McDowell County, North Carolina

Year Ended June 30, 2009

Independent Auditors' Report
Basic Financial Statements
and
Supplementary Information

McDowell County, North Carolina

County Officials

June 30, 2009

Board of Commissioners

David N. Walker	Chairperson
Barry E. McPeters	Vice Chairperson
Andrew K. Webb	Member
Michael Lavender	Member
Dean Buff	Member

Principal Officers

Charles Abernathy	County Manager
Dudley Greene	Sheriff
Fred Coats	Attorney
Jane McGee	Register of Deeds
Donald Ramsey	Clerk of Court
Alison Morgan	County Finance Officer
Pamela Sain	Tax Collector
Phillip Hardin	Social Services Director
Keith Renfro	Tax Assessor

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jps
certified public accountants

Independent Auditors' Report

Board of Commissioners
McDowell County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise McDowell County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McDowell County's management. Our responsibility is to express opinions on these 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 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 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, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2009 on our consideration of McDowell County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of the 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 the 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.

Johnson Price & Sprinkle PA

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Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance and Other Postemployment Benefits, Schedules of Funding Progress and Employer Contributions on pages 3 through 13 and pages 68 through 71, respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of McDowell County, North Carolina. The introductory information, combining and individual nonmajor fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

Johnson Price & Sprinkle PA

Marion, North Carolina
November 9, 2009

Management's Discussion and Analysis

As management of McDowell County, we offer readers of McDowell County's financial statements this narrative overview and analysis of the financial activities of McDowell County for the year ended June 30, 2009. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

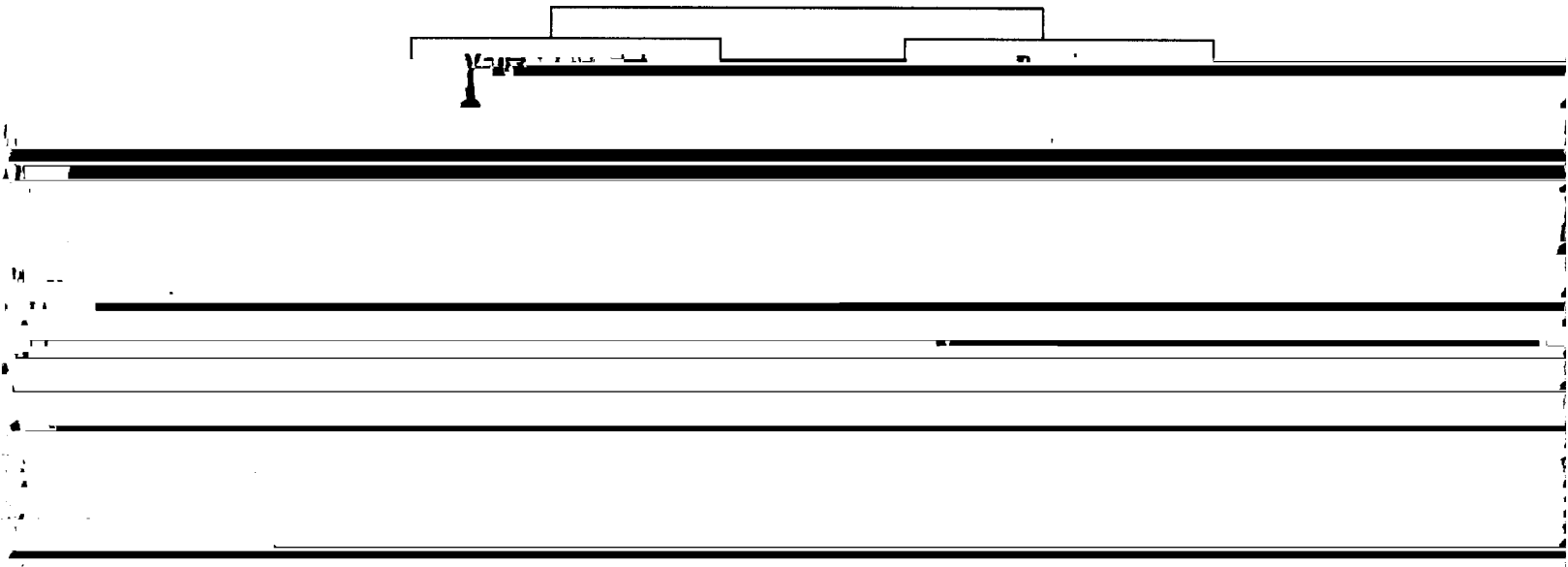
Financial Highlights

- The assets of McDowell County exceeded its liabilities at the close of the fiscal year by $27,471,085.
- The government's total net assets increased by $3,050,588 primarily due to the increased net assets in the General Fund and the Schools Capital Reserve Fund.
- As of the close of the current fiscal year, McDowell County's governmental funds reported combined ending fund balances of $15,232,624, an increase of $908,387 over the prior year.
- Of the $15,232,624 combined ending fund balances of governmental funds at June 30, 2009, approximately 72.11% (or $10,985,478) is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $7,276,874 or 21.92% of total general fund expenditures for the fiscal year, and 19.67% of total general fund expenditures reduced by debt-financing and increased by transfers to other funds.
- McDowell County's total debt under installment purchase obligations decreased by $966,028 during the current fiscal year, due to debt retirement on existing debt in excess of new borrowings.
- During the year ended June 30, 2009, the County entered into new installment purchase obligations in the amount of $1,263,000 for renovation costs of the McDowell Tech Baldwin Training Center.
- McDowell County maintained its A bond rating for the 15th consecutive year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to McDowell County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of McDowell County.

Required Components of Annual Financial Report
Figure 1



General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, human services, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the County directly charges customers to provide. For McDowell County, this includes the waste disposal services offered by the County.

The government-wide financial statements are on pages 14 and 15 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed assessment of the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. McDowell County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of McDowell County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view that helps the reader determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

McDowell County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – McDowell County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. McDowell County uses an enterprise fund to account for its waste disposal operations. This fund is the same as the separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of McDowell County. The County uses one internal service fund, the self-insurance fund, to account for activity related to the health care benefit provided to employees. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. McDowell County has nine fiduciary funds, one of which is a pension trust fund and eight of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning McDowell County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 68 of this report.

Government-wide Financial Analysis

Following is a comparative summary of the Statement of Net Assets as of June 30, 2009 and 2008.

McDowell County's Net Assets
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 18,206,404	$ 17,435,405	$ 33,619	$ 14,823	$ 18,240,023	$ 17,450,228
Capital assets	24,044,781	22,802,366	200,822	253,277	24,245,603	23,055,643
	42,251,185	40,237,771	234,441	268,100	42,485,626	40,505,871
Long-term liabilities outstanding	13,327,260	14,002,036	142,447	107,210	13,469,707	14,109,246
Other liabilities	1,487,004	1,854,412	57,830	121,716	1,544,834	1,976,128
	14,814,264	15,856,448	200,277	228,926	15,014,541	16,085,374
Net assets:						
Invested in capital assets, net of related debt	17,568,187	16,795,849	159,488	185,524	17,727,675	16,981,373
Restricted	1,594,763	1,735,420	-	-	1,594,763	1,735,420
Unrestricted (deficit)	8,273,971	5,850,054	(125,324)	(146,350)	8,148,647	5,703,704
	$ 27,436,921	$ 24,381,323	$ 34,164	$ 39,174	$ 27,471,085	$ 24,420,497

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of McDowell County exceeded liabilities by $27,471,085 as of June 30, 2009. The County's net assets increased by $3,050,588 for the fiscal year ended June 30, 2009. One of the largest portions, 64.53% or $17,727,675, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. McDowell County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Several aspects of the County's financial operations influenced the total governmental net assets:

- Obligations under installment purchases decreased by $939,610 consisting of debt service payments of $2,202,610 net of new borrowings totaling $1,263,000.

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.83% excluding motor vehicles, and 81.34% for motor vehicles, slightly below the statewide average of 98.37%, excluding motor vehicles, and slightly below the statewide average of 87.19% for motor vehicles. In fiscal year 2008, the tax collection percentage for the County was 98.15%, excluding motor vehicles and 82.25% for motor vehicles.

Following is a comparative summary of changes in net assets reported for the years ended June 30, 2009 and 2008.

McDowell County's Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 4,204,142	$ 4,402,378	$ 731,837	$ 783,179	$ 4,935,979	$ 5,185,557
Operating grants and contributions	7,183,425	6,646,380	-	6,936	7,183,425	6,653,316
Capital grants and contributions	806,315	418,177	12,832	-	819,147	418,177
General revenues:						
Property taxes	18,336,690	17,662,535	-	-	18,336,690	17,662,535
Other taxes	9,116,874	10,825,067	-	-	9,116,874	10,825,067
Grants and contributions not restricted to specific programs	561,047	266,050	-	-	561,047	266,050
Other	443,696	637,369	7,128	8,057	450,824	645,426
Total revenues	40,652,189	40,857,956	751,797	798,172	41,403,986	41,656,128

McDowell County's Changes in Net Assets - continued
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Expenses:						
General government	$ 2,780,585	$ 3,795,509	$ -	$ -	$ 2,780,585	$ 3,795,509
Public safety	9,049,220	8,404,648	-	-	9,049,220	8,404,648
Environmental protection	586,430	590,115	-	-	586,430	590,115
Economic and physical development	2,829,503	1,557,154	-	-	2,829,503	1,557,154
Human services	10,756,678	11,497,636	-	-	10,756,678	11,497,636
Cultural and recreational	1,192,933	1,246,712	-	-	1,192,933	1,246,712
Education	8,799,094	8,292,877	-	-	8,799,094	8,292,877
Interest on long-term debt	524,638	405,087	-	-	524,638	405,087
Waste disposal	-	-	1,834,317	1,835,548	1,834,317	1,835,548
Total expenses	36,519,081	35,789,738	1,834,317	1,835,548	38,353,398	37,625,286
Increase (decrease) in net assets before transfers and special items	4,133,108	5,068,218	(1,082,520)	(1,037,376)	3,050,588	4,030,842
Transfers	(1,077,510)	(1,036,609)	1,077,510	1,036,609	-	-
Special item:						
Donation of asset	-	1,280,000	-	-	-	1,280,000
Loss on sale of equipment	-	(202,523)	-	-	-	(202,523)
Increase (decrease) in net assets	3,055,598	5,109,086	(5,010)	(767)	3,050,588	5,108,319
Net assets, beginning of year	24,381,323	19,272,237	39,174	39,941	24,420,497	19,312,178
Net assets, end of year	$ 27,436,921	$ 24,381,323	$ 34,164	$ 39,174	$ 27,471,085	$ 24,420,497

Governmental activities. Governmental activities increased the County's net assets by $3,055,598 thereby accounting for most of the growth in net assets. Key elements of this change are as follows:

- A 3.82% increase in property tax revenues, due to growth in the tax base.
- Grant-funded expenditures for capital assets.

Business-type activities. Business-type activities decreased McDowell County's net assets by $5,010 after subsidy of $1,077,510 from the General Fund. The subsidy from the General Fund is required due to McDowell County's policy of not imposing a residential solid waste fee.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of McDowell County. At the end of the current fiscal year, unreserved fund balance of the General Fund was $7,276,874 while total fund balance reached $10,930,888. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.92% of total General Fund expenditures, while total fund balance represents 32.92% of that same amount.

At June 30, 2009, the governmental funds of McDowell County reported a combined fund balance of $15,232,624, a 6.34% increase over last year. The primary reason for the increase is the increase in fund balance of the General Fund and the Emergency 911 Fund (a Special Revenue Fund).

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 services. Total amendments to the General Fund increased revenues by $947,977 including increases in property tax, grant funds and sales and services. Additionally, the budget was amended for installment purchase proceeds of $207,000.

Actual revenue in the General Fund, when compared to the final budget, had a negative variance of $474,840.

Proprietary Funds. McDowell County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. At the end of the fiscal year, the Waste Disposal Fund had a $34,164 balance in net assets, due to a current year decrease of $5,010.

Capital Asset and Debt Administration

Capital assets. McDowell County's capital assets for its governmental and business-type activities as of June 30, 2009, total $24,245,603 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchased new ambulances for emergency services.
- Purchased new vehicles for building inspection department.
- Construction of waterlines to the Nebo area.
- Renovations to McDowell Tech Baldwin Avenue Training Center.

McDowell County's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 4,464,780	$ 4,290,780	$ -	$ -	$ 4,464,780	$ 4,290,780
Land improvements	334,068	379,611	85,320	96,260	419,388	475,871
Buildings	10,478,882	9,964,483	16,076	28,819	10,494,958	9,993,302
Building improvements	1,189,807	1,225,281	-	-	1,189,807	1,225,281
Equipment	1,340,272	1,451,897	14,803	12,760	1,355,075	1,464,657
Infrastructure	3,920,584	3,386,175	-	-	3,920,584	3,386,175
Vehicles and motorized	1,533,779	1,676,236	84,623	115,438	1,618,402	1,791,674
Construction in progress	782,609	427,903	-	-	782,609	427,903
	$ 24,044,781	$ 22,802,366	$ 200,822	$ 253,277	$ 24,245,603	$ 23,055,643

Additional information on the County's capital assets can be found in Note C of the basic financial statements.

McDowell County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Installment purchases payable	$ 12,277,337	$ 13,216,947	$ 41,334	$ 67,752	$ 12,318,671	$ 13,284,699
	$ 12,277,337	$ 13,216,947	$ 41,334	$ 67,752	$ 12,318,671	$ 13,284,699

McDowell County's total debt decreased by $966,028 during the past fiscal year, due to $2,229,028 in principal payments on installment purchase obligations, net of new borrowings of $1,263,000.

Installment purchases payable include contracts related to the construction of the McDowell County Schools in the amount of $4,712,186. These installment purchase contracts will be retired with the portion of Article 40 and Article 42 sales tax that is legally restricted for capital improvements to school facilities in McDowell County. Also, an installment purchase payable includes a contract for the purchase of the McDowell House. This contract will be retired with occupancy tax revenue through the McDowell County Tourism Development Authority. The remaining $525,000 in outstanding debt is backed by the full faith and credit of McDowell County.

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 that government's boundaries. The debt outstanding for McDowell County amounts to 0.40% of the total assessed value of taxable property. The legal debt margin for McDowell County is $239,090,267 at June 30, 2009. Additional information regarding McDowell County's long-term debt can be found in Note C of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

McDowell County is currently facing significant change in its local economy. The nation, the State of North Carolina and McDowell County are currently facing extreme uncertainty. The economic recession, restraints on credit, and depressed property values have caused significant uncertainty and pressure on the County budget and local economy. The economic crisis affects the local employment situation and revenue receipts, impacts County services and threatens the financial health of the organization.

The unemployment rate has dramatically spiked in 2009. The rate averaged 5.4% in 2007, 8.4% in 2008 and has increased to over 14% in 2009. The rate during the months of May and June actually went over 16%.

There were significant plant closings and layoffs at other existing industries. The Cobia Boats facility, the Spectrum Dyed Yarns facility and the Swift Galey facility all closed in the previous year. In addition, existing employers laid off massive numbers of employees in an effort to remain viable and deal with the economic downturn.

The outlook for new employment is impacted by the national economy and the financial lending restrictions. There is abundance of caution being exercised by employers as they consider expansion possibilities or in the actions of companies looking at locating new manufacturing facilities to North Carolina. McDowell County did locate Morganton Pressure Vessels to McDowell County in 2009. This company will employ sixty individuals. Also, two small expansions occurred at Tool Craft and Baldor Electric. These two expansions added twenty-five employees to each location.

There are several companies currently considering locating their facilities in McDowell County but announcements have not taken place. The companies would ultimately employee around 175 individuals if they take place and over a three year period.

The trend for McDowell County continues to be a decline in the percentage of our workforce employed in the manufacturing sector. However, McDowell County continues to be ranked second in the State as a percentage of our workforce employed in the manufacturing sector. The percentage is 38% of the workforce and this number is substantially higher than the State average of approximately 12%.

The local economy will see an even greater transition to a service sector and tourism related economy. The transition to greater numbers of retirees and second home ownership in McDowell County has slowed down dramatically, but is expected to slowly improve.

McDowell County has taken steps to address the transition that is taking place. McDowell County continues an aggressive approach to recruiting industry and extending utility infrastructure. McDowell County has undertaken an initiative with the Chamber of Commerce to improve broadband availability in the community. McDowell County partnered with the City of Marion to extend water and sewer on Sugar Hill Road for a "big box" commercial project that will begin in early 2010. McDowell County has focused on a variety of cultural tourism related items and purchased the McDowell House, completed the Point Lookout Trail and submitted a grant for a trail around the hospital and YMCA property.

Finally, McDowell County completed a cooperative venture with the Community College, the ESC and Job Link for a new Training and Skills Center that opened in October of 2009 that will assist dislocated citizens in gaining new employment.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental activities: Like all units of local government, McDowell County faced significant economic forces resulting from the recession. McDowell County faced significant declines in sales tax revenue, stagnation in the property tax base, bankruptcies, and a significant decline in expected interest income. The County also experienced increased demand on County services because of higher unemployment and a significant decline in new housing starts and construction.

To address the crisis in the 2008-09 fiscal year, the County took aggressive steps to control spending. Beginning in October 2008, the Board of Commissioners heard a monthly report on the status of the budget and received a series of recommendations to control and reduce spending. The equivalent of thirteen full-time positions was not filled during the year. Five of these positions were eliminated when the County closed down a Day Care operation. In addition, the County implemented an energy conservation plan, converted some pieces of equipment to biodiesel, froze employee travel and purchases, and put several projects on hold.

The fiscal crisis carried forward with the budget recommendation made to the Board of Commissioners. The approved budget was $37,100,755. The adopted budget declined by $2,699,971 over the previous fiscal year. It is important to point out that $1.57 million of this decline resulted because of the removal of Medicaid as a requirement of County government to provide. The reduction in Medicaid expenditures was largely off-set by a change in the sales tax distribution by the State. This "trade-off" was largely a wash for McDowell County but it is expected that savings will result in the long term since Medicaid increases have historically exceeded sales tax growth.

The remaining reduction in the budget was $1.13 million. This reduction was achieved by the implementation of many of the cuts made in the 2008-09 fiscal year. For example, the equivalent of 17 full time employees were removed from the budget. An early retirement policy was implemented and all of the cuts, with the exception of one part- time position, were made from vacant positions.

The property tax revenue was slated to only increase by $100,000 to $15,825,500. The sales tax revenue is estimated to decrease by $2,560,000 for a total of $6,952,000.00. The income generated off of the General Fund was budgeted at $2,699,971 less than the previous fiscal year.

The 2009-2010 budget will be positively affected by decisive steps taken to address the employee self-insurance fund shortfall that has occurred over the past several fiscal years. The County implemented a very aggressive wellness initiative, developed a second insurance plan for new hires that limits benefits, and suspended benefits for all new hires for a six month period. These steps should provide budget relief.

The budget adopted by the Board of Commissioners also froze funding levels to all "external agencies" such as the Public School System, the Community College, Mental Health and non-profits. Reductions were made in the amount budgeted for projects including the program to extend water lines and other capital projects.

The McDowell County governing board remains committed to a policy of not raising the property tax rate. McDowell County did manage to react to the negative impacts of the previous fiscal year and still add to the fund balance at the end of the 2008-09 fiscal-year. The continued good news for McDowell County government is that we entered this turbulent period with a healthy fund balance and retained this condition.

Requests 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, McDowell County, 60 E. Court Street, Marion, NC 28752.

McDowell County, North Carolina

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 11,886,949	$ -	$ 11,886,949
Taxes receivable - net	1,436,024	-	1,436,024
Due from other governments	3,310,349	-	3,310,349
Other receivables - net	1,039,953	81,658	1,121,611
Inventories	50,272	-	50,272
Internal balances	48,039	(48,039)	-
Restricted cash	434,818	-	434,818
Capital assets:			
Land and construction in progress	5,247,389	-	5,247,389
Other capital assets - net of accumulated depreciation	18,797,392	200,822	18,998,214
Total capital assets	24,044,781	200,822	24,245,603
Total assets	42,251,185	234,441	42,485,626
Liabilities			
Accounts payable and accrued expenses	992,041	57,830	1,049,871
Unearned revenue	494,963	-	494,963
Long-term liabilities:			
Due within one year	2,240,298	27,323	2,267,621
Due in more than one year	11,086,962	115,124	11,202,086
Total long-term liabilities	13,327,260	142,447	13,469,707
Total liabilities	14,814,264	200,277	15,014,541
Net Assets			
Invested in capital assets, net of related debt	17,568,187	159,488	17,727,675
Restricted for:			
Human services	138,367	-	138,367
Economic and physical development	450,946	-	450,946
Public safety	981,408	-	981,408
General government	24,042	-	24,042
Unrestricted (deficit)	8,273,971	(125,324)	8,148,647
Total net assets	$ 27,436,921	$ 34,164	$ 27,471,085

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statement of Activities

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:							
General government	$ 2,780,585	$ 517,473	$ 50,533	$ 20,370	$ (2,192,209)	$ -	$ (2,192,209)
Public safety	9,049,220	3,014,964	514,840	-	(5,519,416)	-	(5,519,416)
Environmental protection	586,430	-	24,300	-	(562,130)	-	(562,130)
Economic and physical development	2,829,503	-	390,668	750,345	(1,688,490)	-	(1,688,490)
Human services	10,756,678	574,133	6,075,278	19,600	(4,087,667)	-	(4,087,667)
Cultural and recreational	1,192,933	97,572	127,806	16,000	(951,555)	-	(951,555)
Education	8,799,094	-	-	-	(8,799,094)	-	(8,799,094)
Interest on long-term debt	524,638	-	-	-	(524,638)	-	(524,638)
Total governmental activities	36,519,081	4,204,142	7,183,425	806,315	(24,325,199)	-	(24,325,199)
Business-type activities:							
Waste disposal	1,834,317	731,837	-	12,832	-	(1,089,648)	(1,089,648)
Total business-type activities	1,834,317	731,837	-	12,832	-	(1,089,648)	(1,089,648)
	$ 38,353,398	$ 4,935,979	$ 7,183,425	$ 819,147	(24,325,199)	(1,089,648)	(25,414,847)
	General revenues:						
	Taxes:						
	Property taxes, levied for general purpose				18,336,690	-	18,336,690
	Local option sales taxes				8,471,728	-	8,471,728
	Other taxes and licenses				645,146	-	645,146
	Grants and contributions not restricted to specific programs				561,047	-	561,047
	Investment earnings, unrestricted				235,452	7,128	242,580
	Miscellaneous, unrestricted				208,244	-	208,244
	Transfers				(1,077,510)	1,077,510	-
	Total general revenues, special items, and transfers				27,380,797	1,084,638	28,465,435
	Changes in net assets				3,055,598	(5,010)	3,050,588
	Net assets, beginning of year				24,381,323	39,174	24,420,497
	Net assets, end of year				$ 27,436,921	$ 34,164	$ 27,471,085

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Balance Sheets

Governmental Funds

June 30, 2009

	Major		Nonmajor	
	General Fund	Schools Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 8,303,584	$ 2,240,922	$ 1,269,190	$ 11,813,696
Taxes receivable - net	1,154,251	-	83,812	1,238,063
Accounts receivable – other governments	3,266,411	-	43,938	3,310,349
Accounts receivable EMS – net	859,548	-	-	859,548
Accounts receivable – other	180,289	-	-	180,289
Inventories	50,272	-	-	50,272
Restricted cash	-	-	434,818	434,818
Due from other funds	59,363	529,986	19,208	608,557
Total assets	$ 13,873,718	$ 2,770,908	$ 1,850,966	$ 18,495,592
Liabilities				
Accounts payable and accrued liabilities	$ 451,066	$ -	$ 205,794	$ 656,860
Due to other funds	529,986	19,208	11,324	560,518
Deferred revenue	1,961,778	-	83,812	2,045,590
Total liabilities	2,942,830	19,208	300,930	3,262,968
Fund balances				
Reserved by State statute	3,603,742	529,986	63,146	4,196,874
Reserved for inventories	50,272	-	-	50,272
Unreserved:				
Designated	827,181	-	733,396	1,560,577
Undesignated	6,449,693	2,221,714	753,494	9,424,901
Total fund balances	10,930,888	2,751,700	1,550,036	15,232,624
Total liabilities and fund balances	$ 13,873,718	$ 2,770,908	$ 1,850,966	

Amounts reported for governmental activities in the statement of net assets (page 14) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,044,781
Other long-term assets, primarily interest receivable from taxes, are not available to pay for current-period expenditures and are therefore deferred.	197,961
An internal service fund is used by management to charge the cost of health insurance to individual funds and departments within funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(81,383)
Liabilities for earned but deferred revenues in fund statements.	1,999,931
Unearned income under long-term lease, not recorded in fund statements.	(449,304)
Some liabilities, including installment purchases payable and accrued interest are not due and payable in the current period and therefore are not recorded in governmental funds.	(13,507,689)
Net assets of governmental activities.	$ 27,436,921

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statements of Revenue, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2009

	Major		Nonmajor	
	General Fund	Schools Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
Ad valorem taxes	$ 16,907,571	$ -	$ 1,391,456	$ 18,299,027
Local option sales taxes	8,471,728	-	-	8,471,728
Other taxes and licenses	816,295	-	-	816,295
Unrestricted intergovernmental	410,536	-	-	410,536
Restricted intergovernmental	6,526,663	-	1,292,033	7,818,696
Permits and fees	210,801	-	-	210,801
Sales and services	3,570,427	-	68,618	3,639,045
Investment earnings	187,737	31,355	16,360	235,452
Miscellaneous	397,134	10,378	238,665	646,177
Total revenues	37,498,892	41,733	3,007,132	40,547,757
Expenditures:				
Current:				
General government	3,525,303	-	2,506	3,527,809
Public safety	7,085,499	-	1,468,540	8,554,039
Environmental protection	523,052	-	-	523,052
Economic and physical development	368,390	-	294,583	662,973
Human services	10,328,785	-	-	10,328,785
Cultural and recreational	680,395	-	401,794	1,082,189
Miscellaneous	979,115	-	-	979,115
Intergovernmental:				
Education	8,370,169	-	-	8,370,169
Capital outlay	-	-	3,226,855	3,226,855
Debt service	1,340,574	-	1,229,300	2,569,874
Total expenditures	33,201,282	-	6,623,578	39,824,860
Revenues over (under) expenditures	4,297,610	41,733	(3,616,446)	722,897
Other financing sources (uses):				
Transfers to other funds	(3,993,681)	(1,728,426)	(304,640)	(6,026,747)
Transfers from other funds	245,000	2,139,319	2,564,918	4,949,237
Installment purchase obligations issued	207,000	-	1,056,000	1,263,000
Total other financing sources (uses)	(3,541,681)	410,893	3,316,278	185,490
Net change in fund balances	755,929	452,626	(300,168)	908,387
Fund balances – beginning of year	10,174,959	2,299,074	1,850,204	14,324,237
Fund balances – end of year	$ 10,930,888	$ 2,751,700	$ 1,550,036	$ 15,232,624

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statement of Revenue, Expenditures, and Changes in Fund Balances

Governmental Funds - Continued

Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – total governmental funds	$	908,387
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 the governmental funds exceeded depreciation reported in the statement of activities.		1,271,315
Cost basis of capital assets sold during the year, not recognized on the modified accrual basis.		(28,900)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.		153,331
The issuance of long-term debt 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. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, 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.		939,610
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 the governmental funds.		(221,911)
Net income of internal service fund, determined to be a governmental-type activity.		33,766
Total changes in net assets of governmental activities	$	3,055,598

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statement of Revenue, Expenditures, and Changes in

Fund Balance - Budget and Actual - General Fund

Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenue:				
Ad valorem taxes	$ 16,192,568	$ 16,445,252	$ 16,907,571	$ 462,319
Local option sales taxes	9,512,000	8,712,000	8,471,728	(240,272)
Other taxes and licenses	1,098,000	841,500	816,295	(25,205)
Unrestricted intergovernmental	143,985	264,451	410,536	146,085
Restricted intergovernmental	6,547,089	7,687,566	6,526,663	(1,160,903)
Permits and fees	299,550	250,850	210,801	(40,049)
Sales and services	2,787,751	3,164,826	3,570,427	405,601
Investment earnings	329,362	229,362	187,737	(41,625)
Miscellaneous	115,450	377,925	397,134	19,209
Total revenues	37,025,755	37,973,732	37,498,892	(474,840)
Expenditures:				
Current:				
General government	3,473,664	3,591,491	3,525,303	66,188
Public safety	6,907,266	7,394,540	7,085,499	309,041
Environmental protection	587,003	661,213	523,052	138,161
Economic and physical development	396,288	384,793	368,390	16,403
Human services	10,446,532	11,147,282	10,328,785	818,497
Cultural and recreational	670,889	712,251	680,395	31,856
Miscellaneous	607,953	965,062	979,115	(14,053)
Intergovernmental:				
Education	8,327,551	8,387,763	8,370,169	17,594
Debt service	1,375,248	1,357,256	1,340,574	16,682
Total expenditures	32,792,394	34,601,651	33,201,282	1,400,369
Revenue over expenditures	4,233,361	3,372,081	4,297,610	925,529
Other financing sources (uses):				
Transfers from other funds	-	245,000	245,000	-
Transfers to other funds	(4,233,361)	(4,003,362)	(3,993,681)	9,681
Installment purchase obligations issued	-	207,000	207,000	-
Fund balance appropriated	-	179,281	-	(179,281)
Total other financing uses	(4,233,361)	(3,372,081)	(3,541,681)	(169,600)
Net change in fund balance	$ -	$ -	755,929	$ 755,929
Fund balance - beginning of year			10,174,959	
Fund balance - end of year			$ 10,930,888	

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statements of Net Assets

Proprietary Funds

June 30, 2009

	Enterprise Fund	Internal Service Fund
	Waste Disposal Fund	Self Insurance Fund
Assets		
Current assets:		
Cash	$ -	$ 73,253
Receivables - net	81,658	116
Total current assets	81,658	73,369
Noncurrent assets:		
Capital assets - net of depreciation	200,822	-
Total noncurrent assets	200,822	-
Total assets	282,480	73,369
Liabilities		
Current liabilities:		
Accounts payable	57,830	154,752
Due to other funds	48,039	-
Current installments of long-term debt	27,323	-
Total current liabilities	133,192	154,752
Noncurrent liabilities:		
Accrued landfill closure and postclosure care costs	30,000	-
Compensated absences payable	9,883	-
Other postemployment benefits	61,230	-
Long-term debt	14,011	-
Total noncurrent liabilities	115,124	-
Total liabilities	248,316	154,752
Net assets		
Invested in capital assets, net of related debt	159,488	-
Unrestricted (deficit)	(125,324)	(81,383)
Total net assets (deficit)	$ 34,164	$ (81,383)

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statements of Revenue, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2009

	Enterprise Fund	Internal Service Fund
	Waste Disposal Fund	Self Insurance Fund
Operating revenue:		
Charges for services	$ 711,019	$ 2,002,665
Other operating revenue	20,818	-
Total operating revenue	731,837	2,002,665
Operating expense:		
Salaries and benefits	302,853	1,551,080
Operating expenses	1,469,043	417,828
Depreciation	60,256	-
Total operating expenses	1,832,152	1,968,908
Operating income (loss)	(1,100,315)	33,757
Non-operating revenue (expense):		
Investment earnings	7,128	9
Interest expense	(2,165)	-
Total nonoperating revenue	4,963	9
Income (loss) before contributions and transfers	(1,095,352)	33,766
Capital contributions - State grant	12,832	-
Transfers from General Fund	1,077,510	-
Change in net assets	(5,010)	33,766
Net assets (deficit) – beginning of year	39,174	(115,149)
Net assets (deficit) – end of year	$ 34,164	$ (81,383)

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statements of Cash Flows

Proprietary Funds

Year Ended June 30, 2009

	Enterprise Fund	Internal Service Fund
	Waste Disposal Fund	Self Insurance Fund
Cash flows from operating activities:		
Cash received from customers and users of services	$ 721,685	$ 2,002,575
Cash paid for goods and services	(1,532,929)	(451,270)
Cash paid to employees for services and for employee benefits	(241,196)	(1,568,904)
Net cash used by operating activities	(1,052,440)	(17,599)
Cash flows from non-capital financing activities:		
Transfer from General Fund	1,077,510	-
Net cash provided by non-capital financing activities	1,077,510	-
Cash flows from capital and related financing activities:		
Capital loan repayment to General Fund	(8,646)	-
Purchase of equipment	(7,801)	-
Repayment of long-term debt	(26,418)	-
Interest paid	(2,165)	-
Capital contributions - State grant	12,832	-
Net cash used by capital and related financing activities	(32,198)	-
Cash flows from investing activities:		
Investment earnings	7,128	9
Net cash provided by investing activities	7,128	9
Net decrease in cash	-	(17,590)
Cash - beginning of year	-	90,843
Cash - end of year	$ -	$ 73,253

McDowell County, North Carolina

Statements of Cash Flows - Continued

Proprietary Funds

Year Ended June 30, 2009

	Enterprise Fund	Internal Service Fund
	Waste Disposal Fund	Self Insurance Fund
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	$ (1,100,315)	$ 33,757
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	60,256	-
Changes in:		
Accounts receivable	(10,152)	(90)
Accounts payable	(63,886)	(51,266)
Compensated absences payable	427	-
Other postemployment benefits payable	61,230	-
Net cash used by operating activities	$ (1,052,440)	$ (17,599)

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statements of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Pension Trust Fund	Agency Funds
Assets		
Cash and investments	$ 123,854	$ 65,893
Accounts receivable - other governments	-	30,953
Total assets	123,854	96,846
Liabilities and net assets		
Liabilities:		
Miscellaneous liabilities	-	52,783
Intergovernmental payable	-	44,063
Total liabilities	-	96,846
Net assets:		
Assets held in trust for pension benefits	$ 123,854	$ -

The accompanying notes are an integral part of these financial statements.

McDowell County, North Carolina

Statement of Changes In Fiduciary Net Assets

Pension Trust Fund

Year Ended June 30, 2009

Additions		
Investment income:		
Interest	$	2,098
Deductions		
Administrative expense		225
Change in net assets		1,873
Net assets – beginning of year		121,981
Net assets – end of year	$	123,854

The accompanying notes are an integral part of these financial statements.

Note A - Summary of Significant Accounting Policies:

The accounting policies of McDowell County and its component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

(1) 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. McDowell County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

Component Unit - McDowell County Industrial Facility and Pollution Control Financing Authority.

Reporting Method - Discrete.

Criteria for Inclusion - The Authority is governed by a seven-member board of commissioners that is appointed by the County commissioners. The County can remove any commissioner of the Authority with or without cause.

Financial Statements - None issued.

(2) Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

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 *governmental* 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.

Note A - Summary of Significant Accounting Policies - continued:

(2) Basis of Presentation, Basis of Accounting - continued

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type 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 of 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, including its fiduciary 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 and enterprise 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, result from non-exchange transactions. Other nonoperating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Schools Capital Reserve Fund. The County uses this fund to account for resources restricted for the capital needs of the McDowell County Schools, including restricted portions of local option sales tax and allocations from the North Carolina Public School Building Fund.

The County reports the following major enterprise fund:

Waste Disposal Fund. This fund accounts for the operation, maintenance, and development of the County's waste disposal site.

Note A - Summary of Significant Accounting Policies - continued:

(2) Basis of Presentation, Basis of Accounting - continued

The County reports the following fund types:

Pension Trust Fund. The County has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

Agency Funds. Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the County holds on behalf of others. The County maintains the following Agency Funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to McDowell 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; the Inmates Fund, which accounts for assets held at the McDowell County Jail for personal expenses of the inmates; the Employee Section 125 Fund, which accounts for elective deferrals withheld from employees under Section 125 of the Internal Revenue Code; the Tax Penalty Schools Fund, which accounts for tax penalties that the County is required to remit to the McDowell County Board of Education; the DMV Interest Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles, the DMV Operations Fund, which accounts for the activity of the local office of the North Carolina Department of Motor Vehicles, and the Rescue Squad Billing Fund, which accounts for billing and collection activity performed by the County on behalf of the McDowell County Rescue Squad.

(3) Measurement Focus, Basis of Accounting

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, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus.

The government-wide, proprietary fund, and fiduciary 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. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

Note A - Summary of Significant Accounting Policies - continued:

(3) Measurement Focus, Basis of Accounting - continued

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 90 days after year-end, except for property taxes. Ad valorem property taxes 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, McDowell 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.

Note A - Summary of Significant Accounting Policies - continued:

(3) Measurement Focus, Basis of Accounting - continued

Therefore, taxes for vehicles registered from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenue 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 and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

(4) Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency 911, Fire District, Recreation and Revaluation Special Revenue Funds, and the Proprietary Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $3,000 except for amendments to travel line items, which cannot be altered by more than $1,000 without approval. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Note A - Summary of Significant Accounting Policies - continued:

(5) Assets, Liabilities and Fund Equity

Deposits and Investments

All deposits of McDowell County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County 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 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 (NCCMT).

The County's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT cash portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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.

Restricted Cash

Restricted cash includes unexpended proceeds from installment purchase obligations issued for the McDowell Tech Baldwin Avenue Facility Capital Project.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Note A - Summary of Significant Accounting Policies - continued:

(5) Assets, Liabilities and Fund Equity - continued

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.

Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and allocated to expense as consumed.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The County has established a minimum capitalization policy of $5,000 for all categories of capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The County holds title to certain McDowell County Board of Education and McDowell County Technical Community College (MTCC) properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of 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 and MTCC give the Board of Education and MTCC 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 and MTCC, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the McDowell County Board of Education and MTCC.

Note A - Summary of Significant Accounting Policies - continued:

(5) Assets, Liabilities and Fund Equity - continued

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50
Infrastructure	50
Land and building improvements	25
Furniture and equipment	3-10
Vehicles	6-10

Long-Term Obligations

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

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

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The sick leave policy of the County provides 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 the County is not obligated for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

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 or regulations of other governments or b) imposed by law through State statute.

Note A - Summary of Significant Accounting Policies - continued:

(5) Assets, Liabilities and Fund Equity - continued

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Reserved for register of deeds – portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds office. The funds are available for appropriation, but are legally restricted for computer and imaging technology in the register of deeds office. There were no unexpended funds reserved for register of deeds at June 30, 2009.

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

Note A - Summary of Significant Accounting Policies - continued:

(6) Reconciliation of Government-Wide and Fund Financial Statements

1. *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 $12,204,297 consists of several elements as follows:

Description		Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$	36,934,982
Less accumulated depreciation		(12,890,201)
Net capital assets		24,044,781
Unearned income under long-term lease is not reported in the funds		(449,304)
Accrued interest receivable and other long-term receivables less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.		197,961
Assets, net of liabilities, of the internal service fund, included in proprietary funds for fund financial statements and deemed to be governmental activity in the government-wide.		(81,383)
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.		1,999,931
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:		
Installment purchase obligations and notes payable		(12,277,337)
Compensated absences		(585,059)
Other postemployment benefits		(233,868)
Unfunded pension benefit obligation		(230,996)
Accrued interest payable		(124,085)
Other long-term liabilities		(56,344)
Total adjustment	$	12,204,297

Note A - Summary of Significant Accounting Policies - continued:

(6) Reconciliation of Government-Wide and Fund Financial Statements - continued

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change 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 $2,147,211 as follows:

Description		Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statements.	$	2,420,689
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.		(1,149,374)
Cost of disposed capital assets not recorded in fund statements.		(28,900)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets.		(1,263,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements.		2,202,610
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:		
Difference in interest expense between fund statements modified accrual) and government-wide statements(full accrual).		16,180
Difference in unfunded pension benefit obligation, accrued in the government-wide statements but not in the fund statements.		(35,933)
Difference in compensated absences, accrued in the government-wide statements but not in the fund statements.		4,968

Note A - Summary of Significant Accounting Policies - continued:

(6) Reconciliation of Government-Wide and Fund Financial Statements - continued

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

Difference in other postemployment benefits, accrued in the government-wide statements but not in the fund statements.		(233,868)
Difference in amounts payable under various inter-local agreements.		26,742
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:		
Decrease in long-term receivables, including interest receivable on delinquent taxes receivables.		(3,428)
Change in revenue deferred in the fund statements.		78,620
Amortization of income under long-term lease, not recorded on fund statements.		78,139
Net income of internal service fund, operated as a proprietary fund but reported as a governmental type activity in the government-wide statements.		33,766
Total adjustment	$	2,147,211

Note B - Stewardship, Compliance and Accountability:

Deficit Fund Balances of Individual Funds

The following individual funds, presented within the totals for Other Governmental Funds on the fund financial statements, have deficit fund balances at June 30, 2009: Forest Service Project, ($10,354), and CDBG - 2008 Scattered Site Housing Project, ($77). In all cases, the deficit fund balances are expected to be recovered through revenues in the June 30, 2010 fiscal year.

Note B - Stewardship, Compliance and Accountability - continued:

Excess of Expenditures Over Appropriations

Under State statutes, actual expenditures cannot exceed budgetary appropriations at any level for which the budget is formally approved. During the year ended June 30, 2009, expenditures exceeded budgetary appropriations as follows:

Fund/Department	Budget	Actual	Unfavorable Variance
General Fund:			
Board of elections	$ 238,739	$ 250,353	$ 11,614
Garage	157,657	174,667	17,010
Mental health	75,356	75,461	105
Adoption assistance program	176,085	184,798	8,713
Crisis energy program	212,609	214,826	2,217
Miscellaneous	965,062	979,115	14,053
Special Revenue Funds:			
Fire and Rescue Districts:			
Marion Area	169,961	174,773	4,812
Pleasant Gardens	95,654	95,952	298
Sugar Hill	100,614	101,543	929
Capital Project Funds:			
Accelerated Learning Center	850,000	942,006	92,006
Forest Service	236,720	247,074	10,354
Internal Service Fund:			
Self Insurance Fund:			
Employee benefits	1,510,000	1,551,080	41,080

Note C - Detail Notes on All Funds:

(1) Assets

Deposits

All of the County'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 agents in the unit's name. 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, these deposits are considered to be held by the County's agent in the County's name. 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 with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collaterization, 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2009, the County's deposits had a carrying amount of $7,745,689 and a bank balance of $8,131,302. Of the bank balance, $566,104 was covered by federal depository insurance, and $7,565,198 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2009, the County had $4,761 cash on hand.

Investments

At June 30, 2009, the County's investment balances were as follows:

	Reported Value	Fair Value
North Carolina Capital Management Trust:		
Cash Portfolio, cash equivalent	$ 4,761,066	$ 4,761,066
Total Investments	$ 4,761,066	$ 4,761,066

Note C - Detail Notes on All Funds - continued:

(1) Assets - continued

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy requires that no less than 30% of the total investment portfolio shall mature within 30 days, no less than 75% of the portfolio shall mature within 90 days, and 100% of the portfolio shall mature in one year.

Credit Risk

The County's investment in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2009.

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk.

Concentration of Credit Risk

The County's investment policy mitigates the concentration of credit risk by requiring that no more than 50% of the County's monies shall be invested in a particular investment vehicle or placed with a single custodian or financial institution, with the exception of the North Carolina Capital Management Trust Cash Portfolio.

Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the 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 the accrued interest from the original due date. This tax is immediately due and payable.

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

Year Levied	Tax	Interest	Total
2006	$ 178,289	$ 47,692	$ 225,981
2007	178,165	31,624	209,789
2008	182,103	15,934	198,037
2009	191,952	-	191,952
Total	$ 730,509	$ 95,250	$ 825,759

Note C - Detail Notes on All Funds - continued:

(2) Liabilities

Payables

Payables at the government-wide level at June 30, 2009, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental activities:					
General	$ 451,066	$ 154,752	$ 124,085	$ 34,143	$ 764,046
Other governmental	205,794	-	-	22,201	227,995
	$ 656,860	$ 154,752	$ 124,085	$ 56,344	$ 992,041
Business-type activities:					
Waste disposal	$ 57,830	$ -	$ -	$ -	$ 57,830

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description

McDowell County contributes to the statewide Local Governmental Employees' 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 Governmental Employees' 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 27699-1410, or by calling (919) 981-5454.

2. 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. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.94% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of McDowell County are established and may be amended by the North Carolina General Assembly. The members and the County's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were $1,054,860, $1,005,658, and $967,103, respectively. The contributions made by the County equaled the required contributions for each year.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

McDowell County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County'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. The Separation Allowance is reported in the County's report as a Pension Trust Fund.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	38
Total	38

2. Summary of Significant Accounting Policies

Basis of accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments. Investments are recorded at fair value. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

b. Law Enforcement Officers' Special Separation Allowance - continued

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 amounts necessary to cover the benefits earned as needed. For the current year, the County did not make a contribution to the plan, and there were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

Although the County has elected not to fund this retirement benefit based on actuarially determined periodic contributions, the annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	$	34,119
Interest on net pension obligation		14,142
Adjustment to annual required contribution		(12,328)
Annual pension cost		35,933
Employer contributions made for fiscal year ending 06/30/09		-
Increase in net pension obligation		35,933
Net pension obligation, beginning of fiscal year		195,063
Net pension obligation, end of fiscal year	$	230,996

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

b. Law Enforcement Officers' Special Separation Allowance - continued

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$ 28,608	0.00%	$ 162,839
2008	$ 32,224	0.00%	$ 195,063
2009	$ 35,933	0.00%	$ 230,996

4. Funded Status and Fund Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $219,758. The covered payroll (annual payroll of active employees covered by the plan) was $1,332,335, and the ratio of the UAAL to the covered payroll was 16.49%.

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 are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description

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

2. 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. Additionally, the County has approved the contribution of $16.67 per pay period. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were $88,952 which consisted of $74,197 from the County and $14,755 from law enforcement officers.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

d. Deferred Compensation Plan

The County offers its employees the opportunity to participate in one of two deferred compensation plans, created in accordance with Internal Revenue Code Section 457 or 401(k). The plans, available to all County employees, permit the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

For all employees eligible to participate in either the 457 or 401(k) plan, the County has approved a contribution of a fixed amount, $16.67 per pay period. For the year ended June 30, 2009, contributions of $47,240 were made to the Section 457 plan, which consisted of $12,353 from the County and $34,887 from employees. For the year ended June 30, 2009, contributions of $134,951 were made to the 401(k) plan, which consisted of $72,081 from the County and $62,870 from employees.

The County has complied with changes in the laws which govern the County's deferred compensation plans, requiring all assets of the plans to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County.

In accordance with GASB Statement 32, (Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,) the County's deferred compensation plans are no longer reported in the County's agency funds.

e. Registers of Deeds' Supplemental Pension Fund

1. Plan Description

McDowell 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.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

e. Registers of Deeds' Supplemental Pension Fund - continued

2. 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, 2009, the County's required and actual contributions were $3,145.

f. Other Postemployment Benefits

According to a County resolution, the County offers health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the County immediately prior to retirement. The County pays full coverage for these benefits for employees with 30 years of service, 75% of coverage for employees with 25-29 years of service, 50% for employees with 20-24 years of service, and 25% for employees with 15-19 years of service. Also, retirees can purchase coverage for their dependents at the County's group rates.

Membership of the plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	12	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	261	43
Total	273	45

1. 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 for dependent coverage based on group rates. The County has chosen to fund the healthcare benefits on a pay as you go basis.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

f. Other Postemployment Benefits - continued

1. Funding Policy - continued

The current ARC rate is 3.31% of annual covered payroll. For the current year, the County contributed $93,816. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented .92% and .05% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of $13,524. The County's obligation to contribute to the plan is established and may be amended by the Board of Commissioners.

2. Summary of Significant Accounting Policies

Postemployment expenditures are made from the Internal Service Fund, with premiums charged to the appropriate departments of the General Fund. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. 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	$	388,914
Interest on net OPEB obligation		-
Adjustments to annual required contribution		-
Annual OPEB cost (expense)		388,914
Contributions made		(93,816)
Increase (decrease) in net OPEB obligation		295,098
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	$	295,098

The net OPEB obligation at June 30, 2009 includes $233,868 reported in the governmental activities and $61,230 reported in the business-type activities.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

f. Other Postemployment Benefits - continued

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

For Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 388,914	24.12%	$ 295,098

4. Funded Status and Funding Progress

As of December 31, 2007, 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 $2,793,681. The covered payroll (annual payroll of active employees covered by the plan) was $8,928,803, and the ratio of the UAAL to the covered payroll was 31.29 percent. 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.

5. 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 assets, consistent with the long-term perspective of the calculations.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Pension Plan Obligations - continued

f. Other Postemployment Benefits - continued

In the December 31, 2007 actuarial valuation, the project unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 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 11.00 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 9 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as December 31, 2007, was 30 years.

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die 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 and will 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. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30 2009, the County made contributions to the State for death benefits of $13,513. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .14% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Additionally, the County offers a supplemental life insurance plan providing a $20,000 death benefit, at a cost of $5.60 per month per employee. Any aggregate benefit of the two plans in excess of the State's maximum $50,000 benefit is a taxable fringe benefit to the employee.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Closure and Postclosure Care Costs - Landfill

On April 8, 1994, the County stopped accepting solid waste at the municipal landfill. Since that date, solid waste has been transferred to a neighboring county. Revenue, in the form of tipping fees and operating transfers, is used to offset the cost of transporting and disposal. Because solid waste is no longer accepted after April 9, 1994, the County is not subject to the Environmental Protection Agency rule, "Solid Waste Disposal Facility Criteria". However, prior State and Federal laws and regulations require the County to place a final cover on its landfill facility and to perform certain maintenance and monitoring functions at the site. At June 30, 2009, the County maintains a $30,000 landfill closure and postclosure liability representing the estimated remaining cost of postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Deferred/Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	$ 45,659	$ 45,659
Unearned rental income	-	449,304
Taxes receivable, net (General)	1,154,251	-
Taxes receivable, net (Special Revenue)	83,812	-
Other receivables (General)	135,957	-
EMS receivables (General)	625,911	-
Total	$ 2,045,590	$ 494,963

Unearned Rental Income

During the year ended June 30, 2005, the County leased a portion of the Senior Center facility to a health care provider (the Company). The Company made improvements to the County's Senior Center building by transforming shell space into a kidney dialysis center to serve patients in McDowell County, resulting in improvements made by the lessee to McDowell County's property in the amount of $781,398. As a result, the government-wide financial statements will recognize income related to the leasehold improvements over the ten-year lease period at the rate of $6,512 per month. For the year ended June 30, 2009, the County recognized $78,139 in rental income, leaving a balance of $449,304 in unearned income. Additionally, McDowell County receives a monthly rental of $2,312 for the original shell space under a ten-year lease expiring in the year ending June 30, 2015, subject to annual Consumer Price Index adjustments.

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

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 one of the self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains worker's compensation coverage up to statutory limits. The pool is reinsured through commercial companies for losses in excess of $350,000 (annual aggregate) for worker's compensation. 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 settled claims have not exceeded coverage in any of the past three years. The McDowell County Health Care Benefit Plan is a self-funded program. It provides coverage to employees, retirees, covered dependents and eligible former employees. The total cost of health care coverage including premiums for stop-loss coverage, administrative fees and claims paid, less amounts withheld from employees and reimbursed under stop-loss coverage, totaled $1,598,519 for the year ended June 30, 2009. The County purchases specific stop-loss coverage to limit its annual loss per person to $50,000. The cost for health care excess coverage premiums in fiscal year 2008-2009 was $311,614. The County accounts for the self-funded Health Care Benefit Plan in the Internal Service Fund.

The County carries flood insurance on two County properties located in designated flood plain areas, the Old Fort library and the McDowell House. Coverage is purchased from a commercial carrier in the amount of $1,100,000 for building and contents for the Old Fort library, and $611,000 for building and contents for the McDowell House.

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, in the following amounts: Finance Officer, $50,000; DSS Director, $50,000; Tax Collectors (3), $15,000; DMV Clerks, $10,000; Sheriff, $25,000 and Register of Deeds, $50,000. The remaining employees that have access to funds are bonded under a blanket bond for $20,000.

Contingent Liabilities

At June 30, 2009, 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.

Long-Term Obligations:

Long-term obligations of McDowell County include installment purchases of properties that are not considered assets of McDowell County, including obligations for the construction of McDowell County Schools ($4,712,186), for improvements ($573,543) and vehicles ($35,302) to McDowell County Technical Community College, and for the construction of City of Marion water and sewer lines ($140,595).

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - McDowell County Schools and McDowell County Technical Community College

As authorized by State Law [G.S.160A-20 and 153A-158.1], the County has financed various property acquisitions and construction projects for use by McDowell County Board of Education and McDowell County Technical Community College (MTCC) by installment purchase. The installment purchase obligations were issued pursuant to a deed of trust that requires legal title to remain with the County as long as the debt is outstanding. The County has entered into agreements with McDowell County Board of Education and MTCC that transfer the rights and responsibilities for maintenance and insurance of the properties to the Board of Education and MTCC. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligations are recorded by the Board of Education and MTCC. Details of installment purchase obligations related to these projects are as follows:

McDowell County Schools	
• Installment purchase contract, executed in November, 2001, due in 40 quarterly principal payments of $124,552 plus interest at 4.17%, for improvements to Glenwood Elementary School.	$ 1,245,519
• Installment purchase contract, executed in February, 2002, due in 30 semiannual principal payments of $216,667 plus interest at 4.59%, for improvements to North Cove Elementary School.	3,466,667
McDowell County Technical Community College	
• Installment purchase contract, executed in September, 2005, due in 30 semiannual principal payments of $24,936 plus interest at 3.55%, for improvements to MTCC campus.	573,543
	$ 5,285,729

For McDowell County, the future minimum payments as of June 30, 2009, including interest, are as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2010	$ 981,414	$ 218,213
2011	981,414	175,777
2012	732,310	134,640
2013	483,207	109,084
2014	483,207	87,424
2015-2019	1,549,367	142,045
2020-2024	74,810	2,657
Total principal payments	$ 5,285,729	
Total interest payments		$ 869,840

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - Other

The County has entered into installment purchase contracts with banks to finance the purchase of various items of property and equipment, to build a jail, Senior Center and library, and to construct water lines for an industrial park, as follows:

Governmental Activities

• Installment purchase contract, executed in June 2002 for $404,200, payable in 20 semi-annual installments of $25,308 including interest at 4.49%, to finance waterlines to the Pleasant Gardens community.	$ 140,595
• Installment purchase contract, executed in November 2004 for $344,250, payable in 20 semi-annual installments of $20,669 including interest at 3.62%, secured by recreation facility purchased.	204,490
• Installment purchase contract, executed in October 2005 for $94,802, payable in 8 semi-annual installments of $12,777 including interest at 3.41%, secured by ambulance purchased.	12,563
• Installment purchase contract, executed in October 2006 for $75,000, payable in 8 semi-annual installments of $10,249 including interest at 4.05%, secured by ambulance purchased.	29,543
• Installment purchase contract, executed in October 2006 for $84,000, payable in 8 semi-annual installments of $11,454 including interest at 3.95%, secured by GIS system purchased.	33,049
• Installment purchase contract, executed in October 2006 for $76,407, payable in 8 semi-annual installments of $10,392 including interest at 3.83%, secured by vehicles purchased.	30,019
• Installment purchase contract, executed in March 2007 for $52,451, payable in 8 semi-annual installments of $7,166 including interest at 4.04%, secured by vehicles purchased.	27,274
• Installment purchase contract, executed in April 2002 for $1,980,916, payable in 30 semi-annual installments of $66,030 plus interest at 4.60%, secured by Senior Center.	1,056,489

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - Other - continued

Governmental Activities - continued

• Installment purchase contract, executed in June 2004 for $454,000, for improvements to the Senior Center. The terms of the obligation require 120 fixed payments with annual escalation (12 at $800, 12 at $3,225, 12 at $3,425, 12 at 3,645, 12 at $3,875, 12 at $4,130, 12 at $4,400, 12 at $4,600, 12 at $4,800 and 12 at $4,933) plus interest at 6.229%.	$	274,360
• Installment purchase contract, executed in November 2006 for $495,000, payable in 8 semi-annual installments of $67,049 including interest at 3.64%, secured by Nebo waterlines.		194,042
• Installment purchase contract, executed in November 2005 for $118,021, payable in 8 semi-annual installments of $16,025 including interest at 3.75%, secured by vehicles purchased.		15,470
• Installment purchase contract, executed in December 2005 for $37,454, payable in 8 semi-annual installments of $5,091 including interest at 3.8%, secured by vehicles purchased.		4,935
• Installment purchase contract, executed in February 2003 as a current refunding of existing contracts, in the amount of $2,004,580, including call premium of $33,058, payable in 20 semi-annual installments of $100,229 plus interest at 3.475%, secured by a correction facility and a library. The call premium is included in the balance of installment purchase obligations, net of amortization over the 4 year remaining life of the refunded debt.		801,832
• Installment purchase contract, executed in April 2005 for $166,700, payable in 10 semi-annual installments of $18,191 including interest at 3.24%, secured by computer equipment.		35,517
• Installment purchase contract, executed in May 2005 for $1,340,000, payable in 24 semi-annual installments of $55,833 including interest at 3.67%, secured by land acquired for future expansion.		893,333
• Installment purchase contract, executed in December 2001 for $275,000, payable in 20 semi-annual installments of $13,750 plus interest at 4.375%, secured by EMS station.		68,750
• Installment purchase contract, executed in September 2007 for $48,237, payable in 8 semi-annual installments of $6,552 including interest at 3.77%, secured by assets purchased.		30,987

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - Other - continued

Governmental Activities - continued

• Installment purchase contract, executed in January 2008 for $76,035, payable in 8 semi-annual installments of $10,199 including interest at 3.19%, secured by vehicles purchased.	$	57,919
• Installment purchase contract, executed in May 2008 for $25,303, payable in 8 semi-annual installments of $3,394 including interest at 3.19%, secured by vehicles purchased.		19,274
• Installment purchase contract, executed in May 2008 for $67,411, payable in 8 semi-annual installments of $8,982 including interest at 2.88%, secured by vehicles purchased.		51,274
• Installment purchase contract, executed in April 2008 for $965,663, payable in 30 semi-annual installments of $32,189 plus interest at 3.51%, to construct a Nutrition Center in the Old Fort area.		901,285
• Installment purchase contract, executed in March 2008 for $306,939, payable in 8 semi-annual installments of $40,753 including interest at 2.72%, secured by vehicles purchased.		233,285
• Installment purchase contract, executed in January 2008 for $562,500, payable in 30 semi-annual installments of $18,750 plus interest at 3.83%, to finance the purchase of the McDowell House.		525,000
• Installment purchase contract, executed in September 2007 for $146,559, payable in 8 semi-annual installments of $19,916 including interest at 3.79%, secured by vehicles purchased.		94,161
• Installment purchase contract, executed in September 2008 for $40,000, payable in 8 semi-annual installments of $5,408 including interest at 3.55%, secured by vehicles purchased.		35,302
• Installment purchase contract, executed in December 2008 for $167,000, payable in 8 semi-annual installments of $44,854 including interest at 3.19%, secured by vehicles purchased.		167,000
• Installment purchase contract, executed in December 2008 for $1,056,000, payable in 30 semi-annual principal payments of $35,200 plus interest at 4.19%, for improvement to Baldwin Avenue property.		1,020,800
	$	6,958,548

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Installment Purchases - Other - continued

Business-Type Activities:

• Installment purchase contract, executed in September 2005 for $130,497, payable in 10 semiannual installments of $14,249 including interest at 3.428%, secured by waste disposal equipment.	41,334
	$ 41,334

The future minimum payments of the installment purchase contracts, excluding the contracts entered into for improvement of McDowell County Schools and McDowell County Technical Community College, are as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2010	$ 1,258,884	$ 259,024
2011	1,112,503	213,301
2012	973,933	172,168
2013	761,313	136,587
2014	514,732	108,281
2015-2019	1,612,873	285,441
2020-2024	724,310	66,449
Total principal payments	$ 6,958,548	
Total interest payments		$ 1,241,251

	Business-Type Activities	
Year Ending June 30	Principal	Interest
2010	$ 27,323	$ 1,175
2011	14,011	238
2012	-	-
2013	-	-
2014	-	-
Total principal payments	$ 41,334	
Total interest payments		$ 1,413

Note C - Detail Notes on All Funds - continued:

(2) Liabilities - continued

Long-Term Obligations - Summary

At June 30, 2009, McDowell County had a legal debt margin of $239,090,267. A summary of all long-term obligations presented in the government-wide statement of activities is as follows:

	Balance 07/01/08	Increases	Decreases	Balance 06/30/09	Current Portion of Balance
Governmental activities:					
Installment purchases, including amortized call premium	$ 13,216,947	$ 1,263,000	$ 2,202,610	$ 12,277,337	$ 2,240,298
Unfunded pension benefit obligation	195,063	35,933	-	230,996	-
Compensated absences	590,027	444,793	449,761	585,059	-
Other postemployment benefits	-	233,868	-	233,868	-
	$ 14,002,037	$ 1,977,594	$ 2,652,371	$ 13,327,260	$ 2,240,298

	Balance 07/01/08	Increases	Decreases	Balance 06/30/09	Current Portion of Balance
Business-type activities:					
Installment purchases	$ 67,752	$ -	$ 26,418	$ 41,334	$ 27,323
Compensated absences	9,458	8,652	8,227	9,883	-
Other postemployment benefits	-	61,230	-	61,230	-
Accrued landfill closure and postclosure care costs	30,000	-	-	30,000	-
	$ 107,210	$ 69,882	$ 34,645	$ 142,447	$ 27,323

Compensated absences typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

Conduit Debt Obligations

During the year ended June 30, 2002, the McDowell County Industrial Facility and Pollution Control Financing Authority (the Authority) issued recreational facility revenue bonds to provide financial assistance to a not-for-profit organization for the construction of a YMCA facility. The bonds are secured by the asset financed, as well as a letter of credit, and are payable solely from payments received from the not-for-profit organization involved. Ownership of the assets acquired is in the name of the organization served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2009, there was one series of revenue bonds outstanding with a principal amount payable of $4,440,000.

Note C - Detail Notes on All Funds - continued:

(3) Interfund Balances and Activity

At June 30, 2009, interfund balances and activity are as follows:

Receivable To	Payable From		Amount
School Capital Reserve	General Fund	$	529,986
Eastfield Elementary Wall Project	Schools Capital Reserve		4,318
Schools Capital Projects	Schools Capital Reserve		14,890
General Fund	Watson Rd CDBG Project		9,487
General Fund	Sherwood Forest Project		1,760
General Fund	CDGB - 2008 Scattered Site Housing Project		77
General Fund	Enterprise-Waste Disposal		48,039
		$	608,557

The General Fund payable to the School Capital Reserve represents the balance of the school's share of local option sales tax restricted for school's capital outlay for the June 30, 2009 fiscal year. The payable from the School's Capital Reserve to the Eastfield Elementary Wall Project and the School Capital Projects represent a transfer required to cover accounts payable in the project fund. Payables to the General Fund from the Watson Rd CDBG Project, Sherwood Forest Project, CDGB - 2008 Scattered Site Housing Project, and the Enterprise-Waste Disposal Fund are required due to cash overdrafts in the payable funds. All interfund balances will be paid during the year ending June 30, 2010.

Details of transfers to/from other funds are as follows:

Transfer from the General Fund to the Waste Disposal Fund, to support cost of services not recovered by user charges.	$	1,077,510
Transfer from the Schools Capital Reserve Fund to the individual project funds for school construction projects, as follows:		
Eastfield Elementary Wall ($63,086), Accelerated Learning Center ($94,696), and Schools Capital Projects ($400,029).		557,811
Transfer from the General Fund to the Schools Capital Reserve Fund, to accumulate resources for school construction.		2,139,319
Transfer from the General Fund to the Industrial Park Project Fund, to provide resources for projects and for retirement of Industrial Park debt.		294,857
Transfers from the Schools Capital Reserve Fund to the Debt Service Fund, to provide resources for the retirement of debt obligations of funds other than the General Fund.		1,170,615

Note C - Detail Notes on All Funds - continued:

(3) Interfund Balances and Activity - continued

Transfer from the Industrial Park Project Fund to the General Fund, to provide resources for the retirement of debt obligations.	120,000
Transfer from the Nebo Water System Project Fund to the General Fund, to provide resources for the retirement of debt obligations.	125,000
Transfer from the Nebo Water System Project Fund to the Watson Road CDGB Project Fund, to allocate costs to the appropriate project.	38,440
Transfer from the Nebo Water System Project Fund to the Sherwood Forest Project Fund, to allocate costs to the appropriate project.	21,200
Transfer from the General Fund to the Debt Service Fund, to provide resources for the retirement of debt obligations.	25,000
Transfer from the General Fund to the Revaluation Fund, to accumulate resources for the revaluation process.	21,500
Transfer from the General Fund to the Recreation Fund, to support cost of recreation administration not funded by service fees.	327,995
Transfer from the General Fund to the Forest Service Project.	107,500
	$ 6,026,747

(4) Net Assets and Fund Equity

Restricted Net Assets

At June 30, 2009, restricted net assets on the statement of net assets include unexpended resources for specific operating and capital expenditures for public safety ($981,408), general government ($24,042), economic development ($450,946), and human services ($138,367).

Note C - Detail Notes on All Funds - continued:

(4) Net Assets and Fund Equity - continued

Designated Fund Balance

The designated portion of the unreserved fund balance reported on the balance sheet of governmental funds is detailed as follows:

	General Fund	Special Revenue	Total
Co-op extension	$ 16,128	$ -	$ 16,128
Asset forfeiture	83,857	-	83,857
911 Regular	138,583	-	138,583
911 Wireless	-	733,396	733,396
Watershed	23,844	-	23,844
Senior Center	1,714	-	1,714
Jail	216,560	-	216,560
DSS-NCSSA	131,705	-	131,705
PEG Channel	24,042	-	24,042
Volunteer Center	4,949	-	4,949
2009 - 2010 fund balance appropriated	185,799	-	185,799
	$ 827,181	$ 733,396	$ 1,560,577

Note D - Related Organization:

The McDowell County Tourism Development Authority (Authority) is an authority established by a resolution of the McDowell County Board of Commissioners on April 1, 1987, under the provisions of Articles 40 and 41 of Chapter 908 of the General Statutes of North Carolina. The Authority consists of a nine member board established to promote tourism in McDowell County. Funding is provided from an occupancy tax on rentals of motel rooms, levied and collected by McDowell County and remitted to the Authority. Also, the Authority has entered into an interlocal agreement with the County, whereby the Authority contracts with the County for personnel and accounting services. The County's accountability for this organization does not extend beyond fulfilling the contractual obligations for accounting and personnel services and the remittance of occupancy tax collected.

Note E - Joint Ventures:

McDowell Technical Community College

The County, in conjunction with the State of North Carolina and the McDowell County Board of Education, participates in a joint venture to operate the McDowell Technical Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the

Note E - Joint Ventures - continued:

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 last general obligation bond issue for this purpose was retired during the June 30, 2000 fiscal year. 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 $808,450 and $92,324 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2009. Additionally, the County entered into an installment purchase agreement during the year ended June 30, 2006, in order to fund the County's participation in the community college's capital improvement project. The County's debt service payments on this debt amounted to $71,562 for the year ended June 30, 2009. 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, 2009. Complete financial statements for the community college may be obtained from the community college's administrative offices at 54 College Drive, Marion, North Carolina 28752.

During the year ended June 30, 2009, the County entered into an installment purchase agreement in order to provide capital improvements to the McDowell Tech Baldwin Avenue facility property. Upon completion of the improvements, the County will lease space to be used in various economic development programs. The County owns the property throughout the service of the debt. Upon retirement of the debt, ownership of the property reverts back to McDowell Technical Community College. The County's debt service payments on this debt amounted to $57,324 for the year ended June 30, 2009.

McDowell House

During the year ended June 30, 2008, the County entered into an agreement with the McDowell Tourism Development Authority and the City of Marion, whereby the County financed the purchase of the McDowell House, a residence in the County with historic significance. Under the terms of the agreement, the City of Marion and McDowell County each contributed $25,000 for the purchase of the facility, with McDowell County financing the remaining purchase price. Debt retirement will be accomplished by the McDowell Tourism Development Authority, using the 2% increase in occupancy tax, effective January 1, 2008, which has been restricted for this purpose.

Note F - Jointly Governed Organizations:

McDowell County maintains an affiliation with Smoky Mountain Center for the provision of mental health, developmental disabilities and substance abuse services. McDowell County appoints one County commissioner and one at-large member to serve on the board. The remaining members are appointed in the same manner by the other fourteen counties (Alexander, Alleghany, Ashe, Avery, Caldwell, Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain, Watauga and Wilkes.) In addition, the County has made a financial commitment to the Center. For the year ended June 30, 2009, the County contributed $67,856 to the general operations of the Smoky Mountain Center.

The board of trustees of the McDowell County Health Department is comprised of fifteen members. McDowell County appoints one county commissioner and four others to serve on the board. The remaining members are appointed in the same manner by the other two counties (Polk and Rutherford) who jointly govern the Health Department. In addition, the County has made a financial commitment to the Health Department. For the year ended June 30, 2009, the County contributed $172,975 to the general operations of the Health Department.

The board of directors of McDowell Economic Development Association (MEDA), a 501(c)(3) organization, is comprised of twenty directors. McDowell County appoints three directors to serve on the Board. The remaining directors are appointed as follows: one by the City of Marion, one by the Town of Old Fort, one by the McDowell County Chamber of Commerce, one by the McDowell Technical Community College, and one by the McDowell County Board of Education. This board then elects seven additional directors from members of the Organization. Five ex-officio members are comprised of the County Manager, the County attorney, the Director of Isothermal Planning and Development Commission, the Director of Small Business Center and the Director of the McDowell Chamber of Commerce. In addition, the County has made a financial commitment to MEDA. For the year ended June 30, 2009, the County contributed $63,683 to the general operations of MEDA, including personnel costs (See related Note G).

The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and 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 Commission's governing board. The County paid $10,769 in annual allocation to the Commission during the fiscal year ended June 30, 2009.

Note G - Related Party Transaction:

During the year ended June 30, 2001, the Board of Directors of the McDowell Economic Development Association (MEDA) requested that the County Manager serve as executive director of MEDA. As described in Note F, MEDA is jointly governed by McDowell County and other governmental units. McDowell County provides financial support for MEDA, including personnel costs. The Board of Commissioners approved the arrangement requested by the MEDA Board as part of continued personnel support of MEDA.

Note G - Related Party Transaction - continued:

For the year ended June 30, 2009, two County commissioners are also employees of McDowell County, one commissioner's spouse is an employee of McDowell County, and one commissioner is employed by McDowell Technical Community College.

Note H - Benefit Payments Issued by the State:

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

	Federal	State
Temporary Assistance for Needy Families	$ 327,131	$ -
Medicaid	39,654,131	15,610,210
Food Stamp Program	7,227,122	-
Low-Income Home Energy Assistance Block Grant	307,096	-
State/County Special Assistance to Adults	-	558,428
Foster Care Adoption Assistance	179,410	33,986
CWS Adoption Subsidy	-	251,390
Total	$ 47,694,890	$ 16,454,014

Note I - 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 moneys.

Construction Commitments

At June 30, 2009, the County is committed to approximately $14,540 in remaining activity under one construction contract.

Note I - Summary Disclosure of Significant Contingencies - continued:

Industrial Recruitment and Economic Development Incentives

The County has entered into various incentive agreements with private companies, whereby the companies agree to locate or expand operation in McDowell County, agreeing to comply with certain performance goals in exchange for financial assistance with initial or enhanced capital investment in the County. Performance goals normally include prescribed levels of new construction or equipment acquisition and the addition of a target number of full-time equivalent employees within certain wage parameters.

After inception-year assistance from the County, the companies must submit proof of compliance with agreement terms before future installments are paid. Additionally, full or partial repayment of start-up advances may be required in the event target goals are not adequately satisfied or maintained for a prescribed time period. Due to the uncertain terms of these agreements, liabilities for future payments or receivables for potential re-payments have not been recorded in the government-wide financial statements.

During the year ended June 30, 2009, $144,584 was paid to a company under an economic development incentive agreement. Future installments of two active agreements amount to $150,000, $191,667, $191,667, and $66,666 for the years ending June 30, 2010, 2011, 2012, and 2013, respectively. Future payments totaling $125,000 have been approved under two agreements for the years ending June 30, 2010, 2011, and 2012, with timing of payment based on the achievement of compliance goals.

Note J - Cafeteria Plan:

The County is involved in a cafeteria plan in which employees may elect to have specified amounts of their salaries set aside for qualified medical and child care expenses. These amounts are not subject to FICA or withholding taxes. As the employees incur expenses, they file for reimbursement. Any amounts remaining in the cafeteria plan fund at year end revert to the County. Prior to July 1, 1998, the County paid an annual fee to an outside agent to administer the plan. The activity of the cafeteria plan is currently accounted for in an Agency Fund.

Note K - Concentration of Credit Risk:

McDowell County grants credit without collateral to users of emergency medical services, accounted for in the General Fund, and to users of the waste disposal facility, accounted for in the Enterprise Fund. Most customers are residents of McDowell County, setting up a concentration of credit risk with respect to receivables.

Note K - Concentration of Credit Risk - continued:

The Enterprise Fund has one major customer, a commercial waste disposal carrier, accounting for approximately 48% of the revenue of the fund. Sales to this customer amounted to $338,260 for the year ended June 30, 2009, with an account receivable balance of $30,129 at June 30, 2009.

Note L - Use of 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. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Note M - Subsequent Events:

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 9, 2009; the date of the financial statement is November 9, 2009.

Nebo Water System

Subsequent to June 30, 2009, the County began operation of a new water system in the Nebo area, which will service approximately 110 customers. The County will control all operations of the water system, receiving all related tap fees and monthly revenues for services. Under an agreement with the City of Marion, the County purchases water for use in the operation of the water system. A new enterprise fund has been established by the County to record the water system activity for the year ending June 30, 2010.

McDowell County, North Carolina

Law Enforcement Officers' Special Separation Allowance

Required Supplemental Financial Data

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2002	$ 105,153	$ 238,128	$ 132,975	44.16%	$ 1,136,909	11.70%
12-31-2003	$ 106,152	$ 280,428	$ 174,276	37.85%	$ 1,162,304	14.99%
12-31-2004	$ 107,059	$ 282,789	$ 175,730	37.86%	$ 1,157,410	15.18%
12-31-2005	$ 111,001	$ 251,700	$ 140,699	44.10%	$ 1,242,611	11.32%
12-31-2006	$ 117,895	$ 272,044	$ 154,149	43.34%	$ 1,329,919	11.59%
12-31-2007	$ 114,975	$ 318,234	$ 203,259	36.13%	$ 1,423,656	14.28%
12-31-2008	$ 123,278	$ 343,036	$ 219,758	35.94%	$ 1,332,335	16.49%

McDowell County, North Carolina

Law Enforcement Officers' Special Separation Allowance

Required Supplemental Financial Data

Schedule of Employer Contributions and Notes to the Required Schedules

Year Ending June 30	Annual Pension Cost	Percentage Contributed
2007	$ 28,608	0.00%
2008	$ 32,224	0.00%
2009	$ 35,933	0.00%

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	12/31/08
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost of living adjustments	N/A

McDowell County, North Carolina

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-2006	$ -	$ 2,445,267	$ 2,445,267	0.00%	$ 8,396,713	29.12%
12-31-2007	$ -	$ 2,793,681	$ 2,793,681	0.00%	$ 8,928,803	31.29%

McDowell County, North Carolina

Other Postemployment Benefits

Required Supplemental Financial Data

Schedule of Employer Contributions and Notes to the Required Schedules

Year Ending June 30	Annual Pension Cost	Percentage Contributed
2009	$ 388,914	24.12%

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	12/31/07
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	11.00% - 5.00%
*Includes inflation at	3.75%
Cost of living adjustments	N/A

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2009

	Budget	Actual	Positive (Negative)
Revenue:			
Ad valorem taxes:			
Taxes	$ 16,356,201	$ 16,736,387	$ 380,186
Interest	89,051	171,184	82,133
Total	16,445,252	16,907,571	462,319
Local option sales taxes:			
Article 39 one percent	2,952,000	2,849,145	(102,855)
Article 40 one-half percent	2,410,000	2,388,230	(21,770)
Article 42 one-half percent	2,410,000	2,371,249	(38,751)
Article 44 one-half percent	940,000	863,104	(76,896)
Total	8,712,000	8,471,728	(240,272)
Other taxes and licenses:			
Deed stamp excise tax	115,000	100,961	(14,039)
Real estate transfer tax	230,000	167,312	(62,688)
Scrap tire disposal tax	70,000	69,634	(366)
Occupancy tax	230,000	263,495	33,495
Cable franchise	195,500	214,339	18,839
Privilege licenses	1,000	554	(446)
Total	841,500	816,295	(25,205)
Unrestricted intergovernmental:			
Payments in lieu of taxes	264,451	410,536	146,085
Restricted intergovernmental:			
State and federal grants	7,508,066	6,363,750	(1,144,316)
Court facility fees	172,000	155,308	(16,692)
ABC profits for law enforcement	7,500	7,605	105
Total	7,687,566	6,526,663	(1,160,903)
Permits and fees:			
Building permits	128,250	109,305	(18,945)
Register of deeds	122,600	101,496	(21,104)
Total	250,850	210,801	(40,049)

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Rents, concessions, and fees	$ 622,841	$ 614,535	$ (8,306)
Jail fees	684,782	396,749	(288,033)
Ambulance fees	1,778,358	1,996,020	217,662
Other	64,529	51,925	(12,604)
Program service revenue	14,316	511,198	496,882
Total	3,164,826	3,570,427	405,601
Investment earnings	229,362	187,737	(41,625)
Miscellaneous:			
Auction proceeds	3,500	15,728	12,228
Sale of equipment	29,682	29,041	(641)
Other	344,743	352,365	7,622
Total	377,925	397,134	19,209
Total revenue	37,973,732	37,498,892	(474,840)
Expenditures:			
General government:			
Governing body:			
Operating expenditures		503,518	
Total	506,795	503,518	3,277
County manager:			
Salaries and employee benefits		305,059	
Operating expenditures		14,273	
Capital expenditures		959	
Total	320,944	320,291	653
Finance:			
Salaries and employee benefits		299,165	
Operating expenditures		159,526	
Capital expenditures		5,706	
Total	472,978	464,397	8,581

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Positive (Negative)
Tax - assessment:			
Salaries and employee benefits	$	$ 280,833	$
Operating expenditures		134,456	
Capital expenditures		2,960	
Total	421,068	418,249	2,819
Tax - collections:			
Salaries and employee benefits		172,162	
Operating expenditures		60,891	
Capital expenditures		1,873	
Total	239,781	234,926	4,855
Legal	37,287	36,311	976
Board of elections:			
Salaries and employee benefits		104,487	
Operating expenditures		109,872	
Capital expenditures		35,994	
Total	238,739	250,353	(11,614)
Register of deeds:			
Salaries and employee benefits		167,368	
Operating expenditures		133,905	
Capital expenditures		132	
Total	357,466	301,405	56,061
Court facilities:			
Operating expenditures		3,020	
Capital expenditures		7,172	
Total	10,200	10,192	8
Garage:			
Salaries and employee benefits		131,391	
Operating expenditures		35,279	
Capital expenditures		7,997	
Total	157,657	174,667	(17,010)

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Buildings and grounds:			
Salaries and employee benefits	$	$ 218,379	$
Operating expenditures		445,999	
Capital expenditures		46,944	
Total	727,952	711,322	16,630
DMV Operations:			
Salaries and employee benefits		89,890	
Operating expenditures		9,782	
Total	100,624	99,672	952
Total general government	3,591,491	3,525,303	66,188
Public safety:			
Sheriff:			
Salaries and employee benefits		1,962,868	
Operating expenditures		319,048	
Capital expenditures		134,076	
Total	2,508,780	2,415,992	92,788
Jail:			
Salaries and employee benefits		781,701	
Operating expenditures		596,450	
Capital expenditures		5,176	
Total	1,541,233	1,383,327	157,906
Ambulance service:			
Salaries and employee benefits		1,190,897	
Operating expenditures		298,274	
Capital expenditures		158,187	
Total	1,656,102	1,647,358	8,744

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Emergency management:			
Salaries and employee benefits	$	$ 102,980	$
Operating expenditures		25,564	
Capital expenditures		965	
Total	136,207	129,509	6,698
Fire protection	441,750	441,750	-
Sheriff's communications:			
Salaries and employee benefits		205,248	
Operating expenditures		11,200	
Capital expenditures		361	
Total	227,802	216,809	10,993
911 communications:			
Salaries and employee benefits		246,992	
Operating expenditures		13,193	
Capital expenditures		11,139	
Total	275,403	271,324	4,079
Day reporting center	76,160	76,160	-
Dog warden:			
Salaries and employee benefits		93,213	
Operating expenditures		44,779	
Capital expenditures		4,251	
Total	162,860	142,243	20,617
National Guard	175	-	175
Inspections:			
Salaries and employee benefits		256,133	
Operating expenditures		25,338	
Capital expenditures		19,659	
Total	307,369	301,130	6,239
Medical examiner	32,500	32,070	430

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Rescue squad	$ 28,199	$ 27,827	$ 372
Total public safety	7,394,540	7,085,499	309,041
Environmental protection:			
Sanitation:			
Salaries and employee benefits		331,292	
Operating expenditures		112,927	
Capital expenditures		7,576	
Total	470,766	451,795	18,971
Soil and water district technician:			
Salaries and employee benefits		38,605	
Operating expenditures		5,128	
Total	45,541	43,733	1,808
Soil and water conservation:			
Salaries and employee benefits		12,539	
Operating expenditures		9,059	
Total	22,306	21,598	708
Muddy Creek watershed	6,000	5,508	492
Water reserve	116,600	418	116,182
Total environmental protection	661,213	523,052	138,161
Economic and physical development:			
Clean Community System	31,180	31,180	-
Chamber of Commerce:			
McDowell		8,400	
Old Fort		4,163	
Total	12,563	12,563	-
Forest Service	63,750	61,680	2,070

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Agricultural extension:			
Salaries and employee benefits	$	$ 81,982	$
Operating expenditures		97,453	
Capital expenditures		1,092	
Total	193,553	180,527	13,026
Planning:			
Isothermal operating expenditures		11,307	
Development		7,450	
Total	19,269	18,757	512
McDowell Economic Development Association:			
Salaries and employee benefits		51,178	
Operating expenditures		12,505	
Total	64,478	63,683	795
Total economic and physical development	384,793	368,390	16,403
Human services:			
Health unit	172,975	172,975	-
Mental health	75,356	75,461	(105)
Volunteers for Youth:			
Salaries and employee benefits		17,647	
Operating expenditures		5,096	
Total	27,870	22,743	5,127
Juvenile Crime Prevention Council	140,049	138,027	2,022

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Social Services:			
Administration:			
Salaries and employee benefits	$	$ 4,681,042	$
Operating expenditures		1,716,839	
Capital expenditures		26,245	
Total	6,895,134	6,424,126	471,008
Meals program:			
Salaries and employee benefits		449,573	
Operating expenditures		429,041	
Capital expenditures		6,450	
Total	900,612	885,064	15,548
Foster care	555,000	477,196	77,804
Adoption assistance program	176,085	184,798	(8,713)
Crisis energy program	212,609	214,826	(2,217)
TANF - County participation	44,334	43,369	965
Medicaid - County participation	1,353,100	1,119,751	233,349
Special assistance	569,000	552,756	16,244
Aid to blind	1,658	1,645	13
General assistance	5,500	1,274	4,226
Holly Hills:			
Operating expenditures		14,774	
Total	18,000	14,774	3,226
Total social services	10,731,032	9,919,579	811,453
Total human services	11,147,282	10,328,785	818,497

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Library:			
Salaries and employee benefits	$	$ 490,041	$
Operating expenditures		160,719	
Capital expenditures		29,635	
Total cultural and recreational	712,251	680,395	31,856
Miscellaneous	965,062	979,115	(14,053)
Education:			
Public schools:			
Current expense	7,027,103	7,009,509	17,594
Capital outlay	331,000	331,000	-
McDowell Technical College:			
Current expense	808,450	808,450	-
Capital outlay	221,210	221,210	-
Total education	8,387,763	8,370,169	17,594
Debt service:			
Principal and interest	1,357,256	1,340,574	16,682
Total expenditures	34,601,651	33,201,282	1,400,369
Revenue over expenditures	3,372,081	4,297,610	925,529

McDowell County, North Carolina

General Fund

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Continued

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Installment purchase obligations issued	$ 207,000	$ 207,000	$ -
Transfers from:			
Capital Project Funds:			
Industrial Park Project	120,000	120,000	-
Nebo Water System Project	125,000	125,000	-
Transfers to:			
Capital Project Funds:			
Schools Capital Reserve	(2,149,000)	(2,139,319)	9,681
Forest Service	(107,500)	(107,500)	-
Industrial Park Project	(294,857)	(294,857)	-
Special Revenue Funds:			
Revaluation	(21,500)	(21,500)	-
Recreation	(327,995)	(327,995)	-
Debt Service Fund	(25,000)	(25,000)	-
Enterprise Fund	(1,077,510)	(1,077,510)	-
Fund balance appropriated	179,281	-	(179,281)
Total other financing uses	(3,372,081)	(3,541,681)	(169,600)
Excess of revenue and other financing sources over expenditures and other financing uses	$ -	755,929	$ 755,929
Fund balance - beginning of year		10,174,959	
Fund balance - end of year		$ 10,930,888	

Special Revenue Funds:

- Fire and Rescue Districts – This fund accounts for the tax revenues collected by the County on behalf of the fire and rescue districts in the County.
- Revaluation – The County uses this fund to set aside money each year to pay for the revaluation of real property for tax purposes, performed every eight years.
- Recreation – This fund accounts for the revenues available for the operation of various recreation programs of the County.
- Emergency 911 – This fund accounts for the 911 revenues, collected by the telephone industry and remitted to the County to fund the Emergency 911 system.

Debt Service Fund:

- The County uses the debt service fund to account for the debt service requirements for governmental funds other than the General Fund.

Capital Project Funds:

- Accelerated Learning Center, Eastfield Elementary Wall, and Schools Capital Projects – These funds account for school construction projects, funded by the Schools Capital Reserve Fund.
- Industrial Park Capital Project – The County uses this fund to account for economic development projects.
- CDBG - 2006 Scattered Housing and Crisis Housing Projects – The County uses these funds to account for the expenditures for capital improvement for certain critical housing needs, funded by Community Development Block Grants.
- Crisis Housing Project – The County uses this fund to account for the expenditures related to the repair and replacement of a home located on 221 N that was damaged due to flooding, funded by the NC Redevelopment Center.
- Flood Assistance Project – The County uses this fund to account for the grant-funded acquisition of flood damaged property from County citizens.
- Forest Service Project – The County uses this fund to account for expenditures related to the relocation of the Forest Service facility.
- Senior Center Project – The County uses this fund to account for the construction and renovation of Senior Center properties.
- Watson Road CDBG Project – The County uses this fund to account for the expenditures related to water line extensions on the upper part of Watson Road, funded by Community Development Block Grants.

- Hook-up CDBG Project – The County uses this fund to account for the expenditures related to water hook-up in the Nebo area, funded by Community Development Grants.
- Nebo Water System Project – The County uses this fund to account for the development of a water system to the Nebo community, partially funded by grants.
- Sherwood Forest Project – The County uses this fund to account for the expenditures related to water line extensions to Sherwood Forest Development, funded by Community Development Block Grants.
- CDBG-2008 Scattered Site Housing Project – The County uses this fund to account for the expenditures for capital improvement for certain critical housing needs, funded by Community Development Block Grants.
- Foothills Pilot Plant Project – The County uses this fund to account for the expenditures for the capital improvements related to the Poultry Plant Project, funded by Appalachian Regional Commission, NC Rural Center and the Golden Leaf Foundation.
- McDowell Tech Baldwin Avenue Facility Project – The County uses this fund to account for expenditures for capital improvements to this facility, funded by loan proceeds.
- PRC Industries Building Reuse Project – The County uses this fund to account for expenditures for building improvements to the PRC facility, funded by the Rural Economic Development Center, Inc.
- Single Family Rehabilitation Project – The County uses this fund to account for expenditures for the HOME program funds, funded by the NC Housing Finance Agency.

McDowell County, North Carolina

Nonmajor Governmental Funds

Combining Balance Sheets

June 30, 2009

	Special Revenue Funds				Debt Service Fund
	Fire and Rescue Districts	Revaluation	Recreation	Emergency 911	Debt Service Fund
Assets					
Cash and investments	$ 19,119	$ 173,290	$ 45,454	$ 739,353	$ 9
Taxes receivable - net	83,812	-	-	-	-
Accounts receivable - other governments	-	-	-	25,613	-
Restricted cash	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	$ 102,931	$ 173,290	$ 45,454	$ 764,966	$ 9
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 19,119	$ 2,089	$ 3,311	$ 5,957	$ -
Due to other funds	-	-	-	-	-
Deferred revenue	83,812	-	-	-	-
Total liabilities	102,931	2,089	3,311	5,957	-
Fund balances:					
Reserved by State statute	-	-	-	25,613	-
Unreserved:					
Designated	-	-	-	733,396	-
Undesignated	-	171,201	42,143	-	9
Total fund balances	-	171,201	42,143	759,009	9
Total liabilities and fund balances	$ 102,931	$ 173,290	$ 45,454	$ 764,966	$ 9

McDowell County, North Carolina

Nonmajor Governmental Funds – Continued

Combining Balance Sheets

June 30, 2009

	Capital Project Funds			
	Accelerated Learning Center Project	Eastfield Elementary Wall Project	School Capital Projects	Industrial Park Project
Assets				
Cash and investments	$ -	$ -	$ -	$ 18,635
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	-	-
Restricted cash	-	-	-	-
Due from other funds	-	4,318	14,890	-
Total assets	$ -	$ 4,318	$ 14,890	$ 18,635
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ -	$ 4,318	$ 14,890	$ -
Due to other funds	-	-	-	
Deferred revenue	-	-	-	-
Total liabilities	-	4,318	14,890	-
Fund balances:				
Reserved by State statute	-	4,318	14,890	-
Unreserved:				
Designated	-	-		-
Undesignated	-	(4,318)	(14,890)	18,635
Total fund balances	-	-	-	18,635
Total liabilities and fund balances	$ -	$ 4,318	$ 14,890	$ 18,635

McDowell County, North Carolina

Nonmajor Governmental Funds – Continued

Combining Balance Sheets

June 30, 2009

	Capital Project Funds			
	CDBG - 2006 Scattered Housing Project	Crisis Housing Project	Flood Assistance Project	Forest Service Project
Assets				
Cash and investments	$ -	$ -	$ -	$ 3,216
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	-	-	-
Restricted cash	-	-	-	-
Due from other funds	-	-	-	-
Total assets	$ -	$ -	$ -	$ 3,216
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 13,570
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	13,570
Fund balances:				
Reserved by State statute	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	-	-	-	(10,354)
Total fund balances (deficit)	-	-	-	(10,354)
Total liabilities and fund balances	$ -	$ -	$ -	$ 3,216

McDowell County, North Carolina

Nonmajor Governmental Funds – Continued

Combining Balance Sheets

June 30, 2009

	Capital Project Funds			
	Senior Center Project	Watson Rd CDBG Project	Hook-up CDBG Project	Nebo Water System Project
Assets				
Cash and investments	$ 4,332	$ -	$ -	$ 169,378
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	-	13,948	-	-
Restricted cash	-	-	-	-
Due from other funds	-		-	-
Total assets	$ 4,332	$ 13,948	$ -	$ 169,378
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ -	$ 4,461	$ -	$ 1,464
Due to other funds	-	9,487		-
Deferred revenue	-	-	-	-
Total liabilities	-	13,948	-	1,464
Fund balances:				
Reserved by State statute	-	13,948	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	4,332	(13,948)	-	167,914
Total fund balances	4,332	-	-	167,914
Total liabilities and fund balances	$ 4,332	$ 13,948	$ -	$ 169,378

McDowell County, North Carolina

Nonmajor Governmental Funds – Continued

Combining Balance Sheets

June 30, 2009

	Capital Project Funds			
	Sherwood Forest Project	CDBG - 2008 Scattered Site Housing Project	Foothills Pilot Plant Project	McDowell Tech Baldwin Avenue Facility Project
Assets				
Cash and investments	$ -	$ -	$ 96,404	$ -
Taxes receivable - net	-	-	-	-
Accounts receivable - other governments	1,760	2,617	-	-
Restricted cash	-	-	-	434,818
Due from other funds	-	-	-	-
Total assets	$ 1,760	$ 2,617	$ 96,404	$ 434,818
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ -	$ 2,617	$ 18,183	$ 115,815
Due to other funds	1,760	77	-	-
Deferred revenue	-	-	-	-
Total liabilities	1,760	2,694	18,183	115,815
Fund balances:				
Reserved by State statute	1,760	2,617	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	(1,760)	(2,694)	78,221	319,003
Total fund balances (deficit)	-	(77)	78,221	319,003
Total liabilities and fund balances	$ 1,760	$ 2,617	$ 96,404	$ 434,818

McDowell County, North Carolina

Nonmajor Governmental Funds – Continued

Combining Balance Sheets

June 30, 2009

	Capital Project Funds		
	PRC Industries Building Reuse Project	Single Family Rehabilitation Project	Totals June 30, 2009
Assets			
Cash and investments	$ -	$ -	$ 1,269,190
Taxes receivable - net	-	-	83,812
Accounts receivable - other governments	-	-	43,938
Restricted cash	-	-	434,818
Due from other funds	-	-	19,208
Total assets	$ -	$ -	$ 1,850,966
Liabilities and fund balances			
Liabilities:			
Accounts payable	$ -	$ -	$ 205,794
Due to other funds	-	-	11,324
Deferred revenue	-	-	83,812
Total liabilities	-	-	300,930
Fund balances:			
Reserved by State statute	-	-	63,146
Unreserved:			
Designated	-	-	733,396
Undesignated	-	-	753,494
Total fund balances	-	-	1,550,036
Total liabilities and fund balances	$ -	$ -	$ 1,850,966

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2009

	Special Revenue Funds				
	Fire and Rescue Districts	Revaluation	Recreation	Emergency 911	Debt Service Fund
Revenue:					
Ad valorem taxes	$ 1,391,456	$ -	$ -	$ -	$ -
Restricted intergovernmental revenue	-	-	-	307,399	33,685
Sales and services	-	-	68,618	-	-
Investment earnings	-	2,943	3,799	9,618	-
Miscellaneous revenue	-	-	-	303	-
Total revenue	1,391,456	2,943	72,417	317,320	33,685
Expenditures:					
General government	-	2,506	-	-	-
Public safety	1,389,636	-	-	78,904	-
Economic and physical development	-	-	-	-	-
Cultural and recreational	-	-	401,794	-	-
Debt service	-	-	-	-	1,229,300
Capital outlay	-	-	-	-	-
Total expenditures	1,389,636	2,506	401,794	78,904	1,229,300
Revenue over (under) expenditures	1,820	437	(329,377)	238,416	(1,195,615)
Other financing sources (uses):					
Operating transfer in from General Fund	-	21,500	327,995	-	25,000
Operating transfer out to General Fund	-	-	-	-	-
Operating transfer in from Capital Project Fund	-	-	-	-	1,170,615
Operating transfer out to Capital Project Fund	-	-	-	-	-
Operating transfer out to Capital Project Fund	-	-	-	-	-
Proceeds from installment purchases	-	-	-	-	-
Total other financing sources (uses)	-	21,500	327,995	-	1,195,615
Increase (decrease) in fund balance	1,820	21,937	(1,382)	238,416	-
Fund balances (deficit) – beginning of year	(1,820)	149,264	43,525	520,593	9
Fund balances (deficit) – end of year	$ -	$ 171,201	$ 42,143	$ 759,009	$ 9

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds - Continued

Year Ended June 30, 2009

	Capital Project Funds			
	Accelerated Learning Center Project	Eastfield Elementary Wall Project	School Capital Projects	Industrial Park Project
Revenue:				
Ad valorem taxes	$ -	$ -	$ -	$ -
Restricted intergovernmental revenue	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	-	120,586
Total revenue	-	-	-	120,586
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	144,583
Cultural and recreational	-	-	-	-
Debt service	-	-	-	-
Capital outlay	94,696	63,086	400,029	120,252
Total expenditures	94,696	63,086	400,029	264,835
Revenue over (under) expenditures	(94,696)	(63,086)	(400,029)	(144,249)
Other financing sources (uses):				
Operating transfer in from General Fund	-	-	-	294,857
Operating transfer out to General Fund	-	-	-	(120,000)
Operating transfer in from Capital Project Fund	94,696	63,086	400,029	-
Operating transfer out to Capital Project Fund	-	-	-	-
Proceeds from installment purchases	-	-	-	-
Total other financing sources (uses)	94,696	63,086	400,029	174,857
Increase (decrease) in fund balance		-	-	30,608
Fund balances (deficit) – beginning of year	-	-	-	(11,973)
Fund balances (deficit) – end of year	$ -	$ -	$ -	$ 18,635

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds - Continued

Year Ended June 30, 2009

	Capital Project Funds			
	Sherwood Forest Project	CDBG - 2008 Scattered Site Housing Project	Foothills Pilot Plant Project	McDowell Tech Baldwin Avenue Facility Project
Revenue:				
Ad valorem taxes	$ -	$ -	$ -	$ -
Restricted intergovernmental revenue	296,886	18,279	30,000	-
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	90,250	-
Total revenue	296,886	18,279	120,250	-
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Economic and physical development	-	-	-	-
Cultural and recreational	-	-	-	-
Debt service	-	-	-	-
Capital outlay	318,086	18,356	42,029	736,997
Total expenditures	318,086	18,356	42,029	736,997
Revenue over (under) expenditures	(21,200)	(77)	78,221	(736,997)
Other financing sources (uses):				
Operating transfer in from General Fund	-	-	-	-
Operating transfer out to General Fund	-	-	-	-
Operating transfer in from Capital Project Fund	21,200	-	-	-
Operating transfer out to Capital Project Fund	-	-	-	-
Proceeds from installment purchases	-	-	-	1,056,000
Total other financing sources (uses)	21,200	-	-	1,056,000
Increase (decrease) in fund balance	-	(77)	78,221	319,003
Fund balances (deficit) – beginning of year	-	-	-	-
Fund balances (deficit) – end of year	$ -	$ (77)	$ 78,221	$ 319,003

McDowell County, North Carolina

Combining Statements of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds - Continued

Year Ended June 30, 2009

	Capital Project Funds		
	PRC Industries Building Reuse Project	Single Family Rehabilitation Project	Totals June 30, 2009
Revenue:			
Ad valorem taxes	$ -	$ -	$ 1,391,456
Restricted intergovernmental revenue	150,000	2,325	1,292,033
Sales and services	-	-	68,618
Investment earnings	-	-	16,360
Miscellaneous revenue	-	-	238,665
Total revenue	150,000	2,325	3,007,132
Expenditures:			
General government	-	-	2,506
Public safety	-	-	1,468,540
Economic and physical development	150,000	-	294,583
Cultural and recreational	-	-	401,794
Debt service	-	-	1,229,300
Capital outlay	-	2,325	3,226,855
Total expenditures	150,000	2,325	6,623,578
Revenue over (under) expenditures	-	-	(3,616,446)
Other financing sources (uses):			
Operating transfer in from General Fund	-	-	776,852
Operating transfer out to General Fund	-	-	(245,000)
Operating transfer in from Capital Project Fund	-	-	1,788,066
Operating transfer out to Capital Project Fund	-	-	(59,640)
Proceeds from installment purchases	-	-	1,056,000
Total other financing sources (uses)	-	-	3,316,278
Increase (decrease) in fund balance	-	-	(300,168)
Fund balances (deficit) – beginning of year	-	-	1,850,204
Fund balances (deficit) – end of year	$ -	$ -	$ 1,550,036

McDowell County, North Carolina

Fire and Rescue Districts Fund

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Ad valorem taxes:			
Fire districts:			
Marion Area	$ 169,961	$ 174,761	$ 4,800
Ashford/North Cove	100,142	94,666	(5,476)
Dysartsville	129,482	96,291	(33,191)
Glenwood	82,077	82,063	(14)
Nebo	217,328	216,369	(959)
Pleasant Gardens	95,654	95,949	295
Sugar Hill	100,614	101,534	920
Woodlawn/Sevier	42,544	42,011	(533)
Crooked Creek	82,357	77,746	(4,611)
Old Fort Area	77,409	76,888	(521)
Hankins/North Fork	36,530	36,190	(340)
Long Town	30,602	26,488	(4,114)
County	54,670	56,918	2,248
Rescue district:			
McDowell County Rescue	216,524	213,582	(2,942)
Total revenue	1,435,894	1,391,456	(44,438)
Expenditures:			
Public safety:			
Fire district allocations:			
Marion Area	169,961	174,773	(4,812)
Ashford/North Cove	100,142	94,671	5,471
Dysartsville	129,482	96,290	33,192
Glenwood	82,077	82,056	21
Nebo	217,328	216,375	953
Pleasant Gardens	95,654	95,952	(298)
Sugar Hill	100,614	101,543	(929)
Woodlawn/Sevier	42,544	42,009	535
Crooked Creek	82,357	77,752	4,605
Old Fort Area	77,409	76,890	519
Hankins/North Fork	36,530	36,191	339
Long Town	30,602	26,490	4,112
County	54,670	54,315	355
Rescue district allocation:			
McDowell County Rescue	216,524	214,329	2,195
Total expenditures	1,435,894	1,389,636	46,258
Revenue over expenditures	$ -	1,820	$ 1,820
Fund balance (deficit) - beginning of year		(1,820)	
Fund balance - end of year		$ -	

McDowell County, North Carolina

Revaluation Fund

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	$ -	$ 2,943	$ 2,943
Total revenue	-	2,943	2,943
Expenditures:			
General government:			
Capital expenditures	21,500	2,506	18,994
Total expenditures	21,500	2,506	18,994
Revenue over (under) expenditures	(21,500)	437	21,937
Other financing sources:			
Transfer from General Fund	21,500	21,500	-
Total other financing sources	21,500	21,500	-
Revenue and other financing sources over expenditures	$ -	21,937	$ 21,937
Fund balance - beginning of year		149,264	
Fund balance - end of year		$ 171,201	

McDowell County, North Carolina

Recreation Fund

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Sales and services	$ 119,550	$ 68,618	$ (50,932)
Investment earnings	7,750	3,799	(3,951)
Total revenue	127,300	72,417	(54,883)
Expenditures:			
Cultural and recreational:			
Salaries and benefits		194,579	
Operating expenditures		198,662	
Capital expenditures		8,553	
Total expenditures	455,295	401,794	53,501
Revenue under expenditures	(327,995)	(329,377)	(1,382)
Other financing sources:			
Transfer from General Fund	327,995	327,995	-
Total other financing sources	327,995	327,995	-
Revenue and other financing sources under expenditures	$ -	(1,382)	$ (1,382)
Fund balance - beginning of year		43,525	
Fund balance - end of year		$ 42,143	

McDowell County, North Carolina

Emergency 911 Fund

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Local and wireless 911 revenue	$ 220,000	$ 307,399	$ 87,399
Investment earnings	2,000	9,618	7,618
Miscellaneous	-	303	303
Total revenue	222,000	317,320	95,320
Expenditures:			
Public safety:			
Operating expenditures	93,230	78,904	14,326
Capital expenditures	128,770	-	128,770
Total expenditures	222,000	78,904	143,096
Revenue over expenditures	$ -	238,416	$ 238,416
Fund balance - beginning of year		520,593	
Fund balance - end of year		$ 759,009	

McDowell County, North Carolina

Debt Service Fund

Statements of Revenue, Expenditures and Changes In Fund Balances - Budget and Actual

Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Restricted intergovernmental revenue	$ 33,685	$ 33,685	$ -
Total revenue	33,685	33,685	-
Expenditures:			
Debt service	1,229,300	1,229,300	-
Total expenditures	1,229,300	1,229,300	-
Revenue under expenditures	(1,195,615)	(1,195,615)	-
Other financing sources:			
Transfer from Schools Capital Reserve Fund	1,170,615	1,170,615	-
Transfer from General Fund	25,000	25,000	-
Total other financing sources	1,195,615	1,195,615	-
Revenue and other financing sources over expenditures	$ -	-	$ -
Fund balance - beginning of year		9	
Fund balance - end of year		$ 9	

McDowell County, North Carolina

Schools Capital Reserve Fund

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Public school building fund	$ 2,921,857	$ 2,921,857	$ -	$ 2,921,857
Local intergovernmental revenue	-	150,000	-	150,000
Public School Building Bond Act of 1996	10,855,656	10,855,656	-	10,855,656
Miscellaneous revenue	461,984	459,830	10,378	470,208
Insurance and other reimbursements	1,599,289	1,599,289	-	1,599,289
Investment earnings	690,000	786,336	31,355	817,691
Total revenue	16,528,786	16,772,968	41,733	16,814,701
Other financing sources (uses):				
Installment purchase obligations issued	11,482,074	11,482,074	-	11,482,074
Transfer from General Fund	24,542,771	22,974,803	2,139,319	25,114,122
Transfer to Capital Projects Fund	(42,684,168)	(40,231,597)	(557,811)	(40,789,408)
Transfer to Debt Service Fund	(9,409,463)	(8,239,174)	(1,170,615)	(9,409,789)
Transfer to Water/Sewer Project Fund	(460,000)	(460,000)	-	(460,000)
Total other financing sources (uses)	(16,528,786)	(14,473,894)	410,893	(14,063,001)
Increase in fund balance	$ -	$ 2,299,074	452,626	$ 2,751,700
Fund balance - beginning of year			2,299,074	
Fund balance - end of year			$ 2,751,700	

McDowell County, North Carolina

Accelerated Learning Center Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Capital outlay	$ 850,000	$ 847,310	$ 94,696	$ 942,006
Total expenditures	850,000	847,310	94,696	942,006
Revenue under expenditures	(850,000)	(847,310)	(94,696)	(942,006)
Other financing sources:				
Transfer from Schools Capital Reserve Fund	850,000	847,310	94,696	942,006
Total other financing sources	850,000	847,310	94,696	942,006
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Eastfield Elementary Wall Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Capital outlay	$ 250,000	$ 157,515	$ 63,086	$ 220,601
Total expenditures	250,000	157,515	63,086	220,601
Revenue under expenditures	(250,000)	(157,515)	(63,086)	(220,601)
Other financing sources:				
Operating transfer in from Schools Capital Reserve Fund	250,000	157,515	63,086	220,601
Total other financing sources	250,000	157,515	63,086	220,601
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Schools Capital Projects Fund

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Capital outlay:				
Gym floor	$ 193,400	$ -	$ 109,221	$ 109,221
Baseball field	72,000	-	65,646	65,646
Security cameras	31,500	-	22,366	22,366
Wiring	196,000	-	202,796	202,796
Total expenditures	492,900	-	400,029	400,029
Revenue under expenditures	(492,900)	-	(400,029)	(400,029)
Other financing sources:				
Operating transfer in from Schools Capital Reserve Fund	492,900	-	400,029	400,029
Total other financing sources	492,900	-	400,029	400,029
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Industrial Park Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue	$ 1,657,634	$ 1,479,717	$ -	$ 1,479,717
Investment earnings	43,880	43,470	-	43,470
Miscellaneous revenue	-	1,115	586	1,701
Private grants and contributions	825,000	841,000	120,000	961,000
Total revenue	2,526,514	2,365,302	120,586	2,485,888
Expenditures:				
Economic incentives	2,140,635	2,139,620	144,583	2,284,203
Administrative expenses	-	593	-	593
Capital outlay	4,621,896	4,208,814	120,252	4,329,066
Total expenditures	6,762,531	6,349,027	264,835	6,613,862
Revenue under expenditures	(4,236,017)	(3,983,725)	(144,249)	(4,127,974)
Other financing sources (uses):				
Transfer from General Fund	4,966,783	4,582,517	294,857	4,877,374
Transfer to General Fund	(145,000)	(25,000)	(120,000)	(145,000)
Transfer to Debt Service Fund	(2,319,166)	(2,319,165)	-	(2,319,165)
Proceeds from asset sale	167,400	167,400	-	167,400
Installment purchase obligations issued	1,566,000	1,566,000	-	1,566,000
Total other financing sources	4,236,017	3,971,752	174,857	4,146,609
Increase (decrease) in fund balance	$ -	$ (11,973)	30,608	$ 18,635
Fund balance (deficit) beginning of year			(11,973)	
Fund balance - end of year			$ 18,635	

McDowell County, North Carolina

CDBG - 2006 Scattered Housing Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Intergovernmental revenue	$ 400,000	$ 399,818	$ -	$ 399,818
Total revenue	400,000	399,818	-	399,818
Expenditures:				
Relocation and rehabilitation	400,000	399,498	320	399,818
Total expenditures	400,000	399,498	320	399,818
Increase (decrease) in fund balance	$ -	$ 320	(320)	$ -
Fund balance - beginning of year			320	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Crisis Housing Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue	$ 147,375	$ 46,435	$ -	$ 46,435
Total revenue	147,375	46,435	-	46,435
Expenditures:				
Repair and rehabilitation	147,375	46,435	-	46,435
Total expenditures	147,375	46,435	-	46,435
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Flood Assistance Capital Project

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue	$ 117,481	$ 102,693	$ 21	$ 102,714
Total revenue	117,481	102,693	21	102,714
Expenditures:				
Property purchase and demolition	117,481	102,714	-	102,714
Total expenditures	117,481	102,714	-	102,714
Increase (decrease) in fund balance	$ -	$ (21)	21	$ -
Fund balance (deficit) - beginning of year			(21)	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Forest Service Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Private capital grant	$ 70,000	$ 70,000	$ -	$ 70,000
Total revenue	70,000	70,000	-	70,000
Expenditures:				
Improvements	236,720	51,725	195,349	247,074
Total expenditures	236,720	51,725	195,349	247,074
Revenue over (under) expenditures	(166,720)	18,275	(195,349)	(177,074)
Other financing sources:				
Transfer in from General Fund	166,720	59,220	107,500	166,720
Total other financing sources	166,720	59,220	107,500	166,720
Increase (decrease) in fund balance	$ -	$ 77,495	(87,849)	$ (10,354)
Fund balance - beginning of year			77,495	
Fund balance (deficit) - end of year			$ (10,354)	

McDowell County, North Carolina

Senior Center Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Miscellaneous income	$ 284,477	$ 227,985	$ 20,055	$ 248,040
Investment earnings	10,000	10,000	-	10,000
Total revenue	294,477	237,985	20,055	258,040
Expenditures:				
Capital outlay	3,795,486	3,031,512	745,480	3,776,992
Total expenditures	3,795,486	3,031,512	745,480	3,776,992
Revenue under expenditures	(3,501,009)	(2,793,527)	(725,425)	(3,518,952)
Other financing sources (uses):				
Transfer to General Fund	(32,070)	(9,795)	-	(9,795)
Installment purchase obligations issued	3,533,079	3,533,079	-	3,533,079
Total other financing sources	3,501,009	3,523,284	-	3,523,284
Increase (decrease) in fund balance	$ -	$ 729,757	(725,425)	$ 4,332
Fund balance - beginning of year			729,757	
Fund balance - end of year			$ 4,332	

McDowell County, North Carolina

Watson Road CDBG Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
CDBG Grant #07-C-1721	$ 247,760	$ -	$ 134,743	$ 134,743
Rural Center	256,750	-	147,087	147,087
Local revenue	-	-	7,267	7,267
Total revenue	504,510	-	289,097	289,097
Expenditures:				
Project cost	542,950	150	327,387	327,537
Total expenditures	542,950	150	327,387	327,537
Revenue under expenditures	(38,440)	(150)	(38,290)	(38,440)
Other financing sources:				
Transfer from Nebo Water System Project	38,440	-	38,440	38,440
Total other financing sources	38,440	-	38,440	38,440
Increase (decrease) in fund balance	$ -	$ (150)	150	$ -
Fund balance (deficit) - beginning of year			(150)	
Fund balance (deficit) - end of year			$ -	

McDowell County, North Carolina

Hook-Up CDBG Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
CDBG Grant #01-C-1712	$ 36,000	$ 3,019	$ 27,724	$ 30,743
Total revenue	36,000	3,019	27,724	30,743
Expenditures:				
Project cost	36,000	3,019	27,724	30,743
Total expenditures	36,000	3,019	27,724	30,743
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Nebo Water System Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
EPA STAG Grant	$ 1,037,800	$ 818,541	$ -	$ 818,541
CDBG-ED	60,000	60,000	-	60,000
Rural Center	50,000	46,000	-	46,000
CDBG-Concentrated Needs	700,000	556,087	143,905	699,992
Private capital grant	850,000	800,000	-	800,000
Miscellaneous	-	34,500	183	34,683
Total revenue	2,697,800	2,315,128	144,088	2,459,216
Expenditures:				
Little Mountain construction	1,406,998	1,072,866	159,930	1,232,796
RDM construction	428,684	302,431	-	302,431
Crescent construction	765,000	811,872	(100)	811,772
Engineer, design, bidding	125,000	17,500	-	17,500
Construction adm./inspect	81,200	130,559	11,398	141,957
Isothermal administration	67,500	59,689	4,301	63,990
Legal	30,000	3,895	150	4,045
Contingency	103,778	32,350	-	32,350
Additional waterlines	-	46,661	(40,940)	5,721
Total expenditures	3,008,160	2,477,823	134,739	2,612,562
Revenue over (under) expenditures	(310,360)	(162,695)	9,349	(153,346)
Other financing sources (uses):				
Installment purchase obligation issued	495,000	495,000	-	495,000
Transfer to General Fund	(125,000)	-	(125,000)	(125,000)
Transfer in from General Fund	-	10,900	-	10,900
Transfer to Watson Road CBBG Project	(38,440)	-	(38,440)	(38,440)
Transfer to Sherwood Forest Project	(21,200)	-	(21,200)	(21,200)
Total other financing sources (uses)	310,360	505,900	(184,640)	321,260
Increase (decrease) in fund balance	$ -	$ 343,205	(175,291)	$ 167,914
Fund balance - beginning of year			343,205	
Fund balance - end of year			$ 167,914	

McDowell County, North Carolina

Sherwood Forest Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenue:				
Intergovernmental revenue:				
Appalachian Regional Commission	$ 200,000	$ -	$ 136,888	$ 136,888
Rural Center	179,800	-	159,998	159,998
Total revenue	379,800	-	296,886	296,886
Expenditures:				
Project costs	392,400	-	318,086	318,086
Total expenditures	392,400	-	318,086	318,086
Revenue under expenditures	(12,600)	-	(21,200)	(21,200)
Other financing sources:				
Transfer from Nebo Water System Project	12,600	-	21,200	21,200
Total other financing Sources	12,600	-	21,200	21,200
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund balance - end of year			$ -	

McDowell County, North Carolina

CDBG - 2008 Scattered Site Housing Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue	$ 400,000	$ -	$ 18,279	$ 18,279
Total revenue	400,000	-	18,279	18,279
Expenditures:				
Relocation and rehabilitation	400,000	-	18,356	18,356
Total expenditures	400,000	-	18,356	18,356
Decrease in fund balance	$ -	$ -	(77)	$ (77)
Fund balance - beginning of year			-	
Fund balance (deficit) - end of year			$ (77)	

McDowell County, North Carolina

Foothills Pilot Plant Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
ARC/USDA	$ 236,000	$ -	$ -	$ -
Rural Center	200,000	-	30,000	30,000
Local revenue	180,500	-	90,250	90,250
Total revenue	616,500	-	120,250	120,250
Expenditures:				
Facility development	361,000	-	9,900	9,900
Other project costs	255,500	-	32,129	32,129
Total expenditures	616,500	-	42,029	42,029
Increase in fund balance	$ -	$ -	78,221	$ 78,221
Fund balance - beginning of year			-	
Fund balance - end of year			$ 78,221	

McDowell County, North Carolina

McDowell Tech Baldwin Avenue Facility Capital Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Construction	$ 981,050	$ -	$ 724,496	$ 724,496
Legal	10,000	-	12,426	12,426
Contingency	64,950	-	75	75
Total expenditures	1,056,000	-	736,997	736,997
Revenue under expenditures	(1,056,000)	-	(736,997)	(736,997)
Other financing sources:				
Installment purchase obligation issued	1,056,000	-	1,056,000	1,056,000
Total other financing sources	1,056,000	-	1,056,000	1,056,000
Increase in fund balance	$ -	$ -	319,003	$ 319,003
Fund balance - beginning of year			-	
Fund balance - end of year			$ 319,003	

McDowell County, North Carolina

PRC Industries Building Reuse Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
Rural Center	$ 300,000	$ -	$ 150,000	$ 150,000
Local revenue	300,000	-	-	-
Total revenue	600,000	-	150,000	150,000
Expenditures:				
Building renovations	588,000	-	150,000	150,000
Grant administration	12,000	-	-	-
Total expenditures	600,000	-	150,000	150,000
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund Balance - end of year			$ -	

McDowell County, North Carolina

Single Family Rehabilitation Project

Statements of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenue:				
Restricted intergovernmental revenue:				
NC Housing	$ 304,048	$ -	$ 2,325	$ 2,325
Total revenue	304,048	-	2,325	2,325
Expenditures:				
Project cost	304,048	-	2,325	2,325
Total expenditures	304,048	-	2,325	2,325
Increase in fund balance	$ -	$ -	-	$ -
Fund balance - beginning of year			-	
Fund balance - end of year			$ -	

McDowell County, North Carolina

Enterprise Fund - Waste Disposal Fund

Statement of Revenue and Expenditures - Budget and Actual - (Non-GAAP)

Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Operating revenue:			
Charges for services	$ 698,558	$ 711,019	$ 12,461
Other operating revenue	16,000	20,818	4,818
Total operating revenue	714,558	731,837	17,279
Nonoperating revenue:			
Investment earnings	5,000	7,128	2,128
Total revenue	719,558	738,965	19,407
Other financing sources:			
Transfer from General Fund	1,077,510	1,077,510	-
Capital contributions	15,580	12,832	(2,748)
Total other financing sources	1,093,090	1,090,342	(2,748)
Total revenue and other financing sources	1,812,648	1,829,307	16,659
Expenditures:			
Facility operations:			
Salaries and employee benefits	242,012	241,196	816
Operating expenses	1,560,636	1,497,626	63,010
Capital outlay	10,000	7,801	2,199
Total expenditures	1,812,648	1,746,623	66,025
Revenue and other sources over expenditures	$ -	$ 82,684	$ 82,684

Reconciliation from budgetary basis (modified accrual) to full accrual:	
Total revenue and other sources	$ 1,829,307
Total expenditures	(1,746,623)
Revenue and other sources over expenditures	82,684
Capital expenditures	7,801
Depreciation	(60,256)
Debt service principal	26,418
Increase in accrued vacation pay	(427)
Increase in other postemployment benefits	(61,230)
Change in net assets - GAAP	$ (5,010)

McDowell County, North Carolina

Internal Service Fund - Self-Insurance Fund

Statement of Revenue and Expenditures - Budget and Actual - (Non-GAAP)

Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Operating revenue:			
Charges for services	$ 1,919,000	$ 2,002,665	$ 83,665
Stop loss revenue	22,000	-	(22,000)
Nonoperating revenue:			
Interest earned	-	9	9
Total revenue	1,941,000	2,002,674	61,674
Expenditures:			
Employee benefits	1,510,000	1,551,080	(41,080)
Operating expenses	431,000	417,828	13,172
Total expenditures	1,941,000	1,968,908	(27,908)
Revenue and other sources over expenditures	$ -	33,766	$ 33,766
Net assets (deficit), beginning of year		(115,149)	
Net assets (deficit), end of year		$ (81,383)	

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Social Services Fund:				
Assets				
Cash and investments	$ 36,273	$ 267,123	$ 262,090	$ 41,306
Liabilities				
Miscellaneous liabilities	$ 36,273	$ 267,123	$ 262,090	$ 41,306
Fines and Forfeitures Fund:				
Assets				
Cash and investments	$ 28,125	$ 340,341	$ 368,466	$ -
Accounts receivable - other governments	40,922	30,953	40,922	30,953
Total	$ 69,047	$ 371,294	$ 409,388	$ 30,953
Liabilities				
Due to other governments	$ 69,047	$ 371,294	$ 409,388	$ 30,953
Motor Vehicle Tax Fund:				
Assets				
Cash and investments	$ 14,904	$ 154,118	$ 158,032	$ 10,990
Liabilities				
Due to other governments	$ 14,904	$ 154,118	$ 158,032	$ 10,990
Inmates Fund:				
Assets				
Cash and investments	$ 5,815	$ 135,669	$ 136,229	$ 5,255
Liabilities				
Miscellaneous liabilities	$ 5,815	$ 135,669	$ 136,229	$ 5,255
Employee Sec 125 Fund:				
Assets				
Cash and investments	$ 3,013	$ 56,791	$ 53,582	$ 6,222
Liabilities				
Miscellaneous liabilities	$ 3,013	$ 56,791	$ 53,582	$ 6,222

McDowell County, North Carolina

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities - Continued

Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
DMV Interest Fund:				
Assets				
Cash and investments	$ 1,626	$ 20,493	$ 20,553	$ 1,566
Liabilities				
Due to other governments	$ 1,626	$ 20,493	$ 20,553	$ 1,566
Tax Penalty Schools Fund:				
Assets				
Cash and investments	$ -	$ 17,595	$ 17,595	$ -
Liabilities				
Due to other governments	$ -	$ 17,595	$ 17,595	$ -
DMV Operations Fund:				
Assets				
Cash and investments	$ -	$ 2,225,668	$ 2,225,668	$ -
Accounts receivable - other	1,130	-	1,130	-
Total	$ 1,130	$ 2,225,668	$ 2,226,798	$ -
Liabilities				
Due to other governments	$ 1,130	$ 2,225,668	$ 2,226,798	$ -
Rescue Squad Billing Fund:				
Assets				
Cash and investments	$ 481	$ 16,521	$ 16,448	$ 554
Liabilities				
Due to other governments	$ 481	$ 16,521	$ 16,448	$ 554
Totals - All Agency Funds:				
Assets				
Cash and investments	$ 90,237	$ 3,234,319	$ 3,258,663	$ 65,893
Accounts receivable - other governments	40,922	30,953	40,922	30,953
Accounts receivable - other	1,130	-	1,130	-
Total	$ 132,289	$ 3,265,272	$ 3,300,715	$ 96,846
Liabilities				
Miscellaneous liabilities	$ 45,101	$ 459,583	$ 451,901	$ 52,783
Due to other governments	87,188	2,805,689	2,848,814	44,063
Total	$ 132,289	$ 3,265,272	$ 3,300,715	$ 96,846

McDowell County, North Carolina

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2009

Year of Levy	Uncollected Balance June 30, 2008	Additions	Collections and Adjustments	Uncollected Balance June 30, 2009
2008	$ -	$ 16,942,462	$ 16,301,995	$ 640,467
2007	575,872	-	367,115	208,757
2006	226,513	-	54,461	172,052
2005	187,214	-	37,612	149,602
2004	151,331	-	27,564	123,767
2003	132,533	-	17,149	115,384
2002	112,604	-	10,668	101,936
2001	102,682	-	8,621	94,061
2000	84,458	-	5,945	78,513
1999	88,281	-	5,478	82,803
1998	77,621	-	77,621	-
	$ 1,739,109	$ 16,942,462	$ 16,914,229	$ 1,767,342
Less allowance for uncollectible ad valorem taxes				(613,090)
Ad Valorem taxes receivable - net				$ 1,154,252

Reconciliation with revenues:

Taxes - Ad Valorem:	
General Fund	$ 16,909,137
Releases	34,127
Discounts	74,237
Amounts written off for the 1998 levy per the statue of limitations	73,860
Other adjustments	(4,383)
	17,086,978
Less interest collected	(172,749)
Total collections and adjustments	$ 16,914,229

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy

Year Ended June 30, 2009

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 2,958,070,364	$ 0.55	$ 16,269,387	$ 14,582,378	$ 1,687,009
Penalties	-		14,123	14,123	-
Total	2,958,070,364		16,283,510	14,596,501	1,687,009
Discoveries:					
Current year taxes	130,329,821	0.55	716,814	716,814	-
Prior year taxes	12,504,187	0.55	68,773	68,773	-
Prior year taxes	2,000	0.6375	13	13	-
Penalties	-		6,870	6,870	-
Total	142,836,008		792,470	792,470	-
Abatements	(24,276,142)		(133,518)	(100,800)	(32,718)
Total property valuation	$ 3,076,630,230				
Net levy			16,942,462	15,288,171	1,654,291
Uncollected taxes at June 30, 2009			640,467	331,718	308,749
Current year's taxes collected			$ 16,301,995	$ 14,956,453	$ 1,345,542
Current levy collection percentage			96.22%	97.83%	81.34%

McDowell County, North Carolina

Analysis of Current Tax Levy

County-Wide Levy Secondary Market Disclosures

Year Ended June 30, 2009

Secondary Market Disclosures		
Assessed Valuation:		
Assessment Ratio [1]		100%
Real Property	$	2,602,548,000
Personal Property		351,372,401
Public Service Companies [2]		122,709,829
Total Assessed Valuation	$	3,076,630,230
Tax Rate per $100	$	0.55
Levy (includes discoveries and abatements) [3]	$	16,942,462

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection and rescue districts for the fiscal year ended June 30:

Fire Protection and Rescue Districts	$	1,400,038

1
Percentage of appraised value has been established by statute.

2
Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

3
The levy includes interest and penalties.

McDowell County, North Carolina

Ten Largest Taxpayers

Year Ended June 30, 2009

Taxpayer	Type of Business		2008 Assessed Valuation	Percentage of Total Assessed Valuation
Baxter Healthcare	IV Solution	$	128,798,816	4.19%
Duke Energy	Utility		52,676,507	1.71%
CSX Transportation	Railroad		24,462,678	.80%
Collins & Aikman	Manufacturing		20,540,001	.67%
Baldor Dodge Reliance	Manufacturing		16,218,439	.53%
Verizon	Telephone		15,828,017	.51%
Columbia Carolina	Manufacturing		13,847,924	.45%
Rock-Tenn	Manufacturing		12,947,924	.42%
Jeld-Wen	Manufacturing		12,816,428	.42%
Norfolk Southern	Railroad		12,365,878	.40%
Total		$	310,502,612	10.10%

McDowell County, North Carolina

Compliance Section

Year Ended June 30, 2009

jps
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Independent Auditors' 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 County Commissioners
McDowell County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McDowell County, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise McDowell County's basic financial statements, and have issued our report thereon dated November 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McDowell 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 McDowell County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, identified as 2009-1 and 2009-2.

Johnson Price & Sprinkle PA

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2009-1 and 2009-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* We noted certain matters that we have reported to management of McDowell County in a separate letter dated November 9, 2009.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of 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.

Johnson Price & Sprinkle PA

Marion, North Carolina
November 9, 2009

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Independent Auditors' 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 County Commissioners
McDowell County, North Carolina

Compliance

We have audited the compliance of McDowell County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2009. McDowell 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 is the responsibility of McDowell County's management. Our responsibility is to express an opinion on McDowell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McDowell 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 McDowell County's compliance with those requirements.

In our opinion, McDowell 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, 2009.

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Internal Control Over Compliance

The management of McDowell 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 McDowell 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of 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.

Johnson Price & Sprinkle PA

Marion, North Carolina
November 9, 2009

jps
certified public accountants

Independent Auditors' Report on Compliance with Requirements Applicable to Each 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 County Commissioners
McDowell County, North Carolina

Compliance

We have audited the compliance of McDowell County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. McDowell County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of McDowell County's management. Our responsibility is to express an opinion on McDowell 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 Audits 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 McDowell 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 McDowell County's compliance with those requirements.

In our opinion, McDowell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

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Internal Control Over Compliance

The management of McDowell 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 McDowell 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of 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.

Johnson Price & Sprinkle PA

Marion, North Carolina
November 9, 2009

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ yes _____ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes __X__ none reported

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes __X__ none reported

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

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

Identification of major federal programs:

CFDA #	Program Name
10.551, 10.561	Food Stamp Cluster
93.778	Title XIX - Medicaid
93.575, 93.596, 93.667, 93.558	Subsidized Child Care Cluster

The list of major federal programs includes programs that did not meet the criteria for a major program as defined in OMB Circular A-133 Section .520, but were tested as a major program because the State award level met the threshold for a major State program (Subsidized Child Care Cluster).

Dollar threshold to distinguish between Type A and Type B Programs	$ 1,577,739

Auditee qualified as low-risk auditee? _____ yes __X__ no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes __X__ none reported

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____ yes __X__ no

Identification of major State programs:

Program Name
State/County Special Assistance for Adults
Child Protective Services Expansion Funds
Clean Water Infrastructure

Section II. Financial Statement Findings

Material Weakness

Finding: 2009-1 Segregation of Duties and Monitoring

Criteria: An effective system of internal controls requires adequate segregation of duties to ensure that financial transactions are subjected to an approval process by personnel not involved in the initiation or processing phases of the transaction.

Condition: The finance office and other departments with financial transactions are unable to consistently apply the monitoring or approval function.

Effect: Errors in transaction processing and financial reporting could occur, or transactions could be mishandled.

Cause: The level of full-time equivalent employees in the finance and other departments is not adequate, especially during periods of absenteeism and turnover.

Recommendation: Management should consider the addition of personnel to facilitate the appropriate segregation of duties.

Management's Response: The County agrees with the finding. However, management and the Board of Commissioners believe the cost of additional personnel is prohibitive at the present time. The Finance Officer provides training for department heads responsible for handling transactions, implementing as many mitigating procedures as possible.

Material Weakness

Finding: 2009-2: Communication

Criteria: An effective system of internal control over financial reporting requires a systematic approach to communication to ensure that all transactions with financial significance are captured and appropriately recorded.

Condition: The system for identifying and communicating non-cash or complex transactions is inadequate.

Effect: Certain transactions may not be captured for government-wide financial reporting purposes.

Cause: Final resolution of certain projects and deliberations by the Board of Commissioners is sometimes accomplished without follow up reported to the finance office.

Recommendation: The Finance Officer should take steps to ensure that all actions of the Board that may potentially result in a non-cash transaction or may include contingent obligations are identified and monitored through final resolution.

Management's Response: The County agrees with the finding. The Finance Officer, the County Manager, the Clerk to the Board and County Attorney will continue to develop a system of follow up related to pending projects.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

Section II: Financial Statement Findings

Material Weaknesses

Finding 2009-1: Segregation of Duties and Monitoring

Name of contact person: Alison Morgan, Finance Officer

Corrective Action: Duties will be segregated as much as possible until management and the Board of Commissioners identify improved staffing options.

Proposed Completion Date: Immediately.

Finding 2009-2: Communication

Name of contact person: Alison Morgan, Finance Officer

Corrective Action: Management will identify a team of key personnel to implement a system of follow-up to pending projects.

Proposed Completion Date: Immediately.

Finding: 2006

None reported.

Finding: 2007-1: Segregation of Duties and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2008 and 2009.

Finding: 2007-2: Retention of Supporting Documentation for DMV Agency Fund.

Status: Corrected.

Finding: 2008-1: Segregation of Duties and Monitoring.

Status: Duties are separated as much as possible. Finding is repeated in 2009.

Finding: 2008-2: Communication.

Status: Finding is repeated in 2009.

Finding: 2008-3: Safeguarding of Financial Records.

Status: Corrected.

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2009

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Federal Awards:			
U.S. Department of Agriculture:			
Passed through North Carolina Department of Health and Human Services and the Isothermal Planning and Development Commission:			
USDA Supplement Administration	10.570	$ 45,640	$ -
Passed through North Carolina Department of Health and Human Services, Division of Social Services:			
Food Stamp Cluster:			
Food Stamp Program - Non-cash	10.551	7,227,122	-
State Administrative Matching Grants for the Food Stamp Program	10.561	301,777	-
			-
Total U.S. Department of Agriculture		7,574,539	-
Appalachian Regional Commission:			
Passed through the U.S. Department of Agriculture, Rural Development Center:			
Appalachian Area Development	23.002	136,888	-
Total Appalachian Regional Commission		136,888	
U.S. Department of Housing and Urban Development:			
Passed through North Carolina Department of Commerce:			
Community Development Block Grants:			
Scattered Housing - 08-C-1829	14.228	18,279	-
Little Mountain Concentrated Needs	14.228	143,905	-
Water Hook-up Project	14.228	27,724	-
Watson Road Water Extension Project	14.228	134,743	-
Home Investment Partnership	14.239	2,325	
Total U.S. Department of Housing and Urban Development		326,976	-
U.S. Department of Justice:			
Direct federal:			
Office of Justice Programs:			
State Criminal Alien Assistance Program	16.606	7,402	-
Total U.S. Department of Justice		7,402	-
U.S. Department of Transportation:			
Pipeline Hazardous Materials Transportation Act			
Passed through North Carolina Department of Crime Control and Public Safety, Division of Emergency Management, Public Safety and North Carolina Emergency Response Commission:			
Hazardous Materials Emergency Planning Grant	20.703	4,304	-
Total U.S. Department of Transportation		4,304	-

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards - Continued

Year Ended June 30, 2009

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
U.S. Office of Library Services:			
Passed through North Carolina Department of Cultural Resources, Library Services and Technology Act:			
EZ Technology Planning Grant	45.310	$ 16,000	$ -
Total U.S. Office of Library Services		16,000	-
U.S. Election Assistance Committee:			
Passed through North Carolina State Board of Elections:			
Help America Vote Act (HAVA)	90.401	20,370	-
Help America Vote Act (HAVA II)	90.401	44,383	-
Total U.S. Election Assistance Committee		64,753	-
U.S. Department of Health and Human Services:			
Office of the Assistant Secretary of Preparedness Response (ASPR):			
Passed through North Carolina Office of Emergency Medical Services:			
Assistant Secretary of Preparedness Grant	93.889	10,767	-
Health Care Financing Administration:			
Passed through North Carolina Department of Health and Human Services:			
Division of Medical Assistance (Medicaid):			
Direct Benefit Payments:			
Medical Assistance Program	93.778	39,654,131	15,610,210
Division of Social Services:			
Medicaid Administration	93.778	579,197	99,792
Adult Care Home Case Management	93.778	44,124	27,324
		40,277,452	15,737,326
NC Health Choice	93.767	21,042	2,002
		40,298,494	15,739,328
Administration on Aging:			
Passed through North Carolina Department of Health and Human Services and Isothermal Planning and Development Commission:			
Aging Cluster:			
Special Programs for the Aging, Title III:			
Part B - Grants for Supportive Services and Senior Centers	N/A	-	14,262
Part C - Nutrition Services	93.045	214,653	12,625
Part D - In-Home Services	93.044	96,438	5,673
Part F - Disease Prevention	93.043	2,644	155
		313,735	32,715

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards - Continued

Year Ended June 30, 2009

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
U.S. Department of Health and Human Services - continued:			
Subsidized Child Care Cluster:			
Administration for Children and Families:			
Passed through North Carolina Department of Health and Human Services:			
Child Care Development Fund Cluster:			
Division of Social Services:			
Child Care Development Fund - Administration	93.596	$ 90,000	$ -
Division of Child Development:			
Child Care and Development Fund - Discretionary	93.575	279,037	-
Child Care and Development Fund - Mandatory	93.596	123,070	-
Child Care and Development Fund - Matching	93.596	58,326	32,062
Child Care Development Fund Cluster		550,433	32,062
Social Services Block Grant	93.667	7,783	-
Temporary Assistance for Needy Families	93.558	175,798	-
Smart Start	N/A	-	13,640
Smart Start Quality TANF MOE	N/A	-	159,898
State Funding	N/A	-	97,244
Subsidized Child Care Cluster		734,014	302,844
Division of Social Services:			
Foster Care and Adoption Cluster:			
Title IV-E – Foster Care:			
Administrative	93.658	318,619	97,666
Benefit Payments	93.658	116,447	22,518
Adoption Assistance	93.659	158	-
Adoption Assistance - Direct Benefit Payments	93.659	179,410	33,986
		614,634	154,170
Work First/Temporary Assistance for Needy Families (TANF):			
Direct Benefit Payments	93.558	327,131	-
Special Children Adoption	93.558	39,000	-
Administration	93.558	783,002	779
Administration - Adoption Foster Care (TANF Share)	93.558	324,645	-
		1,473,778	779
LINKS	93.674	28,047	4,356
Social Services Block Grant	93.667	177,797	16,806

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards - Continued

Year Ended June 30, 2009

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
U.S. Department of Health and Human Services - continued:			
Family Preservation	93.556	$ 724	$ -
Child Welfare Services:			
Permanency Planning	93.645	12,379	3,182
Child Support Enforcement	93.563	255,111	-
Low-Income Home Energy Assistance and Crisis Intervention Block Grant:			
Administration	93.568	233,845	-
Direct Benefit Payments	93.568	307,096	-
		540,941	-
Total U.S. Department of Health and Human Services		44,460,421	16,254,180
Total Federal awards		52,591,283	16,254,180
State Awards:			
North Carolina Department of Health and Human Services:			
Division of Social Services:			
State Aid to Counties		-	26,171
Smart Start		-	47,395
Passed through McDowell Partnership for Children and Families:			
Smart Start		-	9,892
Soil Conservation		-	24,300
Child Protective Services:			
Expansion Fund		-	533,594
Foster Care		-	142,632
Child Welfare Services:			
Direct Benefit Payments:			
Adoption Subsidy		-	251,390
Division of Aging:			
Direct Benefit Payments:			
State/County Special Assistance to Adults		-	558,428
Division of Youth Services:			
Juvenile Crime Prevention Council		-	130,250
Total North Carolina Department of Health and Human Services		-	1,724,052

McDowell County, North Carolina

Schedule of Expenditures of Federal and State Awards - Continued

Year Ended June 30, 2009

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
State Awards - continued:			
North Carolina Department of Corrections:			
Criminal Justice Partnership Program		$ -	$ 76,160
North Carolina Department of Transportation:			
Elderly and Handicapped Transportation Assistance Program (EDTAP)		-	77,274
Work First Transportation		-	12,537
Total North Carolina Department of Transportation		-	89,811
North Carolina Department of Crime Control and Public Safety:			
Division of Emergency Management:			
Emergency Management Preparedness Grant		-	23,076
North Carolina Department of Cultural Resources:			
State Aid to Libraries:			
Administration and Library Development		-	110,233
North Carolina Department of Administration:			
Division of Veterans Affairs:			
N.C. General Statute 165-6 (9)		-	2,000
North Carolina Department of Commerce:			
Rural Economic Development Center:			
Economic Infrastructure		-	180,000
Clean Water Infrastructure		-	307,085
Total North Carolina Department of Commerce		-	487,085
North Carolina Department of Environmental and Natural Resources:			
Division of Water Resources:			
N.C. Water Management Project		-	418
Passed through the Rural Economic Development Center:			
Division of Pollution Prevention and Environmental Assistance		-	12,832
Total North Carolina Department of Environmental and Natural Resources		-	13,250
Total State awards		-	2,525,667
Total Federal and State awards		$ 52,591,283	$ 18,779,847

Notes to the preceding schedule:

Note 1:

Basis of Presentation:

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of McDowell 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 basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

The following are clustered by the North Carolina Department of Health and Human Services and are treated separately for state audit requirement purposes: *Subsidized Child Care* and *Foster Care and Adoption*.

Subrecipients:

Of the federal and State expenditures presented in this schedule, McDowell County provided federal and State awards to subrecipients as follows:

Subrecipient/Program	Federal CFDA Number	Federal Expenditures	State Expenditures
McDowell County Rescue Squad/North Carolina Department of Transportation	n/a	$ -	$ 44,905