  
ENTERPRISE FUND - SOLID WASTE  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance	2009
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Operating Revenue:				
Solid Waste Charges	\$ 35 000	\$ 58 610	\$ 23 610	\$ 59 465
Landfill Use Fee	763 619	653 637	(109 982)	638 898
Recycling	30 000	32 678	2 678	36 260
Scrap Tire Disposal Fees	15 423	15 215	(208)	15 067
White Goods Tax	55 320	4 152	(51 168)	4 591
Cardboard Fee	45 000	31 049	(13 951)	24 491
Disposal Tax		10 579	10 579	
Miscellaneous	100		(100)	447
Total Operating Revenue	944 462	805 920	(138 542)	779 219
Expenditures:				
Solid Waste Disposal:				
Salaries		262 836		283 754
Social Security		19 365		20 906
Group Insurance		46 200		46 200
Retirement		14 012		13 427
Telephone		1 423		1 779
Utilities		5 970		7 102
Insurance - Worker's Comp		15 000		15 000
Maintenance and Repairs		89 152		51 919
Supplies and Materials		11 114		13 006
Fuel		73 400		77 708
Contracted Service		1 182		8 556
Uniforms		5 731		7 145
Disposal		225 833		231 774
Insurance - Vehicles		20 000		20 000
Use Tax		18 866		13 301
Miscellaneous		195		4 957
Total Disposal	906 646	810 279	96 367	816 534

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, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Budgetary Appropriations:				
Capital Outlay	\$ 200 000	\$	\$ 200 000	\$ 129 304
Debt Principal and Interest	133 600	76 604	56 996	114 869
Total Budgetary Appropriations	333 600	76 604	256 996	244 173
Total Expenditures	1 240 246	886 883	353 363	1 060 707
Revenues Over (Under) Expenditures	(295 784)	(80 963)	214 821	(281 488)
Other Financing Sources (Uses):				
Financing Proceeds				170 000
Transfer (To) From Other Funds	295 784	90 784	(205 000)	104 047
Total Other Financing Sources (Uses)	295 784	90 784	(205 000)	274 047
Revenues and Other Sources Over (Under) Expenditures	\$	\$ 9 821	\$ 9 821	\$ (7 441)
RECONCILIATION OF MODIFIED ACCURAL BASIS TO FULL ACCURAL BASIS:				
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			\$ 9 821	
Add:				
Payment of Debt Principal			64 958	
Less:				
Depreciation		83 400		
Increase in Vacation Pay		790		
Increase in Post Employment Health Benefits		4 943	(89 133)	
Change in Net Assets (Exhibit 9)			\$ (14 354)	

SWAIN COUNTY, NORTH CAROLINA  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Fines and Forfeitures:				
<u>Assets</u>				
Cash	\$ _____	\$ 133 952	\$ 133 952	\$ _____
<u>Liabilities</u>				
Amount Due Swain County Board of Education	\$ _____	\$ 133 952	\$ 133 952	\$ _____
Motor Vehicle Taxes:				
<u>Assets</u>				
Cash	\$ _____	\$ 18 175	\$ 18 175	\$ _____
<u>Liabilities</u>				
Motor Vehicle Taxes Payable	\$ _____	\$ 18 175	\$ 18 175	\$ _____
3% Interest on Motor Vehicles:				
<u>Assets</u>				
Cash	\$ _____	\$ 2 843	\$ 2 843	\$ _____
<u>Liabilities</u>				
3% Interest on Motor Vehicles Payable	\$ _____	\$ 2 843	\$ 2 843	\$ _____

SWAIN COUNTY, NORTH CAROLINA  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Totals - All Agency Funds:				
<u>Assets</u>				
Cash	\$ _____	\$ 154 970	\$ 154 970	\$ _____
<u>Liabilities</u>				
Fines and Forfeitures	\$	\$ 133 952	\$ 133 952	\$
Motor Vehicle Taxes		18 175	18 175	
3% Interest on Motor Vehicle Taxes	_____	2 843	2 843	_____
Total Liabilities	\$ _____	\$ 154 970	\$ 154 970	\$ _____

SWAIN COUNTY, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2010

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2009</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2010</u>
2009-2010	\$	\$4 587 034	\$ 4 223 139	\$ 363 895
2008-2009	312 754		179 850	132 904
2007-2008	98 068		46 314	51 754
2006-2007	39 335		12 320	27 015
2005-2006	25 809		5 916	19 893
2004-2005	25 880		4 372	21 508
2003-2004	25 352		2 840	22 512
2002-2003	22 086		2 136	19 950
2001-2002	20 658		2 161	18 497
2000-2001	15 041		1 384	13 657
1999-2000	22 841		22 841	
Total	<u>\$ 607 824</u>	<u>\$4 587 034</u>	<u>\$ 4 503 273</u>	\$ 691 585
Less Allowance for Uncollectible Accounts				<u>403 091</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 288 494</u>

Reconciliation with Revenues:

Ad Valorem Taxes - Exhibit B	\$4 551 983	
Less Penalties and Interest Releases - Prior Years	<u>83 487</u>	\$ 4 468 496
Amount Written Off Per Statute of Limitations		<u>11 966</u>
		<u>22 811</u>
Total Collections and Credits		<u>\$ 4 503 273</u>

SWAIN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

JUNE 30, 2010

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Levy</u>	<u>Excluding Motor Vehicles</u>	<u>Motor Vehicles</u>
Original Levy	\$1 298 263 636	.33	\$ 4 284 270	\$ 4 284 270	\$
Vehicle Taxes	3 626 667	.33	11 968		11 968
Add Discoveries	101 229 697	.33	334 058	111 503	222 555
Less Releases	(13 109 697)	.33	(43 262)	(38 518)	(4 744)
 Total	<u>\$1 390 010 303</u>		4 587 034	4 357 255	229 779
Less Uncollected Taxes June 30, 2010			<u>363 895</u>	<u>308 563</u>	<u>55 332</u>
 Current Year's Taxes Collected			<u>\$ 4 223 139</u>	<u>\$ 4 048 692</u>	<u>\$ 174 447</u>
 Percent of Current Year's Taxes Collected			<u>92.07</u>	<u>92.92</u>	<u>75.92</u>

SWAIN COUNTY, NORTH CAROLINA  
GENERAL FUND  
FEDERAL AND STATE GRANTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2010</u>		Variance	2009
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
Social Services:				
Administration Grant	\$3 151 339	\$1 916 374	\$(1 234 965)	\$1 697 313
IVE Foster Care		10 435	10 435	6 794
Commodities		46 079	46 079	29 696
Work First		92 918	92 918	85 685
	<u>3 151 339</u>	<u>2 065 806</u>	<u>(1 085 533)</u>	<u>1 819 488</u>
Health Department:				
State Aid to Counties	110 491	115 935	5 444	110 491
Environmental Health	6 000	500	(5 500)	13 525
Bioterrorism	46 647	41 543	(5 104)	48 029
Community Care Block Grant	87 647	99 511	11 864	82 886
Food & Lodging	750	3 314	2 564	3 395
BCCCP	20 422	20 561	139	18 934
Wise Women	6 985	6 577	(408)	6 577
Smart Start (Region A)	30 495	30 495		21 320
Communicable Disease	144 505	137 451	(7 054)	13 345
Tuberculosis	2 260	3 300	1 040	1 804
HIV	500	418	(82)	
CSC	3 418	7 392	3 974	8 874
Immunization	13 938	9 230	(4 708)	5 192
Health Promotion	23 851	24 216	365	23 851
WIC	60 423	66 736	6 313	63 318
Child Health	25 875	22 385	(3 490)	31 198
Maternal Health	3 750	5 950	2 200	7 950
Family Planning	81 142	108 204	27 062	96 322
Family Strengthening		27 674	27 674	
MH PPHV	300		(300)	120
MCC	19 500	2 729	(16 771)	10 196
Adult Health	34 500	15 857	(18 643)	7 586
Healthy Carolinians	5 727	259	(5 468)	7 067
Health Check	16 937		(16 937)	11 876
	<u>746 063</u>	<u>750 237</u>	<u>4 174</u>	<u>593 856</u>

SWAIN COUNTY, NORTH CAROLINA  
GENERAL FUND  
FEDERAL AND STATE GRANTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Other Grants:				
Cooperative Extension	\$ 127 000	\$ 122 879	\$ (4 121)	\$ 153 390
Criminal Justice				12 260
Veterans Services	2 000	2 000		
Emergency Management	26 000	89 061	63 061	24 863
Forest Funds	55 000	50 433	(4 567)	55 533
EMS	8 328	8 328		60 420
Soil & Water Conservation	20 755	17 259	(3 496)	15 732
Homeland Security		4 450	4 450	20 629
Juvenile Justice - CBA	69 681	70 389	708	71 254
Elderly Handicapped	118 028	61 149	(56 879)	60 679
RGP		56 879	56 879	51 745
Work First		5 498	5 498	4 730
CYFAR				15 594
Governor's Crime Control	10 000		(10 000)	
Partf				8 972
COPS	46 466	31 466	(15 000)	117 935
USAR	84 300		(84 300)	
Economic Development	15 000	15 000		
Total	<u>582 558</u>	<u>534 791</u>	<u>(47 767)</u>	<u>673 736</u>
Total Federal and State Grants (Exhibit B)	<u>\$4 479 960</u>	<u>\$3 350 834</u>	<u>\$(1 129 126)</u>	<u>\$3 087 080</u>



**COMPLIANCE SECTION**

# S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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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, 2010, which collectively comprises Swain County's basic financial statements and have issued our report thereon dated September 1, 2010. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2010-1 through 2010-5 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Of the deficiencies described above, we believe 2010-5 to be a material weakness in internal control.

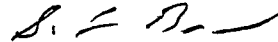
To the Board of Commissioners  
Swain County  
North Carolina

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 no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

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  
September 1, 2010

# 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, 2010. 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, 2010.

To the Board of Commissioners  
Swain County  
North Carolina

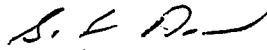
Internal Control Over Compliance

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 but not for expressing an opinion on the effectiveness of Swain County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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  
September 1, 2010

# S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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

To the Board of Commissioners  
Swain County  
North Carolina

## Compliance

We have audited the compliance of Swain County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2010. Swain County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Swain County's management. Our responsibility is to express an opinion on Swain County's compliance based on our audit.

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

In our opinion, Swain County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2010.

To the Board of Commissioners  
Swain County  
North Carolina

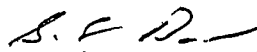
Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Board of Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Morganton, North Carolina  
September 1, 2010

SWAIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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   X   yes      no

Noncompliance material to financial statements noted      yes   X   no

Federal Awards

Internal control over major federal programs?

Material weakness(es) identified?   --   yes   X   no

Significant 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:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.561	Supplemental Nutrition Assistance Program - Administration
10.565	Supplemental Nutrition Assistance Program - Commodities
93.778	Title XIX Medicaid
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs   \$ 591 653  

Auditee qualified as low-risk auditee?   --   yes   X   no





SWAIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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

2010-1 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.

2010-2 Internal Controls Over Financial Reporting

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

Criteria: The County overexpended several departments in the General Fund totaling \$25 251. Also overexpenditures of \$3 was noted in the Property Revaluation Fund.

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

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

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

Management Response: The County agrees with this finding.

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

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

2010-3 Internal Controls Over Financial Reporting

Condition: The Sheriff's department generated funds from fund raising events which were not controlled by the Finance Officer.

Criteria: All funds generated by County departments are to be turned over to the Finance Officer for deposit.

Effect: It is possible for cash to be misappropriated.

Cause: The County has not implemented proper training to department heads.

Recommendation: We recommend all revenue to be under the control of the finance officer and properly deposited into County accounts.

Management Response: The County agrees with this finding.

2010-4 Internal Controls Over Financial Reporting

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

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

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

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

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

Management Response: The County agrees with this finding.

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

2010-5 Internal Controls Over Financial Reporting

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

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

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

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

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

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

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, 2010

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL AWARDS:					
<u>U.S. Department of Agriculture</u>					
Passed Through N.C. Department of Health and Human Services:					
Division of Social Services:					
Supplemental Nutrition Assistance Program Cluster:					
Administration	10.561		\$ 119 838	\$ 18 658	\$ 110 142
Administration (ARRA)	10.561-ARRA		68 888		
Commodities - Food Distribution	10.565		46 079		
Subtotal Supplemental Nutrition Assistance Program Cluster			234 805	18 658	110 142
Division of Public Health:					
Special Supplemental Nutrition Food Program for Women, Infants and Children:					
Administration	10.557		4 968		
Direct Benefit Payments	10.557		61 768		
Commodities - Food Distribution	10.557		238 225		
Subtotal Special Supplemental Nutrition Food Program for Women, Infants and Children			304 961		
Direct Programs:					
Forest Funds	10.665		50 433		
Total U.S. Department of Agriculture			590 199	18 658	110 142
<u>U.S. Department of Justice</u>					
Direct Program:					
COPS - Methamphetamine	16.710		27 936		
COPS - ARRA	16.710		3 530		
Subtotal - COPS Program			31 466		
Edward Byrne Memorial Justice Assistance Grant (JAG) - ARRA	16.804		15 000		
Passed Through N.C. Department of Crime Control and Public Safety:					
CBA - Juvenile Justice	16.540		70 389		
Total U.S. Department of Justice			116 855		
<u>U.S. Department of Housing and Urban Development</u>					
Passed Through N.C. Department of Commerce:					
Community Development Block Grant	14.228		139 595		

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Health &amp; Human Services</u>					
Passed Through N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Medicaid Cluster:					
Medicaid - Administration	93.778		340 402	99 251	
Medicaid - Administration - ARRA	93.778-ARRA		1 452		
Medicaid - Direct Benefit Payments	93.778		16 644 460	5 123 901	
Medicaid - Direct Benefit Payments-ARRA	93.778-ARRA		14 651	(13 558)	
Subtotal Medical Assistance Cluster			<u>17 000 965</u>	<u>5 209 594</u>	
Division of Social Services:					
Foster Care Cluster:					
IVE Foster Care - Administration	93.658		184 539	85 311	88 793
IVE Foster Care - Direct Benefits Payments	93.658		8 544	(646)	
Subtotal - IVE Foster Care			<u>193 083</u>	<u>84 665</u>	<u>88 793</u>
Adoptive Assistance - Direct Benefits Payments	93 659		42 428	29 748	
Subtotal Foster Care Cluster			<u>235 511</u>	<u>114 413</u>	<u>88 793</u>
TANF - Administration	93.558		493 056		57 268
TANF - Direct Benefits Payments	93.558		82 249	(72)	
Work First	93.558		92 918		
Subtotal TANF			<u>668 223</u>	<u>(72)</u>	<u>57 268</u>
Low Income Energy Assistance - Adminstration	93.568		65 016		
Low Income Energy Assistance - Direct Benefits Payments	93.568		157 111		
Subtotal Low Income Energy Assistance			<u>222 127</u>		
Independent Living Links - Administration	93.674		560	140	
Independent Living Links - Direct Benefits Payments	93.674		1 050		
Subtotal Independent Living Links			<u>1 610</u>	<u>140</u>	
Permanency Planning - Administration	93.645		31 265	11 617	336
Health Choice	93.767		31 693	2 849	5 208
Child Support Enforcement	93.563		(13)		
Social Services Block Grant	93.667		<u>95 601</u>	<u>9 799</u>	<u>22 068</u>
Family Preservation Grant - Administration	93.556		1 577		
Family Preservation Grant	93.556		103 951		
Subtotal Family Preservation Grant			<u>105 528</u>		

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal (Direct and Pass Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Division of Public Health:					
Adult Health	93.994		15 857		
Maternal and Child Health	93.994		28 335		
Child Services Coordination	93.994		7 392		
Home Community Block Grant	93.994		99 511		
Subtotal Child Health			<u>151 095</u>		
Health Promotion	93.991		24 216		
Breast and Cervical Cancer	93.919		20 561		
Family Planning	93.217		135 878		
Wise Women	93.919		6 577		
Immunization Action Plan	93.268		9 230		
Bioterrorism Projects	93.283		41 543		
Total U.S. Department of Health and Human Services			<u>18 781 610</u>	<u>5 348 340</u>	<u>173 673</u>
U.S. Department of Homeland Security					
Homeland Security Program	97.067		4 450		
Emergency Management Assistance	97.029		89 061		
Total U.S. Department of Homeland Security			<u>93 511</u>		
Total Federal Awards			<u>19 721 770</u>	<u>5 366 998</u>	<u>283 815</u>
STATE AWARDS:					
N.C. Department of Public Instruction:					
Public School Building Capital Fund				250 343	
N.C. Department of Health and Human Services:					
Division of Public Health:					
Healthy Carolinians				259	
Smart Start (Region A)				30 495	
Health Aid to Counties				115 935	
Tuberculosis				3 300	
Environmental Health Services				500	
Communicable Disease				137 451	
Food and Lodging				3 314	
HIV				418	
Other County Administration				11 321	
SC/SA Domiciliary Care				88 647	
CPS Expansion				37 799	
SAB Equalization				216 190	
MCC				2 729	
EMS				8 328	
Division of Social Services:					
State Foster Home				197 332	
Total N.C. Department of Health and Human Services				<u>854 018</u>	

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Grantor's Number</u>	<u>Federal (Direct and Pass Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>N.C. Department of Administration</u> Veterans Service				2 000	
<u>N.C. Department of Agriculture</u> Cooperative Extension Soil and Water Conservation District Technician				122 879 17 259	
Total N.C. Department of Agriculture				140 138	
<u>N.C. Department of Transportation</u> Elderly and Disabled Transportation Assistance Rural General Public Work First				61 149 56 879 5 498	231 183
Total N.C. Department of Transportation				123 526	231 183
<u>N.C. Department of Environment and Natural Resources</u> Clean Water Bond Act of 1998				818 603	
Total State Awards				2 188 628	231 183
Total Federal and State Awards			\$ 19 721 770	\$ 7 555 626	\$ 514 998



Note 1 - Basis of Presentation:

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

Note 2 - Subrecipient Pass Throughs:

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

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA #</u>	<u>Federal</u>	<u>State</u>
Swain County Board of Education	Forest Funds	10.665	\$ 50 433	\$
Southwest Commission	Community Based Alternatives	16.540	70 389	
State of Franklin	EHTAP	N/A		61 149
State of Franklin	Rural General Public	N/A		56 879
Swain County Board of Education	Public School Building Capital Fund	N/A		250 343

Note 3 - Loans Outstanding:

Swain County had the following loan balance outstanding at June 30, 2010:

<u>Program Name</u>	<u>Federal CFDA #</u>	<u>Amount Outstanding</u>
USDA Loan	10.766	\$ 8 792 951

SWAIN COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2010

Finding: 2010-1

- A. Name of Contact Person: Vida Cody, Finance Officer
- B. Corrective Action: It is not economically feasible to hire additional staff at this time.
- C. Proposed Completion Date: N/A

Finding: 2010-2

- A. Name of Contact Person: Vida Cody, Finance Officer
- B. Corrective Action: Budget amendments will be approved by the Board before expenditures are made out of departments which have exceeded the original budget.
- C. Proposed Completion Date: The Board will implement the above procedure immediately.

Finding: 2010-3

- A. Name of Contact Person: Vida Cody, Finance Officer
- B. Corrective Action: All fund raising activities will be controlled by the Finance Director.
- C. Proposed Completion Date: The Board will implement the above procedure immediately.

Finding: 2010-4

- A. Name of Contact Person: Vida Cody, Finance Officer
- B. Corrective Action: Additional staffing will be provided for recreation cash collections.
- C. Proposed Completion Date: The Board will implement the above procedure immediately.

Finding: 2010-5

- A. Name of Contact Person: Vida Cody, Finance Officer
- B. Corrective Action: The County does not have adequately trained staff to correct this finding at this time.
- C. Proposed Completion Date: N/A

SWAIN COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- 1) There was one audit finding relative to internal controls concerning hiring an internal auditor. We feel it is not economically feasible to hire additional staff at this time.
- 2) There was one audit finding concerning not using purchase orders in all cases. This finding was corrected.
- 3) There was one audit finding relative to misuse of credit cards. This finding was corrected.
- 4) There was one audit finding for the year ended June 30, 2009 concerning certain departments being over expended. Budget amendments were made throughout the year. However, several departments were again over expended due to auditor reclassifications, booking of certain unforeseen accounts payable, and oversight concerning interfund transfers.
- 5) There was one finding concerning not making deposits timely. This finding was corrected.
- 6) There was one finding relative to not verifying real property ownership in the Medicaid program. This finding was corrected.

All other findings have been corrected.