

SWAIN COUNTY  
BRYSON CITY, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2012.

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

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Morganton, North Carolina

SWAIN COUNTY

BRYSON CITY, NORTH CAROLINA

BOARD OF COMMISSIONERS

Phil Carson - Chairman

Donnie Dixon

David Monteith

Steve Moon

Robert White

OFFICIALS

Kevin King            County Manager

Dean Kowal            Finance Officer

Diana Kirkland       Register of Deeds

Peggy Hyde            Tax Administrator

Swain County, North Carolina  
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June 30, 2012

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**FINANCIAL SECTION**

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CERTIFIED PUBLIC ACCOUNTANT

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## Independent Auditor's Report

To the Board of County Commissioners  
Swain County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Swain County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Swain County, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund, permanent fund and emergency telephone fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Swain County

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2012 on our consideration of Swain County's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Morganton, North Carolina  
September 5, 2012



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, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of Swain County exceeded its liabilities at the close of the fiscal year by \$20 290 876 (*net assets*).
- The government's total net assets decreased by \$1 539 691 due to decreased net assets in both the Governmental and Business Type Activities.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1 597 563, or 8.8 percent of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, Swain County's governmental funds reported combined ending fund balances of \$18 541 518 after a net decrease in fund balance \$1 294 180. Approximately 82 percent of this total amount or \$15 259 737 is restricted or nonspendable.
- Swain County's total debt increased by \$873 279 or 4.9 percent during the current fiscal year. The key factors in this increase was borrowings greater than payment of principal.
- The County's bond rating is Baa.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

	Governmental		Business -		Total	
	Activities		Type		Primary	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$20 595 375	\$21 410 666	\$ (420 522)	\$ (302 688)	\$20 174 853	\$21 107 978
Capital Assets	20 767 887	19 892 871	501 436	482 695	21 269 323	20 375 566
<b>Total Assets</b>	<b>41 363 262</b>	<b>41 303 537</b>	<b>80 914</b>	<b>180 007</b>	<b>41 444 176</b>	<b>41 483 544</b>
Long-Term Debt Outstanding	18 401 702	17 458 770	148 551	193 561	18 550 253	17 652 331
Other Liabilities	2 547 787	1 932 741	55 260	67 905	2 603 047	2 000 646
<b>Total Liabilities</b>	<b>20 949 489</b>	<b>19 391 511</b>	<b>203 811</b>	<b>261 466</b>	<b>21 153 300</b>	<b>19 652 977</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	9 297 851	8 572 346	352 885	289 134	9 650 736	8 861 480
Restricted	14 651 685	15 883 935			14 651 685	15 883 935
Unrestricted (Deficit)	(3 535 763)	(2 544 255)	(475 782)	(370 593)	(4 011 545)	(2 914 848)
<b>Total Net Assets</b>	<b>\$20 413 773</b>	<b>\$21 912 026</b>	<b>\$ (122 897)</b>	<b>\$ (81 459)</b>	<b>\$20 290 876</b>	<b>\$21 830 567</b>

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

The County has issued debt for the acquisition and construction of capital assets that are not reported as assets of the County. This debt has been issued for the construction of public school facilities. The General Statutes do not permit public schools to issue debt for the acquisition and construction of facilities. Responsibility for providing these facilities lies with the County. The titles to these assets are held by Swain County Board of Education and the assets are reported on their financial statements. These debt issues were necessary to provide for the education of the citizens of the County. The outstanding amount of this debt \$6 931 666, has been reported as a reduction of unrestricted net assets for governmental activities. Had this debt not been reported as a reduction of unrestricted net assets, the balance of unrestricted net assets for governmental activities would be \$3 395 903.

For Governmental Activities, the Invested in Capital Assets, net of related debt (ICAND) is computed as follows:

<u>Total General Long Term Debt</u>		
Bonds		\$ 2 395 000
Installments Purchase		5 758 099
Mortgage and Loans		10 371 816
Less: Deferred Refunding		<u>(123 213)</u>
Total		18 401 702
Less School Debt:		
Installment Purchases:		
QZAB	(1 500 000)	
Middle School Land	(1 333 333)	
West Elementary	<u>(1 703 333)</u>	(4 536 666)
Bonds		<u>(2 395 000)</u>
Total Non School Debt		<u>\$ 11 470 036</u>
General Fixed Assets		\$ 20 767 887
Less: Non School Debt		<u>(11 470 036)</u>
Total ICAND		<u>\$ 9 297 851</u>

Change in Net Assets

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

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

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 2 985 801	\$ 2 920 758	\$ 822 736	\$ 824 833	\$ 3 808 537	\$ 3 745 591
Operating Grants and Contributions	4 867 672	4 079 889			4 867 672	4 079 889
Capital Grants and Contributions	117 738	268 219			117 738	268 219
General Revenues:						
Property Taxes	4 734 559	4 718 881			4 734 559	4 718 881
Other Taxes	2 879 249	2 835 396			2 879 249	2 835 396
Unrestricted						
Intergovernmental	1 157 149	1 236 505			1 157 149	1 236 505
Other	1 661 233	1 046 654			1 661 233	1 046 654
Special Item-Gain on Sale of Land		1 363 634				1 363 634
<b>Total Revenues</b>	<b>18 403 401</b>	<b>18 469 936</b>	<b>822 736</b>	<b>824 833</b>	<b>19 226 137</b>	<b>\$19 294 769</b>
<u>Expenses</u>						
General Government	2 628 289	2 474 815			2 628 289	2 474 815
Public Safety	3 842 955	3 254 662			3 842 955	3 254 662
Environmental Protection	93 464	118 717			93 464	118 717
Economic and Physical Development	1 053 679	1 026 444			1 053 679	1 026 444
Human Services	8 239 931	7 327 201			8 239 931	7 327 201
Recreational	672 747	640 289			672 747	640 289
Education	2 625 996	1 430 454			2 625 996	1 430 454
Interest on Long-Term Debt	744 593	649 017			744 593	649 017
Solid Waste			864 174	846 877	864 174	846 877
<b>Total Expenses</b>	<b>19 901 654</b>	<b>16 921 599</b>	<b>864 174</b>	<b>846 877</b>	<b>20 765 828</b>	<b>17 768 476</b>
Increase (Decrease) in Net Assets	(1 498 253)	1 548 337	(41 438)	(22 044)	(1 539 691)	1 526 293
Net Assets, July 1	21 912 026	20 363 689	(81 459)	(59 415)	21 830 567	20 304 274
Net Assets, June 30	<b>\$20 413 773</b>	<b>\$21 912 026</b>	<b>\$ (122 897)</b>	<b>\$ (81 459)</b>	<b>\$20 290 876</b>	<b>\$21 830 567</b>

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

- The cost of all *governmental* activities this year was \$19.9 million.
- However, the amount that our taxpayers paid for these activities through County taxes was \$11.9 million. Some of the cost was paid by:
  - Those who directly benefited from the programs (3.0 million), or
  - Other governments and organizations that subsidized certain programs with grants and contributions (5.0 million).
- The County paid for the \$11.9 million "public benefit" portion with \$7.6 million in taxes, and with other revenues such as interest and unrestricted intergovernmental revenues.

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

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General Government	\$ 2.6	2.5	\$ 2.2	\$ 1.7
Public Safety	3.8	3.3	2.9	2.6
Human Services	8.2	7.3	2.3	2.2
Education	2.6	1.4	2.4	1.1
Recreation	.7	.6	.5	.6
Other	<u>2.0</u>	<u>1.8</u>	<u>1.6</u>	<u>1.5</u>
<b>Total</b>	<u>\$ 19.9</u>	<u>\$ 16.9</u>	<u>\$ 11.9</u>	<u>\$ 9.7</u>

**Business-type Activities**

Revenues of the County's business-type activities totaled \$822 736 with expenses totaling \$864 174 (see Table 2). This produced a deficit of \$41 438. The deficit was caused by the County not funding the entire amount of depreciation.



### Financial Analysis of the County's Funds

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

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

The general fund is the chief operating fund of Swain County. At the end of the current fiscal year, available fund balance of the General Fund was \$1 627 521, while total fund balance was \$4 012 705. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 8.9 percent of total General Fund expenditures, while total fund balance represents 22.0 percent of that same amount.

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

**General fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain service. Total amendments increased the General Fund's budget by \$1 667 294.

**Proprietary Funds.** Swain County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year amounted to \$(475 782). This deficit will be funded in future years.

### Capital Asset and Debt Administration

**Capital assets.** Swain County's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totals \$21 269 323 (net of accumulated depreciation). These assets include land, buildings, equipment, and vehicles.

Major capital asset transactions during the year include:

- Construction in Progress - Education Center
- Purchased 3 vehicles for Public Safety
- Purchased Computer Equipment
- Upgrade to Emergency 911 System

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4 679 412	\$ 4 659 553	\$	\$	\$ 4 679 412	\$ 4 659 553
Construction in Progress	1 254 033				1 254 033	
Buildings	13 141 799	13 571 041	335 848	354 021	13 477 647	13 925 062
Equipment	964 586	853 958	21 360	26 814	985 946	880 772
Vehicles	728 057	808 319	144 228	101 860	872 285	910 179
<b>Total</b>	<b><u>\$20 767 887</u></b>	<b><u>\$19 892 871</u></b>	<b><u>\$ 501 436</u></b>	<b><u>\$ 482 695</u></b>	<b><u>\$21 269 323</u></b>	<b><u>\$20 375 566</u></b>

**Long-term Debt.** As of June 30, 2012, Swain County had total debt outstanding of \$18 673 466, of which General Obligation Bonds are backed by the full faith and credit of the County and all other debt is covered by pledged collateral and is subject to appropriation.

Swain County's Outstanding Debt  
All Debt funding Sources

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 2 395 000	\$ 2 755 000	\$	\$	\$ 2 395 000	\$ 2 755 000
Capital Lease Obligations	5 758 099	3 765 206	148 551	193 561	5 906 650	3 958 767
Mortgages and Loans	10 371 816	10 669 842			10 371 816	10 669 842
Construction Loans		416 578				416 578
<b>Total</b>	<b><u>\$18 524 915</u></b>	<b><u>\$17 606 626</u></b>	<b><u>\$ 148 551</u></b>	<b><u>\$ 193 561</u></b>	<b><u>\$18 673 466</u></b>	<b><u>\$17 800 187</u></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 \$95 858 607.

Budget Highlights for the Fiscal Year Ending June 30, 2013

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

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

**Request for Information**

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

SWAIN COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

Exhibit 1

Assets	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 3 157 949	\$	\$ 3 157 949	\$ 191 493
Investments	1 380 109		1 380 109	
Receivables (Net of Allowance for Uncollectibles)	1 425 378	59 891	1 485 269	
Due from Primary Government				39 683
Internal Balance	480 413	(480 413)		
Restricted Cash and Investments	14 151 526		14 151 526	
Total Current Assets	20 595 375	(420 522)	20 174 853	231 176
<b>Non Current Assets:</b>				
<b>Capital Assets:</b>				
Land and Construction in Progress	5 933 445		5 933 445	
Other Capital Assets, Net of Depreciation	14 834 442	501 436	15 335 878	10 843
Total Non Current Assets	20 767 887	501 436	21 269 323	10 843
Total Assets	41 363 262	80 914	41 444 176	242 019
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	1 034 218	10 450	1 044 668	
Compensated Absences	407 713	23 592	431 305	
Unearned Revenue	612 053	2 258	614 311	
Due to Component Unit	39 683		39 683	
Current Portion of Long Term Obligations	1 223 501	46 751	1 270 252	
Total Current Liabilities	3 317 168	83 051	3 400 219	
<b>Non Current Liabilities:</b>				
Unfunded Pension Cost	93 873		93 873	
Post Employee Health Benefits	360 247	18 960	379 207	
Non Current Portion of Long Term Obligations	17 178 201	101 800	17 280 001	
Total Non Current Liabilities	17 632 321	120 760	17 753 081	
Total Liabilities	20 949 489	203 811	21 153 300	
<b>Net Assets</b>				
Invested in Capital, Net of Related Debt	9 297 851	352 885	9 650 736	10 843
Restricted For:				
Human Services	19 370		19 370	
Wireless	55 183		55 183	
Education	155 952		155 952	
Stabilization by State Statute 1943 Agreement	1 621 180		1 621 180	39 683
Unrestricted (Deficit)	(3 535 763)	(475 782)	(4 011 545)	191 493
Total Net Assets	\$20 413 773	\$(122 897)	\$20 290 876	\$ 242 019

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

SWAIN COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues		(Net Expense) Revenues and Changes in Net Assets			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Business - Type	Total	Component Unit
				Governmental Activities	Activities		
Primary Government:							
Governmental Activities:							
General Government	\$ 2 628 289	\$ 331 064	\$ 107 009	\$ (2 190 216)	\$	\$(2 190 216)	\$
Public Safety	3 842 955	749 614	103 153	(2 923 423)		(2 923 423)	
Environmental Protection	93 464		191 181	97 717		97 717	
Economic and Physical Development	1 053 679		107 946	(925 733)		(925 733)	
Human Services	8 239 931	1 779 415	4 174 632	(2 254 911)		(2 254 911)	
Recreational	672 747	125 708		(547 039)		(547 039)	
Education	2 625 996		183 751	(2 442 245)		(2 442 245)	
Interest on Long Term Debt	744 593			(744 593)		(744 593)	
Total Governmental Activities	19 901 654	2 985 801	4 867 672	(11 930 443)		(11 930 443)	
Business-Type Activities:							
Solid Waste	864 174	822 736			(41 438)	(41 438)	
Total Primary Government	\$20 765 828	\$3 808 537	\$ 4 867 672	(11 930 443)	(41 438)	(11 971 881)	
Component Unit:							
Economic Development - Tourism	\$ 558 140						(558 140)
General Revenues:							
Taxes:							
Property Taxes				4 734 559		4 734 559	
Local Option Sales				2 473 760		2 473 760	
Occupancy Tax				394 809		394 809	
Public Service Taxes				10 680		10 680	
Payment from Swain County							382 300
Unrestricted Intergovernmental				1 157 149		1 157 149	
Investment Earnings				1 077 151		1 077 151	145
Miscellaneous				584 082		584 082	
Total General Revenue Before Special Items				10 432 190		10 432 190	382 445
Special Item - Golden Leaf Contribution							195 000
Total General Revenues				10 432 190		10 432 190	577 445
Change in Net Assets				(1 498 253)	(41 438)	(1 539 691)	19 305
Net Assets - Beginning				21 912 026	(81 459)	21 830 567	222 714
Net Assets - Ending				\$ 20 413 773	\$ (122 897)	\$20 290 876	\$ 242 019

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

SWAIN COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

Exhibit 3

	General Fund	Capital Projects	Permanent Fund	Emergency Telephone Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and Cash Equivalents	\$2 532 559	\$	\$	\$ 313 571	\$ 311 819	\$ 3 157 949
Investments			1 380 109			1 380 109
Receivables, Net	1 049 263				8 212	1 057 475
Property Tax Receivable, Net	336 040					336 040
Due From Other Funds	571 917			9 430		581 347
Restricted Cash	1 182 451	169 075				1 351 526
Restricted Investments			12 800 000			12 800 000
Total Assets	<u>\$5 672 230</u>	<u>\$ 169 075</u>	<u>\$ 14 180 109</u>	<u>\$ 323 001</u>	<u>\$ 320 031</u>	<u>\$ 20 664 446</u>
<u>Liabilities and Fund Balances</u>						
<u>Liabilities:</u>						
Accounts Payable and Accrued Liabilities	\$ 671 749	\$ 94 651	\$	\$ 267 818	\$	\$ 1 034 218
Deferred Revenue	948 093					948 093
Due to Component Unit	39 683					39 683
Due to Other Funds		74 424			26 510	100 934
Total Liabilities	<u>1 659 525</u>	<u>169 075</u>		<u>267 818</u>	<u>26 510</u>	<u>2 122 928</u>
<u>Fund Balances:</u>						
<u>Nonspendable:</u>						
Permanent Fund - 1943 Settlement			12 800 000			12 800 000
<u>Restricted For:</u>						
Stabilization by State Statute	1 621 180					1 621 180
Wireless				55 183		55 183
Education	764 004					764 004
Human Services					19 370	19 370
<u>Committed To:</u>						
Economic Development	29 958					29 958
<u>Assigned To:</u>						
Public Safety					118 199	118 199
Education					155 952	155 952
Unassigned	1 597 563		1 380 109			2 977 672
Total Fund Balances	<u>4 012 705</u>		<u>14 180 109</u>	<u>55 183</u>	<u>293 521</u>	<u>18 541 518</u>
Total Liabilities and Fund Balances	<u>\$5 672 230</u>	<u>\$ 169 075</u>	<u>\$ 14 180 109</u>	<u>\$ 323 001</u>	<u>\$ 320 031</u>	<u>\$ 20 655 016</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, 2012

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		\$20 767 887
Other assets used in governmental activities are		
not financial resources and, therefore are not		
reported in the funds:		
Deferred Revenue-Ad Valorem Taxes	\$ 336 040	
Accrued Interest-Ad Valorem Taxes	<u>31 863</u>	367 903
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	(18 401 702)	
Compensated Absences	(407 713)	
LEO Pension Obligation	(93 873)	
OPEB Obligation	<u>(360 247)</u>	(19 263 535)
Fund Balance - Governmental Funds (Exhibit 3)		<u>18 541 518</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$20 413 773</u>

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

SWAIN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit 4

	General Fund	Capital Projects	Permanent Fund	Emergency Telephone Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Revenues</u>						
Taxes:						
Property	\$ 4 718 533	\$	\$	\$	\$	\$ 4 718 533
Local Option Sales	2 473 760					2 473 760
Occupancy	394 809					394 809
Public Service	10 680					10 680
Intergovernmental	6 274 095				274 539	6 548 634
Charges for Services	2 844 194			141 607		2 985 801
Investment Earnings	19 397		1 052 544	669	1 980	1 074 590
Miscellaneous	178 007					178 007
Total Revenues	16 913 475		1 052 544	142 276	276 519	18 384 814
<u>Expenditures</u>						
Current:						
General Government	2 519 735					2 519 735
Public Safety	3 495 513					3 495 513
Environmental Protection	92 083					92 083
Economic and Physical Development	875 132				107 946	983 078
Human Services	7 761 649			404 840	128 435	8 294 924
Recreational	611 971					611 971
Education	1 020 940				1 254 033	2 274 973
Debt Service:						
Principal	1 150 133					1 150 133
Interest	719 950					719 950
Capital Projects		1 605 056				1 605 056
Total Expenditures	18 247 106	1 605 056		404 840	1 490 414	21 747 416
Excess (Deficiency) of Revenue Over Expenditures	(1 333 631)	(1 605 056)	1 052 544	(262 564)	(1 213 895)	(3 362 602)
<u>Other Financing Sources (Uses)</u>						
Transfers In (Out)	(80 152)	196 634	(150 000)		33 518	
Financing Proceeds	660 000	1 408 422				2 068 422
Total Other Financing Sources	579 848	1 605 056	(150 000)		33 518	2 068 422
Net Change in Fund Balances	(753 783)		902 544	(262 564)	(1 180 377)	(1 294 180)
Fund Balances:						
Beginning of Year As Restated	5 008 731		13 277 565	75 504	1 473 898	19 835 698
Prior Period Adjustment	(242 243)			242 243		
End of Year	\$ 4 012 705	\$	\$ 14 180 109	\$ 55 183	\$ 293 521	\$ 18 541 518

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

SWAIN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

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

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

Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Capital Outlays of \$1 740 117 was more than Depreciation of \$865 101 in the current period. 875 016

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (918 289)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (179 387)

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

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



SWAIN COUNTY  
 GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit 5

Revenues:	Budgeted Amounts		Actual	Variances With Final Budget Favorable (Unfavorable)
	Original	Final		
Ad Valorem Taxes	\$ 4 727 885	\$ 4 727 885	\$ 4 718 533	\$ (9 352)
Local Option Sales Tax	2 190 000	2 190 000	1 943 106	(246 894)
Other Taxes and Licenses	410 500	440 500	405 489	(35 011)
Unrestricted Intergovernmental	1 144 000	1 146 000	1 157 149	11 149
Restricted Intergovernmental	2 509 015	3 241 885	4 969 147	1 727 262
Permits and Fees	228 000	236 900	201 543	(35 357)
Sales and Services	2 454 235	2 789 659	2 642 651	(147 008)
Investment Earnings	20 000	5 000	17 397	12 397
Miscellaneous	11 000	199 500	163 901	(35 599)
Total Revenues	13 694 635	14 977 329	16 218 916	1 241 587
Expenditures:				
Current:				
General Government	5 163 209	5 367 124	2 519 735	2 847 389
Public Safety	2 900 115	3 591 515	3 495 513	96 002
Environmental Protection	100 198	100 198	92 083	8 115
Economic and Physical Development	796 009	596 284	875 132	(278 848)
Human Services	5 112 752	5 784 946	7 761 649	(1 976 703)
Cultural and Recreational	578 878	643 388	611 971	31 417
Intergovernmental:				
Education	1 025 000	1 040 000	1 020 940	19 060
Debt Service:				
Principal Retirement	1 344 000	1 344 000	1 150 133	193 867
Interest and Other Charges	200 000	420 000	719 950	(299 950)
Total Expenditures	17 220 161	18 887 455	18 247 106	640 349
Revenues Over (Under) Expenditures	(3 525 526)	(3 910 126)	(2 028 190)	1 881 936
Other Financing Sources (Uses):				
Transfers In (Out)	1 968 394	1 279 394	863 719	(415 675)
Financing Proceeds	1 400 000	2 360 000	660 000	(1 700 000)
Appropriated Fund Balance	157 132	270 732		(270 732)
Total Other Financing Sources (Used)	3 525 526	3 910 126	1 523 719	(2 386 407)
Net Change in Fund Balance	\$ _____	\$ _____	\$ (504 471)	\$ (504 471)
Fund Balance:				
Beginning of Year, as previously reported			3 965 457	
Prior Period Adjustment			(242 243)	
End of Year, June 30			3 218 743	
Legally adopted School's Capital Reserve Fund and Economic Development Fund are consolidated into the General Fund for reporting purposes:				
Miscellaneous			14 106	
Grants			147 799	
Interest Earned			2 000	
Local Option Sales Tax			530 654	
Transfers In (Out)			(943 871)	
Fund Balance - Beginning			1 043 274	
Fund Balance - Ending			\$ 4 012 705	

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

SWAIN COUNTY  
PERMANENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment Earnings	\$ _____	\$ _____	\$ 1 052 544	\$ 1 052 544
Other Financing Sources (Uses):				
Appropriated Fund Balance	400 000	400 000		(400 000)
Transfer (to) General Fund	(400 000)	(400 000)	(150 000)	250 000
Total Other Financing Sources (Uses):	_____	_____	(150 000)	(150 000)
Revenues Over (Under) Other Financing Uses	\$ _____	\$ _____	902 544	\$ 902 544
Fund Balance - Beginning of Year			<u>13 277 565</u>	
Fund Balance - Ending of Year			<u>\$14 180 109</u>	

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

SWAIN COUNTY, NORTH CAROLINA  
EMERGENCY TELEPHONE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

SWAIN COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	<u>Enterprise</u> <u>Fund</u> <u>Solid</u> <u>Waste</u>
<u>Assets</u>	
Current Assets:	
Receivables (Net of Allowance for Uncollectibles)	\$ 59 891
Non Current Assets:	
Capital Assets:	
Other Capital Assets, Net of Depreciation	<u>501 436</u>
Total Assets	<u>561 327</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable and Accruals	10 450
Due to Other Funds	480 413
Compensated Absences	23 592
Current Portion of Long Term Obligations	46 751
Deferred Revenue	<u>2 258</u>
Total Current Liabilities	<u>563 464</u>
Non Current Liabilities:	
Non Current Portion of Long Term Obligations	101 800
Post Employment Health Liability	<u>18 960</u>
Total Non Current Liabilities	<u>120 760</u>
Total Liabilities	<u>684 224</u>
<u>Net Assets</u>	
Invested in Capital, Net of Related Debt	352 885
Unrestricted (Deficit)	<u>(475 782)</u>
Total Net Assets (Deficit)	<u>\$ (122 897)</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, 2012

	<u>Enterprise</u> <u>Fund</u> <u>Solid</u> <u>Waste</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 822 736
<u>Operating Expenses</u>	
Waste Management Operations	773 978
Depreciation	<u>82 643</u>
Total Operating Expenses	<u>856 621</u>
Operating Income (Loss)	<u>(33 885)</u>
Non-Operating Revenues (Expenses):	
Interest Expense	<u>(7 553)</u>
Change in Net Assets	(41 438)
Total Net Assets - Beginning	<u>(81 459)</u>
Total Net Assets - Ending	<u>\$ (122 897)</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, 2012

	<u>Enterprise Fund Solid Waste</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 822 457
Cash Paid to Employees	(354 684)
Cash Paid for Goods and Services	(432 089)
Prepaid Waste Fees	<u>150</u>
Net Cash Provided (Used) by Operating Activities	<u>35 834</u>
Cash Flows From Noncapital Financing Activities:	
Interfund Activity	<u>118 113</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(101 384)
Debt Principal and Interest Paid	<u>(52 563)</u>
Total	<u>(153 947)</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)	\$ (33 885)
Adjustments to reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	82 643
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable - Customers and Waste Fees	(279)
Increase (Decrease) in Accounts Payable and Accruals - Customer's	(17 850)
Increase (Decrease) in Compensated Absences	(182)
Increase (Decrease) in Deferred Revenue	150
Increase (Decrease) in Post Employment Liability	<u>5 237</u>
Total Adjustments	<u>69 719</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 35 834</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, 2012

I. Summary of Significant Accounting Policies

The accounting policies of Swain County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit, a legally-separate entity for which the County is financially accountable. The discretely presented component unit presented below is reported in a separate column in the County's combined financial statements in order to emphasize that it is legally separate from the County.

Swain County Tourist Development Authority

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

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the government and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

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

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

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

The **Emergency Telephone Fund** accounts for financial resources to be used to account for emergency telephone services.

The County reports the following major proprietary fund:

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

Additionally, the County reports the following fund types:

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



- C. Measurement Focus, Basis of Accounting and Basis of Presentation  
In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Swain County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes, which are billed during this period, are shown as a receivable on these financial statements.

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

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

D. Budgetary Data

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for funds which adopt annual budgets and at the object level for funds which adopt Project Ordinances. The County Manager has authority, with subsequent approval by the Board, to transfer funds from one appropriation to another per the following guidelines: (1) The funds are not more than five-hundred dollars, (2) The funds involve receipt and appropriation of grant funds or contracts which have been approved by the Board, or (3) The transfer allows for better accounting methods and does not involve a change in the purpose for which funds are spent. All budgets shown in the financial statements are the final June 30, 2012 budgets as amended.

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

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

Pursuant to G.S. 159-26(d), the County is not required to maintain encumbrance accounts due to its small population. The County does use purchase orders but they are not reflected in expenditures until the item is received. At June 30, 2012, the County did not have any purchase orders outstanding.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments:

Deposits - All deposits of the County and Swain County Tourist Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the County and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. State law [G.S. 159-30(c)] authorizes the County and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-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. The County's Permanent Fund is invested in the State Treasurer's STIF and LTIF investment funds. The State Treasurer's Short Term Investment Fund (STIF) consists of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1. The long-term investment fund (LTIF) consists of investment grade corporate securities, treasuries, and agencies.

2. Cash and Cash Equivalents:

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

3. Restricted Assets:

The County is depositing \$77 390 annually into a sinking fund held with the Bank of America for the future pay off of \$1 500 000 of N.C. Qualified Zone Academy Bonds. The amount of restricted General Fund assets is made up of \$418 447 which is the balance in the sinking fund at June 30, 2012 plus the Schools Capital Reserve Fund cash of \$764 004. Permanent Fund restricted investments of \$12,800,000 represents the nonexpendable portion of the Swain Settlement funds. Capital Projects cash of \$169 075 is also restricted.

4. Ad Valorem Taxes Receivable:

In accordance with State law [G.S. 105-347 and G.S. 159-131(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State Law, the County has established a schedule of discounts that apply to taxes which

are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

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

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

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

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

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

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

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

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

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

8. Compensated Absences:

The vacation policies of the County provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The County's liability for accumulated earned vacation and the salary-related payments as of June 30, 2012 is recorded in the government-wide financial statements and the proprietary funds. The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since there is no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Assets/Fund Balances:

Net Assets

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Wireless - portion of fund balance that is restricted by revenue source to pay for emergency telephone technology.

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

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

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

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

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

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

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

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

For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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

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

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$1 872 255 consists of several elements as follows:

<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)	\$28 067 764
Less Accumulated Depreciation	<u>7 299 877</u>
Net Capital Assets	20 767 887
Accrued interest receivable on ad valorem taxes in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	31 863
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide - net ad valorem taxes.	336 040
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, Leases, and Installment Financing	(18 401 702)
Compensated Absences	(407 713)
Pension Obligation	(93 873)
OPEB Obligation	<u>(360 247)</u>
Total adjustment	<u>\$ 1 872 255</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 \$(204 073) 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	\$1 740 117
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities but not in the fund statements.	(865 101)
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.	16 026
Increase in accrued interest on taxes	2 561

Principal payments on debt owed are recorded as a use of funds in the fund statements but affect only the statement of net assets in the government-wide statements.	1 150 133
Financing Proceeds are recorded as a source of funds in the fund statements but affect only the statement of net assets in the government-wide statements.	(2 068 422)
Law Enforcement Separation Allowance expenses reported in the statement of activities do not require the use of current resources to pay and are not recorded as expenditures in the fund statements.	(8 624)
Amortization of deferred charges on refunding is not recorded as an expenditure in the funds statement.	(24 643)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(46 600)
Post employment health costs are accrued in the government-wide statements, but not in the fund statement.	<u>(99 520)</u>
Total Adjustment	<u>\$ (204 073)</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	\$ 106 083
Economic Development	347 100
Social Services	2 005 340
Health Department	41 439
Total	<u>\$ 2 499 962</u>
<u>Emergency Telephone System Fund</u>	<u>\$ 4 840</u>

Economic Development Fund

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

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

B. Accumulated Deficit of Individual Funds

The Solid Waste fund had a unrestricted deficit of \$475 782 at June 30, 2012. The Enterprise Fund will fund this deficit in future years.



IV. Detail Notes On All Funds and Account Groups

A. Assets

1. Deposits:

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

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

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

2. Investments:

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

3. Receivables - Net of Allowances for Doubtful Accounts:  
 Receivables at June 30, 2012, were as follows at the government-wide level:

	<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$1 049 263	\$	\$ 779 702	\$ 31 863	\$1 860 828
Other Governmental	79 664	_____	_____	_____	79 664
Total Receivables	<u>1 128 927</u>	_____	<u>779 702</u>	<u>31 863</u>	<u>1 940 492</u>
Allowance for doubtful accounts	71 452	_____	443 662	_____	515 114
Total-governmental activities	<u>\$1 057 475</u>	<u>\$</u>	<u>\$ 336 040</u>	<u>\$ 31 863</u>	<u>\$1 425 378</u>
Business-type Activities:					
Solid Waste	\$	\$ 162 235	\$	\$	\$ 162 235
Allowance for doubtful accounts	_____	<u>102 344</u>	_____	_____	<u>102 344</u>
Total business-type activities	<u>\$</u>	<u>\$ 59 891</u>	_____	<u>\$</u>	<u>\$ 59 891</u>

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

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

Year Levied	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2009	\$53 840	\$3 240	\$57 080
2010	53 502	2 120	55 622
2011	53 221	1 040	54 261

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

1. Primary Government:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 4 659 553	\$ 19 859	\$	\$ 4 679 412
Construction in Progress	_____	<u>1 254 033</u>	_____	<u>1 254 033</u>
Total Capital Assets not being depreciated	<u>4 659 553</u>	<u>1 273 892</u>	_____	<u>5 933 445</u>
Capital Assets being depreciated:				
Buildings	17 214 190	_____	_____	17 214 190
Equipment	2 331 083	322 159	_____	2 653 242
Vehicles	<u>2 122 821</u>	<u>144 066</u>	_____	<u>2 266 887</u>
Total capital assets being depreciated	<u>21 668 094</u>	<u>466 225</u>	_____	<u>22 134 319</u>
Less accumulated depreciation for:				
Buildings	3 643 149	429 242	_____	4 072 391
Equipment	1 477 125	211 531	_____	1 688 656
Vehicles	<u>1 314 502</u>	<u>224 328</u>	_____	<u>1 538 830</u>
Total accumulated depreciation	<u>6 434 776</u>	<u>865 101</u>	_____	<u>7 299 877</u>
Total Capital Assets, being Depreciated, net	<u>15 233 318</u>	<u>(398 876)</u>	_____	<u>14 834 442</u>
Governmental Capital Assets, net	<u>\$19 892 871</u>	<u>\$ 875 016</u>	<u>\$</u>	<u>\$20 767 887</u>

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

Governmental activities:	
General government	\$111 503
Public safety	457 001
Economic and physical development	68 611
Environmental protection	386
Human services	168 814
Culture and recreation	<u>58 786</u>
Total depreciation expense - government activities	<u>\$865 101</u>
Business-type activities:	
Solid Waste	<u>\$ 82 643</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Vehicles	\$ 727 686	\$ 101 384	\$	\$ 829 070
Equipment	386 874			386 874
Buildings	607 030			607 030
Total capital assets, being depreciated	<u>\$1 721 590</u>	<u>\$ 101 384</u>	<u>\$</u>	<u>\$1 822 974</u>
Less accumulated depreciation for:				
Vehicles	625 826	59 016		684 842
Equipment	360 060	5 454		365 514
Buildings	253 009	18 173		271 182
Total Accumulation Depreciation	<u>1 238 895</u>	<u>82 643</u>		<u>1 321 538</u>
Total capital assets, being depreciated, net	<u>482 695</u>	<u>18 741</u>		<u>501 436</u>
Proprietary Capital Assets, net	<u>\$ 482 695</u>	<u>\$ 18 741</u>	<u>\$</u>	<u>\$ 501 436</u>

**Discretely presented component unit:**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Office Equipment	\$ 21 761	\$ 4 453	\$	\$ 26 214
Total capital assets being depreciated	<u>21 761</u>	<u>4 453</u>		<u>26 214</u>
Less accumulated depreciation:				
Office Equipment	11 995	3 376		15 371
Total accumulated depreciation	<u>11 995</u>	<u>3 376</u>		<u>15 371</u>
Total capital assets being depreciated (net)	<u>9 766</u>	<u>1 077</u>		<u>10 843</u>
Governmental activities				
Capital Assets, net	<u>\$ 9 766</u>	<u>\$ 1 077</u>	<u>\$</u>	<u>\$ 10 843</u>

B. Liabilities

1. Payables

Payables at June 30, 2012 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	\$211 201	\$283 348	\$ 15 085	\$ 162 115	\$ 671 749
Other Governmental	<u>360 545</u>	<u>1 924</u>			<u>362 469</u>
Total-governmental activities	<u>\$571 746</u>	<u>\$285 272</u>	<u>\$ 15 085</u>	<u>\$ 162 115</u>	<u>\$1 034 218</u>
Business-type activities:					
Solid Waste	<u>\$</u>	<u>\$ 10 450</u>	<u>\$</u>	<u>\$</u>	<u>\$ 10 450</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, 2012 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)	\$ 336 040	\$	Prepaid Taxes not yet earned	<u>\$ 2 258</u>	<u>\$ 2 258</u>
Prepaid taxes not yet earned	19 801	19 801			
Payment in Lieu of Taxes Paid in Advance	<u>592 252</u>	<u>592 252</u>			
Total	<u>\$ 948 093</u>	<u>\$ 612 053</u>			

3. Pension Plan Obligations

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

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

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.99% and 7.05%, respectively, of annual payroll. The contribution requirements of members and of Swain County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012 and 2011 were \$395 059 and \$348 302 respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

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

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-0-
Terminated plan members entitled to but not yet receiving benefits	-0-
Active plan members	<u>22</u>
Total	<u>22</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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 9 448
Interest on net pension obligation	4 262
Adjustment to annual required contribution	(5 086)
Annual pension cost	<u>\$ 8 624</u>
Contributions made for fiscal year ended 6-30-12	<u>- 0 -</u>
Increase (decrease) in net pension obligation	8 624
Net pension obligation beginning of year	<u>85 249</u>
Net pension obligation end of year	<u><u>\$93 873</u></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>
6/30/12	\$ 8 624	0%	\$93 873
6/30/11	9 163	0%	85 249
6/30/10	9 579	0%	76 086

c. Supplemental Retirement Income Plan for Law Enforcement Officers -

Plan Description - The County contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina Assembly.

Funding Policy - Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$34 883, which consisted of \$34 883 from the County and \$-0- from the law enforcement officers.

d. Deferred Compensation Plan - The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Thus the County's Deferred Compensation Plan is not reported within the County's Agency Funds.

e. Register of Deeds' Supplemental Pension Fund - Plan Description - Swain County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$3 764.

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

Membership in the plan included the following at 12-31-11, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees receiving benefits	3	-0-
Active plan members	<u>185</u>	<u>22</u>
Total	<u>188</u>	<u>22</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 2.52% of annual covered payroll. For the current year, the county contributed \$- 0 - or 0% of annual covered payroll. The County's medical coverage is self insured, which is administered by an outside provider. There were no contributions made by employees, except for dependant coverage for retirees in the amount of \$3 138.

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

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

Annual required contribution	\$ 103 250
Interest on net OPEB obligation	10 978
Adjustment to annual required contribution	<u>(9 471)</u>
Annual OPEB cost	104 757
Contributions made for 6-30-12	<u>-0-</u>
Increase in net OPEB obligation	104 757
Net OPEB liability, beginning of year	<u>274 450</u>
Net OPEB liability, end of year	<u>\$ 379 207</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
2012	\$ 104 757	0%	\$ 379 207
2011	77 268	0%	274 450
2010	98 861	0%	197 182

As of 12-31-11, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$1 031 633. The covered payroll (annual payroll of active employees covered by the plan) was \$5 762 989. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the 12-31-11 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.5 to 5.0 percent. The UAAL is being amortized as a level dollar percentage of projected payroll on an open basis. The remaining amortization period at 12-31-11 was 30 years.

4. Risk Management - The County is exposed to various risks of losses related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million, for any one occurrence, The County also purchases general, auto, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, worker's compensation coverage up to the statutory limits, and medical and dental insurance for county employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500 000 up to a \$2 million limit for liability coverage, \$600 000 of aggregate annual losses in excess of \$50 000 per occurrence and an for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for worker's compensation. For medical and dental insurance, the County is reinsured through the Pool for individual losses in excess of \$50 000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100 000.

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

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

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

5. Long-Term Obligations:

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

School - 2005 Refunding    2.0 to 3.5%    \$2 395 000

- b. Installment Purchases - Installment contracts for the purchase of equipment are treated as purchases at the inception of the contract and are carried in the General Fund. Enterprise obligations are carried in the Solid Waste Fund. The County had the following installment purchase contracts at June 30, 2012:

Description	Cost	Date	Term	Rate	Amount
Sanitation Truck	\$ 164 500	2-23-06	8 Yrs.	3.89%	\$ 24 322/Annual
5 Police Cars	150 000	11-15-08	5 Yrs.	4.04%	\$ 33 732/Annual
2 Sanitation Tractors	170 000	11-03-08	7 Yrs.	3.85%	\$ 28 167/Annual
Ambulance	100 961	11-25-08	4 Yrs.	3.46%	\$ 27 461/Annual
Fibre Optic Cable	120 000	6-30-06	8 Yrs.	4.23%	\$ 17 993/Annual
Land-Middle School	2 000 000	10-18-06	15 Yrs.	4.25%	\$218 333/Annual
8 Vehicles	240 000	5-10-11	3 Yrs.	2.61%	\$ 83 693/Annual
2 Police Vehicles	60 000	5-14-12	2 Yrs.	5.00%	\$ 32 268/Annual
Total	<u>\$3 005 461</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, 2012:

Governmental Activity:	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
General Obligation Bonds: Refunding Bonds-Schools	\$ 2 755 000	\$	\$ 360 000	\$ 2 395 000	\$ 375 000
Installment Purchase	3 765 206	2 485 000	492 107	5 758 099	545 102
Mortgages and Loans	10 669 842		298 026	10 371 816	303 399
Construction Loan-School Construction Bond	416 578	1 408 422	1 825 000		
Compensated Absences	361 113	46 600		407 713	407 713
Unfunded Pension Cost	85 249	8 624		93 873	
Unfunded OPEB Cost	260 727	99 520		360 247	
Subtotal	18 313 715	4 048 166	2 975 133	19 386 748	1 631 214
Less Deferred Amount on Refunding Bonds	147 856		24 643	123 213	
Totals	<u>\$18 165 859</u>	<u>\$4 048 166</u>	<u>\$ 2 950 490</u>	<u>\$ 19 263 535</u>	<u>\$ 1 631 214</u>

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
<u>Business Type Activity:</u>					
Capitalized Leases	\$ 193 561	\$	\$ 45 010	\$ 148 551	\$ 46 751
Compensated Absences	23 774		182	23 592	23 592
Unfunded OPEB Cost	13 723	5 237		18 960	
Totals	\$ 231 058	\$ 5 237	\$ 45 192	\$ 191 103	\$ 70 343

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	School Bonds		Governmental Activity Installment Obligations		Mortgage and Loans		Business Type Activity Installment Obligation		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 375 000	\$ 78 710	\$ 545 102	\$ 182 955	\$ 303 399	\$ 422 001	\$ 46 751	\$ 5 738	\$ 1 270 252	\$ 689 404
2014	380 000	66 523	526 166	161 439	308 999	409 961	48 560	3 929	1 263 725	641 852
2015	395 000	54 173	450 071	140 579	303 482	397 855	26 117	2 050	1 174 670	594 657
2016	410 000	41 928	390 093	123 649	305 129	386 055	27 123	1 044	1 132 345	552 676
2017	415 000	28 603	315 000	108 021	310 690	374 054			1 040 690	510 678
2018-2022	420 000	14 700	3 045 004	332 500	1 593 431	1 681 847			5 058 435	2 029 047
2023-2027			486 663	66 065	1 089 313	1 399 460			1 575 976	1 465 525
2028-2032					1 188 340	1 177 310			1 188 340	1 177 310
2033-2037					1 454 856	910 794			1 454 856	910 794
2038-2042					1 781 145	584 505			1 781 145	584 505
2043-2047					1 708 497	184 023			1 708 497	184 023
2048-2052					24 535				24 535	
	<u>\$2 395 000</u>	<u>\$ 284 637</u>	<u>\$5 758 099</u>	<u>\$1 115 208</u>	<u>\$10 371 816</u>	<u>\$7 927 865</u>	<u>\$ 148 551</u>	<u>\$ 12 761</u>	<u>\$18 673 466</u>	<u>\$ 9 340 471</u>

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

f. Commitments:

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

Project	Spent to date	Remaining Commitment
Learning Center	\$ 1 137 659	\$ 25 123

g. Contingent Liabilities:

At June 30, 2012, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

i. Interfund Balances and Activity:

1. Interfund receivables and payables at June 30, 2012 are composed as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 571 917	
Capital Projects		74 424
Emergency Telephone Fund	9 430	
Non-Major Governmental Funds		26 510
Enterprise Fund	_____	<u>480 413</u>
Total Interfund receivables and payables	<u>\$ 581 347</u>	<u>\$ 581 347</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, 2012 for primary government and component unit are composed as follows:

Component Unit - Receivable From Primary Government	\$39 683	\$
Primary Government - Payable to Component Unit	_____	<u>39 683</u>
Total	<u>\$39 683</u>	<u>\$39 683</u>

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

<u>Transfers From</u>		<u>Transfers To</u>	
General Fund	\$ 80 152	Capital Projects	\$ 196 634
Permanent Fund	<u>150 000</u>	Non Major Governmental	<u>33 518</u>
Total	<u>\$ 230 152</u>	Total	<u>\$ 230 152</u>

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

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

4. Fund Balance

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

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

Total fund balance - General Fund	\$ 4 012 705
Less:	
Stabilization by State Statute	(1 621 180)
Restricted for Education	<u>(764 004)</u>
Remaining Fund Balance	<u>\$ 1 627 521</u>

5. Subsequent Events:

Subsequent events have been evaluated through September 5, 2012, which is the date the financial statements were available to be issued.

V. Related Organization

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

VI . Joint Ventures

The County 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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$189 000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices in Bryson City, N.C.

The County, in conjunction with the State of North Carolina and the Swain County Board of Education, participates in a joint venture to operate the Southwest Tech Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$125 000 to the community college during the fiscal year ended June 30, 2012. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2012. Complete financial statements for the community college may be obtained from the community college's administrative offices in Sylva, N. C.

Swain County, in conjunction with seven other Counties, participates in the Smokey Mountain Mental Health Board. Swain County appoints 2 of the 23 member board. The Mental Health Board is a joint venture formed to provide better health services to its citizens. All participating Counties provide an annual appropriation to the Health Board but has no equity interest in the joint venture. Thus no equity interest has been reflected in the financial statements at June 30, 2012. Swain County contributed \$39 334 to the Board during the fiscal year ended June 30, 2012. Complete financial statements can be obtained from the Board's administrative office in Dillsboro, N.C.

The County supports the Fontana Regional Library by providing building space in the Marianna Black Regional Library. The County has no responsibility in appointing any board members. The County has no equity interest in the library, thus no equity interest has been reflected in the financial statement at June 30, 2012.

VII. Jointly Governed Organization

The County, in conjunction with 7 other counties and 16 municipalities, established the Southwestern North Carolina Planning and Economic Development Commission. The participating governments established the Commission to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid fees of \$78 222 to the Commission during the fiscal year ended June 30, 2012.

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2012, the County reported these unrestricted local option sales taxes within its General Fund and the restricted portion in the Special Revenue Fund - Schools Capital Reserve. During the year the County expended the restricted portion of these taxes for public school debt retirement.

IX. Benefit Payments Issued by the State

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

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

X. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The County has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.



XI. Prior Period Adjustment

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

Required Supplemental Financial Data

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

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

Schedule of Funding Progress for Other Postemployment Benefits

Schedule of Employer Contributions for Other Postemployment Benefits

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</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>
12/31/05	-0-	38 471	38 471	0%	423 754	9.08%
12/31/06	-0-	43 692	43 692	0%	411 000	10.63%
12/31/07	-0-	44 005	44 005	0%	327 352	13.44%
12/31/08	-0-	55 251	55 251	0%	526 599	10.49%
12/31/09	-0-	47 093	47 093	0%	507 468	9.28%
12/31/10	-0-	37 150	37 150	0%	509 987	7.28%
12/31/11	-0-	29 724	29 724	0%	623 900	4.76%

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>
2012	\$ 8 624	0%
2011	9 163	0%
2010	9 579	0%

Notes to the Required Schedules:

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

Valuation Date	12/31/10
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	20 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Projected Salary Increase	4.25% - 7.85%
Includes Inflation at	3.00%
Cost of Living Adjustments	None

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

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

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>
2012	\$ 145 256	0%
2011	62 576	0%
2010	98 861	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	12/31/11
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	4.0%
Includes Inflation at	3.00%
Medical Cost Trend Rate	9.5 - 5.0%
Year of Ultimate Trend Rate	2018

SWAIN COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2011

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Revenues:				
Ad Valorem Taxes:				
Current Year	\$4 394 385	\$4 326 165	\$ (68 220)	\$4 291 803
Prior Year	233 500	304 125	70 625	310 153
Penalties and Interest	100 000	88 243	(11 757)	85 405
Total	<u>4 727 885</u>	<u>4 718 533</u>	<u>(9 352)</u>	<u>4 687 361</u>
Local Option Sales Taxes:				
1 Cent Sales Tax	900 000	972 802	72 802	855 316
½ Cent Sales Tax	840 000	720 300	(119 700)	663 897
Medicaid Hold Harmless	450 000	250 004	(199 996)	450 821
Total	<u>2 190 000</u>	<u>1 943 106</u>	<u>(246 894)</u>	<u>1 970 034</u>
Other Taxes and Licenses:				
Room Occupancy Tax	430 000	394 809	(35 191)	368 196
Marriage Licenses	10 500	10 680	180	10 380
Total	<u>440 500</u>	<u>405 489</u>	<u>(35 011)</u>	<u>378 576</u>
Unrestricted Intergovern- mental Revenues:				
ABC Revenue	9 000	5 934	(3 066)	6 323
Payments in Lieu of Taxes	1 100 000	1 113 565	13 565	1 192 332
Satellite Video Tax	37 000	37 650	650	37 850
Total	<u>1 146 000</u>	<u>1 157 149</u>	<u>11 149</u>	<u>1 236 505</u>
Restricted Intergovern- mental Revenues:				
State and Federal Grants (Exhibit J)	3 211 485	4 563 072	1 351 587	3 917 852
Court Facility Fees	30 400	17 218	(13 182)	21 018
Indirect Cost		388 857	388 857	524 988
Total	<u>3 241 885</u>	<u>4 969 147</u>	<u>1 727 262</u>	<u>4 463 858</u>
Permits and Fees:				
Inspection Fees	70 000	55 143	(14 857)	63 704
Register of Deeds	163 900	143 930	(19 970)	127 605
Safe Driving	3 000	2 470	(530)	2 681
Total	<u>236 900</u>	<u>201 543</u>	<u>(35 357)</u>	<u>193 990</u>

Revenues - Continued:	2012		Variance	2011
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Sales and Service:</b>				
Tag Office	\$ 48 000	\$ 46 302	\$ (1 698)	\$ 50 235
Officers Fees	15 000	21 463	6 463	11 136
Jail Fees	572 400	581 991	9 591	345 584
Ambulance Fees	685 000	618 954	(66 046)	708 447
Recreation Department	111 700	104 708	(6 992)	94 205
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	208 000	207 798	(202)	167 630
Social Services Fees		57	57	4 066
Chamber Salary Reimbursement	100 000	76 964	(23 036)	72 915
Sheriff Revenues	72 935	100 460	27 525	85 075
Health Dept. Fees and Reimbursements	909 924	817 254	(92 670)	858 915
Total	<u>2 789 659</u>	<u>2 642 651</u>	<u>(147 008)</u>	<u>2 464 908</u>
<b>Investment Earnings:</b>				
Interest Earned	5 000	17 397	12 397	12 057
<b>Miscellaneous:</b>				
Interest Payback	103 600	103 557	(43)	
Sales of Fixed Assets				1 505 647
Other	95 900	60 344	(35 556)	9 287
Total	<u>199 500</u>	<u>163 901</u>	<u>(35 599)</u>	<u>1 514 934</u>
Total Revenues	<u>14 977 329</u>	<u>16 218 916</u>	<u>1 241 587</u>	<u>16 922 223</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and Employees				
Benefits		62 153		55 866
Operating Expenditures		12 022		13 626
Travel		16 900		17 957
Total	<u>94 454</u>	<u>91 075</u>	<u>3 379</u>	<u>87 449</u>
<b>Administration:</b>				
Salaries and Employees				
Benefits		252 832		303 605
Operating Expenditures		47 059		136 449
Workers' Comp. Insurance		2 400		5 077
Capital Outlay		21 830		175 002
Legal Services		72 164		29 414
Total	<u>2 627 359</u>	<u>396 285</u>	<u>2 231 074</u>	<u>649 547</u>



	2012		Variance Favorable Unfavorable)	2011 Actual
	Budget	Actual		
Expenditures - Continued:				
Elections:				
Salaries and Employee				
Benefits	\$	\$ 89 019	\$	\$ 94 987
Operating Expenditures		58 155		47 807
Capital Outlay		1 171		2 600
Total	<u>173 815</u>	<u>148 345</u>	<u>25 470</u>	<u>145 394</u>
Finance:				
Salaries and Employee				
Benefits		144 041		111 566
Operating Expenditures		29 458		34 745
Professional Services		61 503		60 149
Total	<u>243 404</u>	<u>235 002</u>	<u>8 402</u>	<u>206 460</u>
Tax and Mapping:				
Salaries and Employee				
Benefits		275 553		287 499
Operating Expenditures		347 320		149 407
Capital Outlay				4 893
Total	<u>644 980</u>	<u>622 873</u>	<u>22 107</u>	<u>441 799</u>
Register of Deeds:				
Salaries and Employee				
Benefits		126 379		117 020
Operating Expenditures		71 362		81 361
Recording Fees		42 365		39 333
Total	<u>275 055</u>	<u>240 106</u>	<u>34 949</u>	<u>237 714</u>
Public Buildings:				
Salaries and Employee				
Benefits		371 858		325 554
Maintenance & Repairs		89 807		102 115
Utilities & Fuel		64 138		58 955
Other Operating Expenditures		113 445		137 798
Insurance		14 000		8 272
Capital Outlay		6 936		19 503
Total	<u>1 169 705</u>	<u>660 184</u>	<u>509 521</u>	<u>652 197</u>
Court Facilities:				
Operating Expenditures	<u>28 200</u>	<u>20 609</u>	<u>7 591</u>	<u>23 401</u>
Data Processing:				
Salaries and Employee				
Benefits		53 802		49 899
Operating Expenditures		47 882		55 242
Capital Outlay		3 572		10 580
Total	<u>110 152</u>	<u>105 256</u>	<u>4 896</u>	<u>115 721</u>
Total General Government	<u>5 367 124</u>	<u>2 519 735</u>	<u>2 847 389</u>	<u>2 559 682</u>

Expenditures - Continued:	2012		Variance Favorable Unfavorable)	2011 Actual
	Budget	Actual		
Public Safety:				
Sheriff				
Salaries and Employee				
Benefits	\$	\$ 975 565	\$	\$ 818 179
Operating Expenditures		443 903		365 593
Capital Outlay		144 066		386 014
Total	<u>1 578 448</u>	<u>1 563 534</u>	<u>14 914</u>	<u>1 569 786</u>
Jail:				
Salaries and Employee				
Benefits		717 365		616 904
Operating Expenditures		185 567		211 943
Food		171 196		121 251
Medical Expenditures		50 005		44 694
Capital Outlay		1 460		
Total	<u>1 169 024</u>	<u>1 125 593</u>	<u>43 431</u>	<u>994 792</u>
Criminal Justice:				
Operating Expenditures	<u>1 500</u>	<u>1 488</u>	<u>-- 12</u>	<u>1 550</u>
Emergency Management:				
Salaries and Employee				
Benefits		88 097		85 356
Operating Expenditures		112 506		17 222
Grant Expenditures		6 562		17 882
Capital Outlay		10 182		
Total	<u>226 134</u>	<u>217 347</u>	<u>8 787</u>	<u>120 460</u>
Emergency Communications:				
Salaries and Employee				
Benefits		221 272		236 365
Operating Expenditures		32 295		18 404
Total	<u>265 409</u>	<u>253 567</u>	<u>11 842</u>	<u>254 769</u>
Fire Marshall:				
Operating Expenditures	<u>1 000</u>	<u>897</u>	<u>103</u>	<u>724</u>
Inspections:				
Salaries and Employee				
Benefits		70 264		87 611
Operating Expenditures		20 084		29 949
Total	<u>98 000</u>	<u>90 348</u>	<u>7 652</u>	<u>117 560</u>
Medical Examiner:				
Professional Services	<u>12 000</u>	<u>10 800</u>	<u>1 200</u>	<u>19 800</u>
Special Appropriations:				
Fire Departments		183 775		179 548
Rescue Squad		48 025		39 241
Task Force		139		85
Total	<u>240 000</u>	<u>231 939</u>	<u>8 061</u>	<u>218 874</u>
Total Public Safety	<u>3 591 515</u>	<u>3 495 513</u>	<u>96 002</u>	<u>3 298 315</u>

	2012		Variance Favorable Unfavorable)	2011 Actual
	Budget	Actual		
Expenditures - Continued:				
Environmental Protection:				
Soil and Water:				
Salaries and Employee				
Benefits	\$	\$ 67 948	\$	\$ 72 298
Operating Expenditures		24 135		17 989
Capital Outlay				27 311
Total Environmental Protection	100 198	92 083	8 115	117 598
Economic and Physical Development:				
Agriculture Extension:				
Salaries and Employee				
Benefits		218 130		191 694
Operating Expenditures		39 633		33 542
Total	272 043	257 763	14 280	225 236
Community Development:				
SW Commission - CBA		78 222		73 493
SW Commission - CBA Match		6 904		6 302
JCPC		1 743		450
Total	91 275	86 869	4 406	80 245
Economic Development:				
Salaries and Employee				
Benefits		45 002		42 665
Operating Expenditures		5 259		27 011
Contract Services		28 112		20 991
Swain Tourist Authority		382 301		357 150
Total	113 574	460 674	(347 100)	447 817
Chamber of Commerce:				
Salaries and Employee				
Benefits	119 392	69 826	49 566	57 128
Total Economic and Physical Development	596 284	875 132	(278 848)	810 426
Human Services:				
Social Services:				
Administration:				
Salaries and Employee				
Benefits		2 038 290		1 844 775
Operating Expenditures		774 890		860 868
Travel		5 654		5 521
Capital Outlay		30 973		
Total	1 323 130	2 849 807	(1 526 677)	2 711 164

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Expenditures - Continued:				
Programs:				
TANF	\$	\$ 187 203	\$	\$ 122 477
Foster Care		453 552		537 062
Special Assistance		82 775		86 316
Child Support		8 279		50 137
Crisis Intervention		115 906		89 877
Daycare		948 271		
Commodities Food		20 893		42 495
Total	<u>1 338 216</u>	<u>1 816 879</u>	<u>(478 663)</u>	<u>928 364</u>
Total Social Services	<u>2 661 346</u>	<u>4 666 686</u>	<u>(2 005 340)</u>	<u>3 639 528</u>
Emergency Medical Services				
Salaries and Employee				
Benefits		777 201		748 872
Operating Expenditures		180 084		174 103
Capital Outlay				241 491
Total Emergency				
Medical Services	<u>966 247</u>	<u>957 285</u>	<u>8 962</u>	<u>1 164 466</u>
Veterans Service Officer:				
Salaries and Employee				
Benefits	<u>5 840</u>	<u>5 058</u>	<u>782</u>	<u>4 886</u>
Health Department:				
General:				
Salaries and Employee				
Benefits		46 514		41 422
Other Operating Expenditures		196 680		144 009
Total	<u>264 116</u>	<u>243 194</u>	<u>20 922</u>	<u>185 431</u>
Breast and Cervical Cancer:				
Salaries and Employee				
Benefits		16 251		19 305
Other Operating Expenditures		11 505		19 103
Total	<u>28 152</u>	<u>27 756</u>	<u>396</u>	<u>38 408</u>
Wisewomen:				
Salaries and Employee				
Benefits		7 909		10 539
Other Operating Expenditures		1 576		2 335
Total	<u>11 891</u>	<u>9 485</u>	<u>2 406</u>	<u>12 874</u>
H1N1:				
Salaries and Employee				
Benefits				9 181
Other Operating Expenses				43 703
Total				<u>52 884</u>

Expenditures - Continued:	2012		Variance Favorable Unfavorable)	2011 Actual
	Budget	Actual		
Child Services Coordination:				
Salaries and Employee				
Benefits	\$	\$ 18 405	\$	\$ 16 586
Other Operating Expenditures		6 472		447
Total	<u>31 419</u>	<u>24 877</u>	<u>6 542</u>	<u>17 033</u>
Adult Health:				
Salaries and Employee				
Benefits		81 261		89 852
Other Operating Expenditures		47 743		52 132
Total	<u>130 561</u>	<u>129 004</u>	<u>1 557</u>	<u>141 984</u>
Immunization:				
Salaries and Employee				
Benefits		3 830		2 221
Other Operating Expenditures				57
Total	<u>8 456</u>	<u>3 830</u>	<u>4 626</u>	<u>2 278</u>
Health Promotion:				
Salaries and Employee				
Benefits		34 496		32 682
Other Operating Expenditures		4 033		9 119
Total	<u>41 746</u>	<u>38 529</u>	<u>3 217</u>	<u>41 801</u>
Environmental Health:				
Salaries and Employee				
Benefits		74 991		92 336
Other Operating Expenditures		8 120		5 175
Total	<u>87 000</u>	<u>83 111</u>	<u>3 889</u>	<u>97 511</u>
Maternal Health:				
Salaries and Employee				
Benefits		1 597		5 313
Other Operating Expenditures				244
Total	<u>6 250</u>	<u>1 597</u>	<u>4 653</u>	<u>5 557</u>
Child Health:				
Salaries and Employee				
Benefits		24 108		28 171
Other Operating Expenditures		3 357		1 374
Total	<u>28 090</u>	<u>27 465</u>	<u>625</u>	<u>29 545</u>
Well Program:				
Salaries and Employee				
Benefits		29 587		15 886
Other Operating Expenditures		1 525		2 723
Total	<u>33 699</u>	<u>31 112</u>	<u>2 587</u>	<u>18 609</u>

Expenditures - Continued:	2012		Variance Favorable Unfavorable)	2011 Actual
	Budget	Actual		
HIPAA:				
Salaries and Employee				
Benefits	\$	\$ 4 117	\$	\$ 5 411
Other Operating Expenditures		2 667		4 000
Total	<u>8 000</u>	<u>6 784</u>	<u>1 216</u>	<u>9 411</u>
WIC/Client Services:				
Salaries and Employee				
Benefits		47 081		43 918
Other Operating Expenditures		4 754		2 932
Total	<u>53 225</u>	<u>51 835</u>	<u>1 390</u>	<u>46 850</u>
WIC/Nutritional Education:				
Salaries and Employee				
Benefits		12 769		15 539
Other Operating Expenditures		1 005		553
Total	<u>16 371</u>	<u>13 774</u>	<u>2 597</u>	<u>16 092</u>
WIC/Breast Feeding Promotion:				
Salaries and Employee				
Benefits	<u>9 962</u>	<u>6 757</u>	<u>3 205</u>	<u>10 912</u>
WIC/General Administration:				
Salaries and Employee				
Benefits	<u>5 844</u>	<u>5 799</u>	<u>45</u>	<u>5 581</u>
MCC:				
Salaries and Employee				
Benefits		19 903		17 197
Other Operating Expenditures		4 450		1 884
Total	<u>24 450</u>	<u>24 353</u>	<u>97</u>	<u>19 081</u>
Food and Lodging:				
Salaries and Employee				
Benefits		43 927		50 607
Other Operating Expenditures		342		215
Total	<u>45 267</u>	<u>44 269</u>	<u>998</u>	<u>50 822</u>
Smart Start:				
Salaries and Employee				
Benefits		17 486		20 744
Other Operating Expenditures		1 205		4 666
Total	<u>25 495</u>	<u>18 691</u>	<u>6 804</u>	<u>25 410</u>

Expenditures - Continued:	2012		Variance Favorable Unfavorable)	2011 Actual
	Budget	Actual		
Family Planning:				
Salaries and Employee				
Benefits	\$	\$ 76 060	\$	\$ 73 862
Other Operating Expenditures		23 510		33 808
Total	101 855	99 570	2 285	107 670
Healthy Carolinians:				
Other Operating Expenditures	8 500	8 072	428	20 721
Communicable Diseases:				
Salaries and Employee				
Benefits		46 976		37 960
Other Operating Expenditures		6 983		4 944
Total	55 060	53 959	1 101	42 904
CAP Program:				
Salaries and Employee				
Benefits		783 358		764 744
Other Operating Expenditures		64 289		79 438
Total	725 000	847 647	(122 647)	844 182
Chore:				
Salaries and Employee				
Benefits		75 914		65 487
Other Operating Expenditures		12 111		10 402
Total	97 647	88 025	9 622	75 889
Family Strengthening:				
Other Operating Expenditures				36 449
 Total Health Department	 1 848 056	 1 889 495	 (41 439)	 1 955 889

Expenditures - Continued:	2012		Variance Favorable Unfavorable)	2011 Actual
	Budget	Actual		
Special Appropriations:				
Safe Program	\$	\$ 14 500	\$	\$ 14 500
Elderly Transportation		121 507		159 068
Smokey Mountain Mental Health		39 334		74 658
Other		67 784		
Total	<u>303 457</u>	<u>243 125</u>	<u>60 332</u>	<u>248 226</u>
Total Human Services	<u>5 784 946</u>	<u>7 761 649</u>	<u>(1 976 703)</u>	<u>7 012 995</u>
Recreational:				
Recreation:				
Salaries and Employee				
Benefits		210 527		197 214
Operating Expenditures		156 268		132 137
Repairs & Maintenance		26 750		20 455
Total	<u>399 878</u>	<u>393 545</u>	<u>6 333</u>	<u>349 806</u>
Cultural:				
N.C. Forestry		29 426		35 428
Marianna Black Library		189 000		189 000
Total	<u>243 510</u>	<u>218 426</u>	<u>25 084</u>	<u>224 428</u>
Total Recreational and Cultural	<u>643 388</u>	<u>611 971</u>	<u>31 417</u>	<u>574 234</u>
Education:				
Swain County Board of				
Education:				
Current Expense		750 000		750 000
Capital Outlay		110 000		95 000
Forest Funds		35 940		43 876
Southwestern Community				
College		125 000		125 000
Total Education	<u>1 040 000</u>	<u>1 020 940</u>	<u>19 060</u>	<u>1 013 876</u>
Debt Service:				
Principal Retirement		1 150 133		857 557
Interest Expense		719 950		624 374
Total Debt Service	<u>1 764 000</u>	<u>1 870 083</u>	<u>(106 083)</u>	<u>1 481 931</u>
Total Expenditures	<u>18 887 455</u>	<u>18 247 106</u>	<u>640 349</u>	<u>16 869 057</u>
Revenues Over (Under)				
Expenditures	<u>(3 910 126)</u>	<u>(2 028 190)</u>	<u>1 881 936</u>	<u>53 166</u>



	<u>2012</u>		<u>Variance</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>Unfavorable)</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Transfers In (Out)	\$ 1 279 394	\$ 863 719	\$ (415 675)	\$ (566 120)
Financing Proceeds	2 360 000	660 000	(1 700 000)	590 000
Appropriated Fund Balance	<u>270 732</u>	<u>                    </u>	<u>(270 732)</u>	<u>                    </u>
Total Other Financing Sources (Uses)	<u>3 910 126</u>	<u>1 523 719</u>	<u>(2 386 407)</u>	<u>23 880</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$</u>	(504 471)	<u>\$ (504 471)</u>	77 046
Fund Balances:				
Beginning of Year		3 965 457		3 888 411
Prior Period Adjustment		<u>(242 243)</u>		<u>                    </u>
End of Year		<u>\$3 218 743</u>		<u>\$3 965 457</u>

SWAIN COUNTY  
CAPITAL PROJECTS FUND - SCHOOL CONSTRUCTION (WEST ELEMENTARY)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
COMPARED WITH AUTHORIZATIONS  
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2012

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Engineering	\$ 190 000	\$169 612	\$ 19 716	\$ 189 328	\$ 672
Construction	1 820 000	240 156	1 578 417	1 818 573	1 427
Administration	15 000	6 810	6 923	13 733	1 267
Total Expenditures	<u>2 025 000</u>	<u>416 578</u>	<u>1 605 056</u>	<u>2 021 634</u>	<u>3 366</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	200 000		196 634	196 634	(3 366)
Financing Proceeds	<u>1 825 000</u>	<u>416 578</u>	<u>1 408 422</u>	<u>1 825 000</u>	
Total Other Financing Sources (Uses)	<u>2 025 000</u>	<u>416 578</u>	<u>1 605 056</u>	<u>2 021 634</u>	<u>(3 366)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Items	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

SWAIN COUNTY, NORTH CAROLINA  
PERMANENT FUND - SWAIN SETTLEMENT TRUST FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2012		Variance	2011
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Investment Earnings:				
Interest Earned	\$	\$1 052 544	\$1 052 544	\$ 459 531
Other Financing Sources (Uses):				
Transfer (To) From				
General Fund	(400 000)	(150 000)	250 000	
Appropriated Fund Balance	400 000		(400 000)	
Total Other Financing Sources (Uses)		(150 000)	(150 000)	
Excess of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	\$	902 544	\$ 902 544	459 531
Fund Balance - Beginning of Year		13 277 565		12 818 034
Fund Balance - End of Year		\$14 180 109		\$13 277 565

SWAIN COUNTY, NORTH CAROLINA  
 EMERGENCY TELEPHONE SYSTEM FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Revenues:				
Permits and Fees:				
Fees Charged	\$ 400 000	\$ 141 607	\$ (258 393)	\$ 261 860
Investment Earnings:				
Interest Earned		669	669	1 489
Total Revenue	400 000	142 276	(257 724)	263 349
Expenditures:				
Salaries		69 369		60 378
Operating Expenditures		69 577		121 804
Capital Outlay		265 894		86 805
Total Expenditures	400 000	404 840	(4 840)	268 987
Revenues Over (Under) Expenditures	\$ _____	(262 564)	\$ (262 564)	(5 638)
Fund Balance - Beginning of Year		75 504		81 142
Prior Period Adjustment		242 243		
Fund Balance - End of Year		\$ 55 183		\$ 75 504

SWAIN COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>		<u>Combining Totals</u>
	<u>Family Preservation</u>	<u>CDBG</u>	<u>Public Safety</u>	<u>Learning Center</u>	<u>2012</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 28 282	\$ 9 386	\$ 118 199	\$ 155 952	\$ 311 819
Receivables, Net		8 212			8 212
Total Assets	<u>\$ 28 282</u>	<u>\$ 17 598</u>	<u>\$ 118 199</u>	<u>\$ 155 952</u>	<u>\$ 320 031</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Due to Other Funds	\$ 8 912	\$ 17 598			\$ 26 510
<u>Fund Balance:</u>					
Available	19 370		118 199	155 952	293 521
Total Liabilities and Fund Balance	<u>\$ 28 282</u>	<u>\$ 17 598</u>	<u>\$ 118 199</u>	<u>\$ 155 952</u>	<u>\$ 320 031</u>

SWAIN COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>		<u>Combining Totals</u>
	<u>Family Preservation</u>	<u>CDBG</u>	<u>Public Safety</u>	<u>Learning Center</u>	<u>2012</u>
<u>Revenues</u>					
Intergovernmental	\$ 146 593	\$ 107 946	\$	\$ 20 000	\$ 274 539
Investment Earnings	<u>40</u>		<u>219</u>	<u>1 721</u>	<u>1 980</u>
Total Revenues	<u>146 633</u>	<u>107 946</u>	<u>219</u>	<u>21 721</u>	<u>276 519</u>
<u>Expenditures</u>					
Current:					
Economic Development		107 946			107 946
Human Services	128 435				128 435
Education				1 254 033	1 254 033
Total Expenditures	<u>128 435</u>	<u>107 946</u>		<u>1 254 033</u>	<u>1 490 414</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18 198</u>		<u>219</u>	<u>(1 232 312)</u>	<u>(1 213 895)</u>
Other Financing Sources (Uses):					
Transfers In (Out)			(27 582)	61 100	33 518
Net Change in Fund Balance	18 198		(27 363)	(1 171 212)	(1 180 377)
Fund Balance-Beginning	<u>1 172</u>		<u>145 562</u>	<u>1 327 164</u>	<u>1 473 898</u>
Fund Balance - Ending	<u>\$ 19 370</u>	<u>\$</u>	<u>\$ 118 199</u>	<u>\$ 155 952</u>	<u>\$ 293 521</u>

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, 2012  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance	
	Budget	Actual	Favorable (Unfavorable)	2011 Actual
Revenues:				
Restricted Intergovernmental:				
Family Preservation Grant	\$ 400 000	\$146 593	\$(253 407)	\$ 79 534
Investment Earnings:				
Interest Earned	_____	40	40	209
Total Revenues	400 000	146 633	(253 367)	79 743
Expenditures:				
Contract Labor		85 406		85 753
Travel		6 294		2 554
Communications and Telephone		5 637		13 613
Supplies		12 413		10 971
Flex Funds		1 607		2 018
Repairs		14 933		
Other		2 145		
Total Expenditures	400 000	128 435	271 565	114 909
Revenues Over (Under) Expenditures	\$ _____	18 198	\$ 18 198	(35 166)
Fund Balance - Beginning of Year		1 172		36 338
Fund Balance - End of Year		\$ 19 370		\$ 1 172

SWAIN COUNTY  
CDBG FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted Intergovernmental					
Revenues:					
Community Development					
Block Grant	<u>\$407 000</u>	<u>\$ 25 912</u>	<u>\$107 947</u>	<u>\$133 859</u>	<u>\$(273 141)</u>
Expenditures:					
Clearance	100 000		12 684	12 684	87 316
Relocation Assistance	260 000		82 604	82 604	177 396
Administration/Legal	<u>47 000</u>	<u>25 912</u>	<u>12 659</u>	<u>38 571</u>	<u>8 429</u>
Total Expenditures	<u>407 000</u>	<u>25 912</u>	<u>107 947</u>	<u>133 859</u>	<u>273 141</u>
Revenues Over (Under) Expenditures	<u>\$</u>	<u></u>	<u></u>	<u></u>	<u>\$</u>
Fund Balance - Beginning of Year					
July 1		<u></u>	<u></u>	<u></u>	
Fund Balance - End of Year,					
June 30		<u>\$</u>	<u>\$</u>	<u>\$</u>	



SWAIN COUNTY, NORTH CAROLINA  
 CAPITAL PROJECTS - PUBLIC SAFETY  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>		Variance Favorable (Unfavorable)	2011 Actual
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Investment Earnings:				
Interest Earned	\$	\$ 219	\$ 219	\$ 673
Expenditures:				
Future Capital Outlay				
Revenues Over (Under) Expenditures		219	219	673
Other Financing Sources (Uses):				
Appropriated Fund Balance	100 000		(100 000)	
Transfers (to) From Other Funds	(100 000)	(27 582)	72 418	(22 563)
Total Other Financing Sources (Uses)		(27 582)	(27 582)	(22 563)
Total Revenues and Other Sources Over Expenditures and Other Uses	\$	(27 363)	\$ (27 363)	(21 890)
Fund Balance - Beginning of Year		145 562		167 452
Fund Balance - End of Year		\$ 118 199		\$ 145 562

SWAIN COUNTY  
 CAPITAL PROJECTS - LEARNING CENTER  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 COMPARED WITH AUTHORIZATION  
 FROM INCEPTION AND FOR THE FISCAL YEAR JUNE 30, 2012

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Intergovernmental:					
Contributions	\$ _____	\$ _____	\$ 20 000	\$ 20 000	\$ 20 000
Investment Earnings:					
Interest Earned	_____	2 164	1 721	3 885	3 885
Total Revenues	_____	2 164	21 721	23 885	23 885
Expenditures:					
Engineering	200 000		88 873	88 873	111 127
Construction	1 200 000		1 133 659	1 133 659	66 341
Administration	100 000		31 501	31 501	68 499
Total Expenditures	1 500 000		1 254 033	1 254 033	245 967
Revenues Over (Under) Expenditures	(1 500 000)	2 164	(1 232 312)	(1 230 148)	269 852
Other Financing Sources (Uses):					
Transfers (To) from Other Funds	1 500 000	1 325 000	61 100	1 386 100	(113 900)
Total Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ _____	1 327 164	(1 172 212)	\$ 155 952	\$ 155 952
Fund Balance - Beginning of Year July 1			1 327 164		
Fund Balance - End of Year, June 30		\$1 327 164	\$ 155 952		

SWAIN COUNTY, NORTH CAROLINA  
SCHOOLS CAPITAL RESERVE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>		Variance	2011
	<u>Budget</u>	<u>Actual</u>	Favorable	<u>Actual</u>
			(Unfavorable)	
Revenues:				
Other Taxes and Licenses:				
1/2 Cent Sales Tax	\$ 400 000	\$ 530 654	\$ 130 654	\$ 486 786
Restricted Intergovernmental:				
Public School Building				
Capital Grant	<u>200 000</u>	<u>147 799</u>	<u>(52 201)</u>	<u>237 561</u>
Investment Earnings:				
Interest Earned	<u>          </u>	<u>1 040</u>	<u>1 040</u>	<u>1 476</u>
Total Revenues	<u>600 000</u>	<u>679 493</u>	<u>79 493</u>	<u>725 823</u>
Other Financing Sources (Uses):				
Transfers (Out)	(1 000 000)	(943 871)	56 129	(733 734)
Appropriated Fund Balance	<u>400 000</u>	<u>          </u>	<u>(400 000)</u>	<u>          </u>
Total Other Financing	<u>(600 000)</u>	<u>(943 871)</u>	<u>(343 871)</u>	<u>(733 734)</u>
Sources (Uses)				
Excess of Revenues and Other				
Sources Over (Under)				
Expenditures and Other Uses	<u>\$ <u>          </u></u>	(264 378)	<u>\$(264 378)</u>	(7 911)
Fund Balance - Beginning of Year		<u>1 028 382</u>		<u>1 036 293</u>
Fund Balance - End of Year		<u>\$ <u>764 004</u></u>		<u>\$ <u>1 028 382</u></u>

SWAIN COUNTY, NORTH CAROLINA  
ECONOMIC DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Revenues:				
Investment Earnings	\$	\$ 960	\$ 960	\$ 108
Miscellaneous:				
Revolving Loan Payback		14 106	14 106	8 838
Total Revenues		15 066	15 066	8 946
Other Financing Sources (Uses):				
Transfers (Out)				(65 000)
Excess of Revenues Over Expenditures	\$	15 066	\$ 15 066	(56 054)
Fund Balance - Beginning of Year		14 892		70 946
Fund Balance - End of Year		\$ 29 958		\$ 14 892

SWAIN COUNTY, NORTH CAROLINA  
ENTERPRISE FUND - SOLID WASTE  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>		Variance	2011
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Operating Revenue:				
Solid Waste Charges	\$ 35 000	\$ 71 933	\$ 36 933	\$ 58 150
Landfill Use Fee	670 000	660 942	(9 058)	674 652
Recycling	55 420	7 732	(47 688)	20 160
Scrap Tire Disposal Fees		17 005	17 005	16 242
White Goods Tax	30 000	4 275	(25 725)	4 458
Cardboard Fee	45 000	46 773	1 773	41 006
Disposal Tax		10 352	10 352	10 165
Other		3 724	3 724	
Total Operating Revenue	<u>835 420</u>	<u>822 736</u>	<u>(12 684)</u>	<u>824 833</u>
Expenditures:				
Solid Waste Disposal:				
Salaries		273 627		270 567
Social Security		20 077		19 869
Group Insurance		43 200		46 200
Retirement		17 780		15 514
Telephone		1 718		1 707
Utilities		6 150		6 482
Insurance - Worker's Comp		15 000		5 000
Maintenance and Repairs		44 452		19 680
Supplies and Materials		8 010		4 672
Fuel		78 488		90 074
Contracted Service		2 112		15 277
Uniforms		5 109		4 955
Disposal		220 326		221 769
Insurance - Vehicles		20 000		20 000
Use Tax		12 732		21 153
Miscellaneous		142		771
Total Disposal	<u>799 526</u>	<u>768 923</u>	<u>30 603</u>	<u>763 690</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, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>		Variance Favorable (Unfavorable)	2011 Actual
	<u>Budget</u>	<u>Actual</u>		
Budgetary Appropriations:				
Debt Principal and Interest	\$ 105 000	\$ 52 563	\$ 52 437	\$ 76 604
Capital Outlay	<u>128 500</u>	<u>101 384</u>	<u>27 116</u>	
Total Budgetary Appropriations	<u>233 500</u>	<u>153 947</u>	<u>79 553</u>	<u>76 604</u>
Total Expenditures	<u>1 033 026</u>	<u>922 870</u>	<u>110 156</u>	<u>840 294</u>
Revenues Over (Under) Expenditures	<u>(197 606)</u>	<u>(100 134)</u>	<u>97 472</u>	<u>(15 461)</u>
Other Financing Sources (Uses):				
Transfer (To) From Other Funds	<u>197 606</u>		<u>(197 606)</u>	
Revenues and Other Sources Over (Under) Expenditures	<u>\$ _____</u>	<u>\$ (100 134)</u>	<u>\$ (100 134)</u>	<u>\$ (15 461)</u>
RECONCILIATION OF MODIFIED ACCURAL BASIS TO FULL ACCURAL BASIS:				
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			\$ (100 134)	
Add:				
Payment of Debt Principal		45 010		
Decrease in Vacation Pay		182		
Capital Outlay		<u>101 384</u>	146 576	
Less:				
Depreciation		82 643		
Increase in Post Employment Health Benefits		<u>5 237</u>	<u>(87 880)</u>	
Change in Net Assets (Exhibit 9)			<u>\$ (41 438)</u>	

SWAIN COUNTY, NORTH CAROLINA  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Fines and Forfeitures:				
<u>Assets</u>				
Cash	\$ _____	\$ 92 332	\$ 92 332	\$ _____
<u>Liabilities</u>				
Amount Due Swain County Board of Education	\$ _____	\$ 92 332	\$ 92 332	\$ _____
Motor Vehicle Taxes:				
<u>Assets</u>				
Cash	\$ _____	\$ 16 032	\$ 16 032	\$ _____
<u>Liabilities</u>				
Motor Vehicle Taxes Payable	\$ _____	\$ 16 032	\$ 16 032	\$ _____
3% Interest on Motor Vehicles:				
<u>Assets</u>				
Cash	\$ _____	\$ 2 597	\$ 2 597	\$ _____
<u>Liabilities</u>				
3% Interest on Motor Vehicles Payable	\$ _____	\$ 2 597	\$ 2 597	\$ _____

SWAIN COUNTY, NORTH CAROLINA  
AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Totals - All Agency Funds:				
<u>Assets</u>				
Cash	\$ _____	\$ 110 961	\$ 110 961	\$ _____
<u>Liabilities</u>				
Fines and Forfeitures	\$	\$ 92 332	\$ 92 332	\$
Motor Vehicle Taxes		16 032	16 032	
3% Interest on Motor Vehicle Taxes	_____	2 597	2 597	_____
Total Liabilities	\$ _____	\$ 110 961	\$ 110 961	\$ _____



SWAIN COUNTY, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2012

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2011</u>	<u>Additions</u>	Collections and <u>Credits</u>	Uncollected Balance <u>June 30, 2012</u>
2011-2012	\$	\$4 724 448	\$ 4 326 165	\$ 398 283
2010-2011	354 018		204 603	149 415
2009-2010	138 131		60 649	77 482
2008-2009	68 600		30 599	38 001
2007-2008	32 147		8 973	23 174
2006-2007	21 214		1 929	19 285
2005-2006	15 788		557	15 231
2004-2005	20 303		873	19 430
2003-2004	21 416		454	20 962
2002-2003	18 807		368	18 439
2001-2002	<u>17 846</u>		<u>17 846</u>	
Total	<u>\$ 708 270</u>	<u>\$4 724 448</u>	<u>\$ 4 653 016</u>	\$ 779 702
Less Allowance for Uncollectible Accounts				<u>443 662</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 336 040</u>
 Reconciliation with Revenues:				
Ad Valorem Taxes - Exhibit B		\$4 718 533		
Less Penalties and Interest Releases - Prior Years		<u>88 243</u>	\$ 4 630 290	
Amount Written Off Per Statute of Limitations			4 880	
			<u>17 846</u>	
Total Collections and Credits			<u>\$ 4 653 016</u>	

SWAIN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

JUNE 30, 2012

	<u>Total Property Valuation</u>	<u>Rate</u>	<u>Levy</u>	<u>Excluding Motor Vehicles</u>	<u>Motor Vehicles</u>
Original Levy	\$1 321 822 424	.33	\$ 4 362 014	\$ 4 362 014	\$
Vehicle Taxes	3 893 636	.33	12 849		12 849
Add Discoveries	116 366 061	.33	384 008	158 687	225 321
Less Releases	(10 431 212)	.33	(34 423)	(29 749)	(4 674)
Total	<u>\$1 431 650 909</u>		4 724 448	4 490 952	233 496
Less Uncollected Taxes June 30, 2012			<u>398 283</u>	<u>337 614</u>	<u>60 669</u>
Current Year's Taxes Collected			<u>\$ 4 326 165</u>	<u>\$ 4 153 338</u>	<u>\$ 172 827</u>
Percent of Current Year's Taxes Collected			<u>91.57</u>	<u>92.48</u>	<u>74.02</u>

SWAIN COUNTY, NORTH CAROLINA  
GENERAL FUND  
FEDERAL AND STATE GRANTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
<b>Social Services:</b>				
Administration Grant	\$1 782 200	\$2 286 906	\$ 504 706	\$2 259 037
IVE Foster Care	176 829	320 848	144 019	422 303
Commodities		21 943	21 943	46 638
Work First	2 317	7 022	4 705	7 278
Daycare		868 271	868 271	
<b>Total</b>	<b>1 961 346</b>	<b>3 504 990</b>	<b>1 543 644</b>	<b>2 735 256</b>
<b>Health Department:</b>				
State Aid to Counties	102 636	102 636		115 935
Environmental Health	4 000	4 000		4 000
Bioterrorism	37 778	35 083	(2 695)	47 261
Community Care Block Grant	87 647	91 652	4 005	144 763
Food & Lodging	4 017	4 017		4 423
BCCCP	15 502	14 391	(1 111)	16 888
Wise Women	9 188	8 138	(1 050)	7 175
Smart Start (Region A)	25 495	15 145	(10 350)	26 998
Communicable Disease	12 914	13 093	179	10 535
Tuberculosis	3 220	3 220		2 331
HIV	500	500		500
CSC	1 419	1 419		5 841
Immunization	8 456	3 666	(4 790)	1 886
Health Promotion	8 067	8 067		23 377
WIC	73 440	69 837	(3 603)	71 735
Child Health	21 084	21 147	63	21 263
Maternal Health	6 250	5 950	(300)	5 950
Family Planning	90 119	87 239	(2 880)	90 876
Family Strengthening				47 937
CSC-Medicaid		20 946	20 946	
MCC-Medicaid	29 900	34 718	4 818	11 803
Adult Health	16 500	7 706	(8 794)	18 502
H1N1				47 837
<b>Total</b>	<b>558 132</b>	<b>552 570</b>	<b>(5 562)</b>	<b>727 816</b>

SWAIN COUNTY, NORTH CAROLINA  
GENERAL FUND  
FEDERAL AND STATE GRANTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Other Grants:				
Cooperative Extension	\$ 180 000	\$ 173 822	\$ (6 178)	\$ 133 505
Veterans Services	2 000	1 452	(548)	2 000
Emergency Management	32 500	35 253	2 753	27 716
Forest Funds	55 000	35 952	(19 048)	43 875
Soil & Water Conservation	18 500	17 359	(1 141)	17 419
Juvenile Justice - CBA	69 681	63 702	(5 979)	65 395
Elderly Handicapped	105 326	50 769	(54 557)	60 773
RGP		40 442	40 442	55 999
EOG		14 380	14 380	
Governor's Crime Control	33 000		(33 000)	6 216
COPS	30 000	48 883	18 883	24 442
USAR	40 000	15 798	(24 202)	17 440
Appalachian Community	65 000		(65 000)	
Bullet Proof Vests	16 000	7 700	(8 300)	
Senior Center	45 000		(45 000)	
<b>Total</b>	<b>692 007</b>	<b>505 512</b>	<b>(186 495)</b>	<b>454 780</b>
<b>Total Federal and State Grants (Exhibit B)</b>	<b><u>\$3 211 485</u></b>	<b><u>\$4 563 072</u></b>	<b><u>\$ 1 351 587</u></b>	<b><u>\$3 917 852</u></b>

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

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

Net Change in Fund Balance, reported on Budget to Actual	\$ (262 564)
Beginning Balance, PSAP Revenue-Expenditure Report	<u>317 747</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u>\$ 55 183</u>

**COMPLIANCE SECTION**

# S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street  
P.O. Box 1476  
Morganton, NC 28680-1476  
Telephone (828) 438-1065  
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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, 2012, which collectively comprises Swain County's basic financial statements and have issued our report thereon dated September 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

To the Board of Commissioners  
Swain County  
North Carolina

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swain County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as 2012-7.

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

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

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

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

Morganton, North Carolina  
September 5, 2012



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

To the Board of Commissioners  
Swain County  
North Carolina

Compliance

We have audited Swain County, North Carolina's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Swain County's major federal programs for the year ended June 30, 2012. Swain County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Swain County's management. Our responsibility is to express an opinion on Swain County's compliance based on our audit.

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

In our opinion, Swain County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as items 2012-8 through 2012-11.

To the Board of Commissioners  
Swain County  
North Carolina

Internal Control Over Compliance

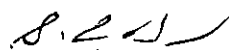
The management of Swain County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Swain County's internal control over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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as 2012-8. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Morganton, North Carolina  
September 5, 2012

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

To the Board of Commissioners  
Swain County  
North Carolina

Compliance

We have audited the compliance of Swain County, North Carolina's compliance, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2012. Swain County's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of Swain County's management. Our responsibility is to express an opinion on Swain County's compliance based on our audit.

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

In our opinion, Swain County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as items 2012-08 through 2012-11.

To the Board of Commissioners  
Swain County  
North Carolina

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as 2012-8. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Morganton, North Carolina  
September 5, 2012

SWAIN COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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   X   yes      no

Federal Awards

Internal control over major federal programs?

Material weakness(es) identified?      yes   X   no

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
93.558	TANF
93.596	Child Care Administration
93.575	Child Care
93.778	Title XIX Medicaid

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

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, 2012

Section II.

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

2012-1 Internal Controls Over Financial Reporting - Significant  
Deficiency

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

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

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

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

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

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

2012-2 Internal Controls Over Financial Reporting - Significant  
Deficiency

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

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

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

Cause: The County has not implemented proper monitoring reports.

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

Management Response: The County agrees with this finding.

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

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

2012-3 Internal Controls Over Financial Reporting -  
Significant Deficiency

Condition: The tax department is not monitoring voided transactions.

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

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

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

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

Management Response: The County agrees with this finding.

2012-4 Internal Control Over Financial Reporting -  
Significant Deficiency

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

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

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

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

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

Management Response: The County agrees with this finding.



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

2012-5 Internal Controls Over Financial Reporting -  
Significant Deficiency

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

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

Effect: Misappropriation of funds, if any, cannot be detected.

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

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

Management Response: The County agrees with this finding.

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

2012-6 Internal Controls Over Financial Reporting -  
Material Weakness

Condition: Currently, the finance officer reconciles the bank account receipts funds.

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

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

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

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

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

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

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

2012-7 Internal Controls Over Financial Reporting -  
Material Non Compliance

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

Criteria: The County overexpended several departments in the General Fund totaling \$2 499 962. Overexpenditures of \$4 840 was noted in the Emergency Telephone Special Revenue Fund. Also, no budget was prepared for the Economic Development Fund.

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

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

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

Management Response: The County agrees with this finding.

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

Section III.

Findings and Questioned Costs Related to Federal  
Awards:

Finding 2012-8 Significant Deficiency

Allowable Costs

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

Condition: It was determined there was an error in the County's filing of their form 1571 reports.

Findings and Questioned Costs Related to Federal Awards: Continued:

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

10.561	Supplemental Nutrition	\$ 1 624
93.558	TANF	4 467
93.658	Foster Care	2 640
93.667	Block Grant	2 233
93.767	Health Choice	203
93.778	Medicaid	6 700
93.563	Child Support Enforcement	2 436
	Total	<u>\$ 20 303</u>

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

Effect: Certain costs were determined to be unallowable.

Cause: Error in payroll tax computation.

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

Management Response: The County agrees with this finding.

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

Finding 2012-9 Significant Deficiency

Eligibility

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

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

59296538  
014481  
014071  
013189

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

Context: We examined 60 case files out of a population of 2555 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Findings and Questioned Costs Related to Federal Awards:      Continued:

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Finding 2012-10 Significant Deficiency

Eligibility

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

Condition: One applicant file did not contain health insurance verification. The case number was 002738.

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

Context: We examined 60 case files out of a population of 2555 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

Finding 2012-11 Significant Deficiency

Eligibility

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

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

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

Context: We examined 60 case files out of a population of 2555 case files.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: Better training in the area of documentation.

Management Response: The County agrees with this finding.

SWAIN COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2012

Section I Financial Statement Findings

Finding: 2012-1

- A. Name of Contact Person: Kevin King,  
County Manager
- B. Corrective Action: The County believes it is cost  
prohibitive to correct at the  
present time.
- C. Proposed Completion Date: N/A

Finding: 2012-2

- A. Name of Contact Person: Kevin King,  
County Manager
- B. Corrective Action: The County is in the process of  
obtaining new software.
- C. Proposed Completion Date: The Board is to implement the  
above before the revaluation  
takes place.

Finding: 2012-3

- A. Name of Contact Person: Kevin King,  
County Manager
- B. Corrective Action: The County will require  
supervisory review of voided  
transactions.
- C. Proposed Completion Date: The Board will implement as  
soon as possible.

Finding: 2012-4

- A. Name of Contact Person: Kevin King,  
County Manager
- B. Corrective Action: The County will require the  
tax supervisor to provide  
detail on releases.
- C. Proposed Completion Date: The Board will implement as  
soon as possible.

Section I      Financial Statement Findings: Continued:

Finding:    2012-5

- A.    Name of Contact Person:                      Kevin King,  
County Manager
- B.    Corrective Action:                              The County will hire  
additional staffing for  
recreation when it is able to  
do so.
- C.    Proposed Completion Date:                      N/A

Finding:    2012-6

- A.    Name of Contact Person:                      Kevin King,  
County Manager
- B.    Corrective Action:                              The County does not have  
adequate staffing to correct  
at this time.
- C.    Proposed Completion Date:                      N/A

Finding:    2012-7

- A.    Name of Contact Person:                      Kevin King,  
County Manager
- B.    Corrective Action:                              Budget amendments will be  
approved by the Board before  
expenditures are made out of  
departments which have  
exceeded the original budget.
- C.    Proposed Completion Date:                      The Board will implement the  
above as soon as possible.

Section II      Federal Award Findings:

Finding:    2012-8 through 2012-11

- A.    Name of Contact Person:                      Jerry Smith  
DSS Interim Director
- B.    Corrective Action:                              DSS case workers will receive  
additional training relative  
to documentation and form 1571  
preparation.
- C.    Proposed Completion Date:                      The DSS Board will implement  
the above as soon as possible.

Section III State Award Findings:

Finding: 2012-8 through 2012-11

- A. Name of Contact Person: Jerry Smith  
DSS Interim Director
- B. Corrective Action: DSS case workers will receive additional training relative to documentation and form 1571 preparation.
- C. Proposed Completion Date: The DSS Board will implement the above as soon as possible.

SWAIN COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- 1) There was one audit finding relative to internal controls concerning hiring an internal auditor. The County feels it is not economically feasible to hire additional staff at this time.
- 2) There was one audit finding concerning internal control weakness over tax department value changes. This finding was not corrected.
- 3) There was one audit finding relative to segregation of duties in the Recreation department. This finding was not corrected.
- 4) There was one audit finding concerning segregation of duties over bank reconciliations. The County feels it is not economically feasible to change this procedure.
- 5) There was one audit finding for the year ended June 30, 2011 concerning certain departments being over expended. Budget amendments were made throughout the year. However, several departments were again over expended due to auditor reclassifications, booking of certain unforeseen accounts payable, and miscommunication between the budget officer, DSS and Health departments.
- 6) There were five findings relative to documentation problems with certain federal and state grant programs. Four of these five findings were corrected.



SWAIN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<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		\$ 136 883	\$ 33 384	\$ 104 055
Commodities - Food Distribution	10.568		1 050		
Subtotal Supplemental Nutrition Assistance Program Cluster			<u>137 933</u>	<u>33 384</u>	<u>104 055</u>
Division of Public Health:					
Special Supplemental Nutrition Food Program for Women, Infants and Children:					
Administration	10.557		5 269		
Direct Benefit Payments	10.557		64 568		
Commodities - Food Distribution	10.557		264 500	20 893	
Subtotal Special Supplemental Nutrition Food Program for Women, Infants and Children			<u>334 337</u>	<u>20 893</u>	
Direct Program:					
Forest Funds	10.665		35 952		
Total U.S. Department of Agriculture			<u>508 222</u>	<u>54 277</u>	<u>104 055</u>
<u>U.S. Department of Justice</u>					
Direct Program:					
COPS - Methamphetamine	16.710		48 883		
CBA - Juvenile Justice	16.540		63 702		
Bullet Proof Vests	16.607		7 700		
Total U.S. Department of Justice			<u>120 285</u>		
<u>U.S. Department of Housing and Urban Development</u>					
Passed Through N.C. Department of Commerce:					
Community Development Block Grant	14.228		107 946		

<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		430 639	82 028	218 617
Medicaid - Administration - ARRA	93.778-ARRA		27		
Medicaid - Direct Benefit Payments	93.778		16 193 507	7 806 753	
Subtotal Medicaid Assistance Cluster			<u>16 624 173</u>	<u>7 888 781</u>	<u>218 617</u>
Division of Social Services:					
Foster Care Cluster:					
IVE Foster Care - Administration	93.658		185 087	85 547	72 507
IVE Foster Care - Direct Benefits Payments	93.658		423 538	42 198	
Subtotal - IVE Foster Care			<u>608 625</u>	<u>127 745</u>	<u>72 507</u>
Adoptive Assistance - Administrative	93.659		218		218
Adoptive Assistance - Direct Benefits Payments	93.659		37 616	22 637	
Subtotal Adoptive Assistance			<u>37 834</u>	<u>22 637</u>	<u>218</u>
Subtotal Foster Care Cluster			<u>646 459</u>	<u>150 382</u>	<u>72 725</u>
TANF - Administration	93.558		458 637		52 376
TANF - Direct Benefits Payments	93.558		76 209	(85)	
Subtotal TANF			<u>534 846</u>	<u>(85)</u>	<u>52 376</u>
Low Income Energy Assistance - Adminstration	93.568		162 912		
Low Income Energy Assistance - Direct Benefits Payments	93.568		(604)		
Subtotal Low Income Energy Assistance			<u>162 308</u>		
Independent Living Links - Direct Benefits Payments	93.674		(2 370)		
Permanency Planning - Administration	93.645		1 409	326	144
Children's Health Insurance Program	93.767		15 227	2 798	2 106
Child Support Enforcement	93.563		269 666		127 072
Social Services Block Grant	93.667		202 147	28 614	24 522
Family Preservation Grant - Administration	93.556		11 454		
Family Preservation Grant	93.556		146 593		
Subtotal Family Preservation Grant			<u>158 047</u>		
Child Care Cluster:					
Child Care & Development Fund, Mandatory Match - Administration	93.596		86 667		
Child Care & Development Fund, Discretionary	93.575		868 271		
Subtotal Child Care Cluster			<u>954 938</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		7 706		
Maternal and Child Health	93.994		61 815		
Child Services Coordination	93.994		22 365		
Home Community Block Grant	93.994		91 652		
Subtotal Child Health			<u>183 538</u>		
Health Promotion	93.991		8 067		
Breast and Cervical Cancer	93.919		14 391		
Family Planning	93.217		87 239		
Wise Women	93.919		8 138		
Immunization Action Plan	93.268		3 666		
Bioterrorism Projects	93.283		35 083		
Total U.S. Department of Health and Human Services			<u>20 643 425</u>		
<u>U.S. Department of Homeland Security</u>					
Passed through N.C. Department of Crime Control and Public Safety:					
Emergency Management Assistance	97.029		65 431		
Total Federal Awards			<u>20 708 856</u>	<u>8 125 093</u>	<u>497 562</u>
STATE AWARDS:					
<u>N.C. Department of Public Instruction:</u>					
Public School Building Capital Fund				147 799	
<u>N.C. Department of Health and Human Services:</u>					
Division of Public Health:					
Smart Start (Region A)				15 145	
Health Aid to Counties				102 636	
Tuberculosis				3 220	
Environmental Health Services				4 000	
Communicable Disease				13 093	
Food and Lodging				4 017	
HIV				500	
SC/SA Domiciliary Care				79 912	
CPS Expansion				43 357	
SFHF Maximization				239 177	
Division of Social Services:					
State Foster Home				52 847	
Total N.C. Department of Health and Human Services				<u>557 904</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			_____	1 452	_____
<u>N.C. Department of Agriculture</u> Cooperative Extension Soil and Water Conservation District Technician			_____	173 822 17 359	_____
Total N.C. Department of Agriculture			_____	191 181	_____
<u>N.C. Department of Transportation</u> Elderly and Disabled Transportation Assistance Rural General Public Work First			_____	50 769 40 442 7 022	_____
Total N.C. Department of Transportation			_____	98 233	_____
Total State Awards			_____	996 569	_____
Total Federal and State Awards			<u>\$ 20 708 856</u>	<u>\$ 9 121 662</u>	<u>\$ 497 562</u>

Note 1 - Basis of Presentation:

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

Note 2 - Subrecipient Pass Throughs:

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

<u>Subrecipient</u>	<u>Program Name</u>	<u>Federal CFDA #</u>	<u>Federal</u>	<u>State</u>
Swain County Board of Education	Forest Funds	10.665	\$ 35 952	\$
Southwest Commission	Community Based Alternatives	16.540	63 702	
State of Franklin	EHTAP	N/A		50 769
State of Franklin	Rural General Public	N/A		40 442
Swain County Board of Education	Public School Building Capital Fund	N/A		147 799